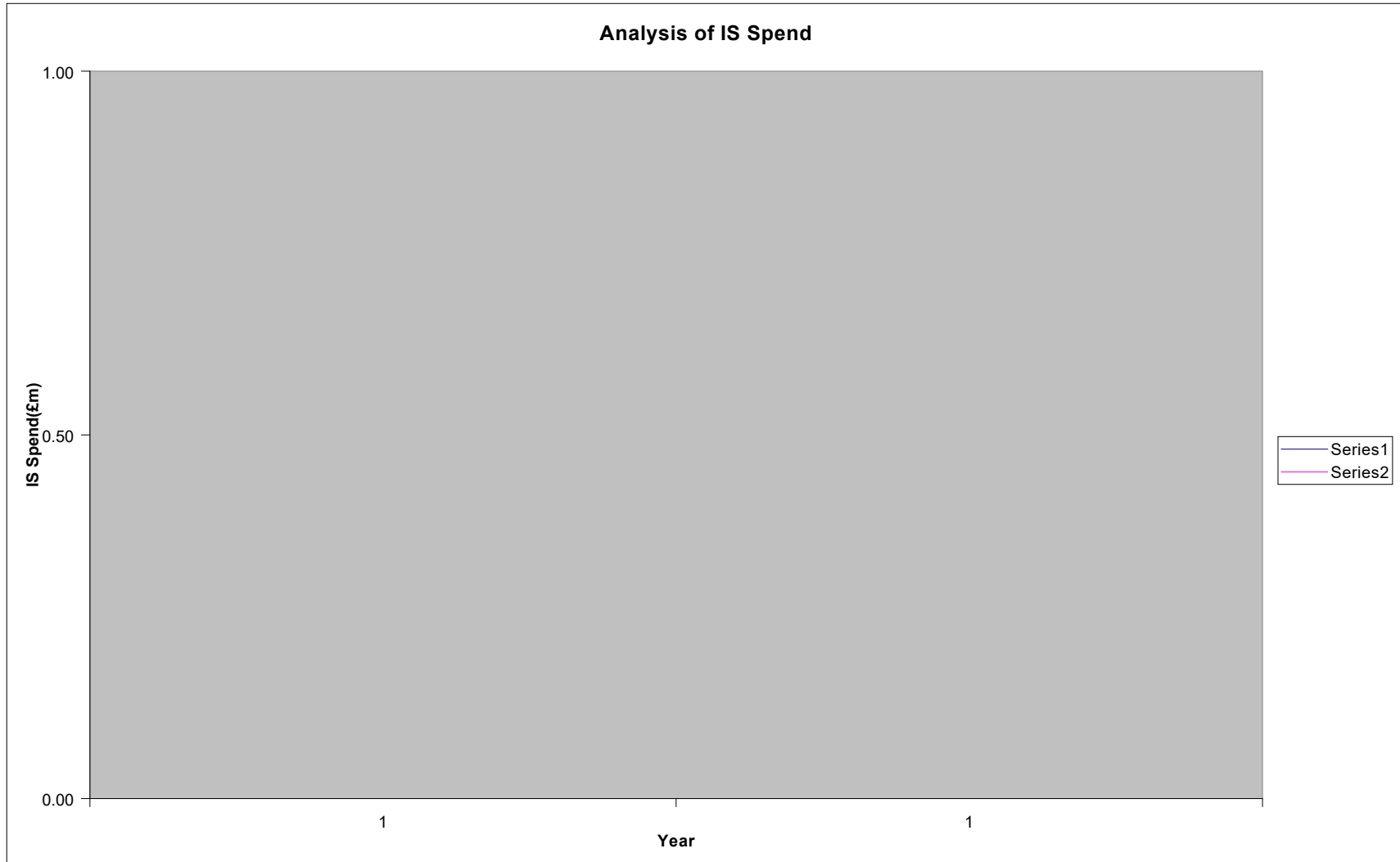


As at Period 1		Based upon balances in ESFS except where indicated	
Project	Supplier	Actual 2002/03 Excluding all adjustments £m	Actual 2002/03 - Adjusted £m
Development			
Capital/Other balance sheet funded			
<u>Banking</u>	<i>Network Banking Automation</i> Fujitsu Services (Pathway Ltd)	5.6	5.6
	<i>Card Account & PIN Pads</i> Fujitsu Services (Pathway Ltd)	12.1	12.1
	<i>DR cards</i> Fujitsu Services (Pathway Ltd)	0.5	0.5
<u>Horizon Availability Payments</u>	Fujitsu Services (Pathway Ltd)	36.0	36.0
	Total Capital	54.2	54.2
Non Recurring Revenue			
<u>Banking</u>	<i>Network Banking Automation</i> Fujitsu Services (Pathway Ltd)	17.3	17.3
	IBM	15.4	15.4
	BSBU	2.8	2.8
	Consultancy	4.4	4.4
	Other - Prime/IB costs not IS/IT rel	1.1	1.1
		41.0	41.0
	<i>Card Account & PIN Pads</i> Fujitsu Services (Pathway Ltd)	0.0	0.0
	(inc Prog Office) BSBU	0.7	0.7
	Consultancy	14.1	14.1
	Other - Prime/IB costs not IS/IT rel	15.8	15.8
		30.6	30.6
<u>DR cards</u>	Fujitsu Services (Pathway Ltd)	0.3	0.3
	BSBU	0.2	0.2
	Other	0.2	0.2
		0.7	0.7
<u>Other projects</u>	<i>Mails</i> BSBU	0.2	0.2
	Other IS	1.0	1.0
	<i>Sales M/</i> BSBU	1.4	1.4
	<i>IS consultancy</i> BSBU	0.6	0.6
	<i>IS consultancy</i> Prime	2.1	2.1
	<i>Other projects inc centrally held</i> BSBU	0.9	0.9
	Total NRR	77.5	77.5
Business as Usual (Recurring Revenue)			
		Based upon actual costs	Assumes £15m special discount

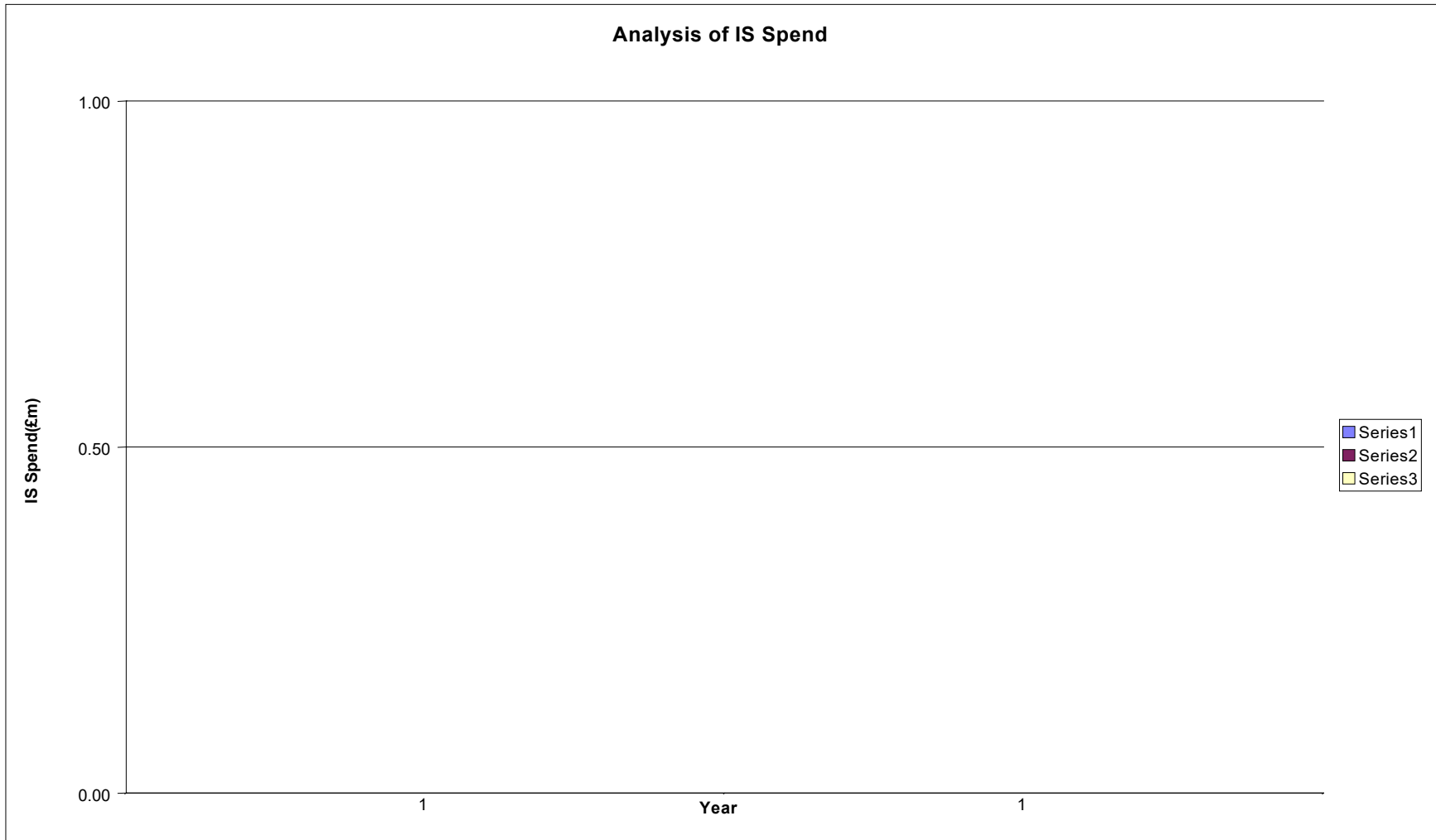
<u>Horizon</u>				
	<i>Operating Payments</i>	Fujitsu Services (Pathway Ltd)	92.8	79.4
		<i>OBC</i>	1.0	1.0
		<i>Commercial terms</i>	0.3	0.3
			94.1	80.7
<u>Banking</u>	<i>Network Banking Automation</i>	Fujitsu Services (Pathway Ltd)	0.0	0.0
		IBM/Link	0.0	0.0
			1.5	1.5
			1.5	1.5
	<i>Card Account & PIN Pads</i>	Fujitsu Services (Pathway Ltd)	0.0	0.0
		Link	0.0	0.0
		Other	0.8	0.8
			0.8	0.8
<u>Other</u>	<i>IS/IT Commodity</i>	BSBU	13.3	13.3
	<i>System support & maintenance</i>	BSBU	9.4	9.4
	<i>Programme cost</i>	Prime POL - Skills Group		
	<i>Programme cost</i>	Prime POL - Business Solutions te	2.0	2.0
			24.7	24.7
		Total RR		
			121.1	107.7
Total Cash flow - including capital and other balance sheet funding			252.8	239.4
Total P & L - excluding capital and balance sheet funding			198.6	185.2
<i>POL Revenue Internal and external income</i>			1243.9	1243.9
% of IS spend of POL income based upon cash flow			20.3	19.2
% of IS spend of POL income based upon P & L			16.0	14.9

Only £3.9m special discount was actually taken into the accounts in 2002/03, and not £15m plus VAT

Graphical representation



Graphical representation



Graphical representation



Sheet4

Network Banking

	2002/03	2003/04	2004/05	Total
Development	13386054	219350		13605404
Pin pads	8850660			8850660
Paypoles	1442860			1442860
Pin pad maintenance	607788	22137		629925
Comms	2010000			2010000
Network impl;ementation	1014845			1014845
Network nW/SW	1107653			1107653
NBS Implementation	2542223	17227		2559450
DRS	2062818			2062818
DRS	2808072	1464195		4272267
	374300			
	36207273	1722909	0	37555882
Ongoing				0
				0
Pin pad Maintenance	437859	1034293	1096170	2568322
Comms Running costs	1212000	9664000	12326000	23202000
Network Operating Charges	952551	2147177	1932459	5032187
Customer service charge	1678760	4112184	3410678	9201622
Audit Queries	33338	400051	360045	793434
Discount	-999996	-3000000	-2000004	-6000000
	3314512	14357705	17125348	34797565
	39521785	16080614	17125348	72353447

HEADLINES - Period 5**Budget**

Additional budget has been obtained to fund the Prism aspects of the End to End Simplification Programme.

C&LS Prism costs are now being managed from within the Commercial IT area.

Total Budget is £32.7m made up of:-

POL Issued - £20.1m

C&LS Issued - £9.6m

Additional Project Budget - £3m

Year to date

Total spend with Prism (incl C&LS) at Period 6 is £13.3m

PO Ltd - Issued budget is around £2m underspent as at end of Period 6.

C&LS - Issued budget is around £0.8m underspent as at end of Period 6.

£1.1m has been spent with regard to additional POL and C&LS projects which is in line with forecast.

Forecast

Overall PRISM Forecast is £27.95m following Period 6 review.

Note that an additional Forecast of £343k has been raised to cover costs now going direct to 3rd party suppliers, that would have previously gone via Prism.

Next Steps**Forecast**

- 1 Agree period 6 forecast
- 2 Continue to review all forecast's on a monthly basis.

Other

- 1 Continue to develop 2004/05 plan taking input from TSI Commercial re. Rate card changes.
- 2 Continue to develop 2004/05 Project requirements for input into overall Prism plan.

Variance analysis by DR

E

Period 5

	Bgt YTD	Act YTD	Var YTD	Bgt YE	Fcst YE	Var YE
IT Director	72.5	110.2	37.7	179.2	179.2	0.0
Banking	1712.3	-232.8	-1945.1	1871.7	-367.3	-2239.0
EMV	922.2	932.4	10.2	1511.5	1511.5	0.0
Business Solutions	478.4	814.3	335.9	1138.1	1138.1	0.0
Commercial Director	64317.4	65830.7	1513.2	158801.0	160870.4	2069.4
Delivery Director	8326.2	8310.6	-15.5	20954.8	20954.8	0.0
Other	0.0	2.0	2.0	0.0	0.0	0.0
Total	75829.0	75767.3	61.7	184456.4	184286.8	-169.6
Horizon budget (to be added P6)				2000.0		2000.0
Special discount not accounted for		-6529.2				
Adjusted total	75829.0	69238.1	6590.9	186456.4	184286.8	1830.4

Year to Date

Direct Report	Var Prd	Explained by
IT Director	37.7	Purchase of software Budget for Portfolio management held in Commercial
Banking	-1945.1	Appropriate underspends and credits relating to the Banking programme Note: EDS cost reductions not yet brought to account
EMV	10.2	
Business Solutions	335.9	Staff vacancies not filled earlier in the year Consultancy spend of £374k for which there is no budget. Some spend moved to EMV.
Commercial Director	1513.2	£5.4m overspend against Horizon (offset by special discount not brought to account £6.5m) Underspend against BSBU/Prism £1.0m, although current accruals understated? Underspend against change control budget £0.8m Lower than planned Banking recurring costs £1.8m
Delivery Director	-15.5	A number of under and overspends offset by free of charge OBC
	-63.7	

Forecast against Budget

Direct Report	Var Prd	Explained by
IT Director	0.0	
Banking	-2239.0	Forecast agreed at programme board
Business Solutions	0.0	
Commercial Director	2069.4	Horizon budget shortfall
Delivery Director	0.0	
	-169.6	

Changes to forecast

Direct Report	Var Prd	Explained by
IT Director	0.0	
Banking	0.0	
Business Solutions	0.0	
Commercial Director	0.0	
Delivery Director	0.0	

Risk-Opps (P5)

Directorate : IT

Period: 1 2004/5

Produced by: Commercial

Reviewed by Director :Alan Barrie

Date:

Date:

Ref	Project risk register ref	Raised in period	Description	£m. Current period		£m. Previous period		Action taken to reduce risk/maximise opportunity		
				Risk	Opp	Risk	Opp	Action	Owner	Contact details
		2	Damage to reputation of Post Office and potential future financial losses if PO loses court case relating to reliability of Horizon accounting data at Cleveleys Branch Office.	£1m				RM Legal Services have made an offer for out of court settlement of the case. Review with Fujitsu of their processes to protect against similar future cases.	Keith Baines	[GRO]
		2	Increased ADSL coverage by BT will result in lower than expected charges from Fujitsu		Up to £2.5m per annum			Periodic monitoring of BT coverage to ensure that we receive the maximum price reductions applicable.	Keith Baines	[GRO]
		2	Above limit volumes of help desk and engineering work from Fujitsu could result in additional charges	c£0.25m per annum				Work with Network Support to minimise inappropriate calls and call-outs	Nick Samuel	[GRO]
		2	Extra discounts of up to 7.5% are available on "Additional" spend with Fujitsu. Tiered discount structure has anomalies at boundaries between bands.		c £0.5m per annum			Monitor Additional spend throughout year, and especially at year end.	Keith Baines	[GRO]

Cost Elements	Act YTD	Bgt YE	Forecast based upon running rate	Variance	Notes
***** Staff & Agents Costs	2137.0	9030.0	6411.0	2619.0	Net off cost recovery
*** 21030 Removal & Relocation	15.9	19.4	47.6	-28.2	
*** 21000 Travel & Subsistence	134.5	264.5	403.6	-139.1	
*** 21010 Training	125.8	145.3	377.3	-232.0	All YTD cost is banking
*** 24530 Miscellaneous Property	154.1	196.1	462.4	-266.3	OET
*** 23025 AMC Print	25.7	0.0	77.2	-77.2	OET
*** 23105 Automation Equipment Moves	168.5	0.0	505.6	-505.6	OET
*** 24630 Security	3078.9	6763.2	9236.6	-2473.4	OET
**** 29109 Interbusiness Recharge for: Acco	28.7	0.0	86.2	-86.2	
**** 24800 Computer Hardware Maintenance	6526.9	857.0	19580.8	-18723.8	
**** 24810 Computer Hire	26.0	18241.0	78.0	18163.0	
**** 24820 Computer Miscellaneous	-483.6	262.6	-1450.8	1713.4	
**** 24830 Software Purchase & Perpetual Lic	-2301.0	0.0	-6902.9	6902.9	
**** 26410 Horizon Fujitsu Costs	38091.5	97467.3		97467.3	Forecast should be value of contract, £101.6m
**** 29110 Interbusiness Computers	3295.4	0.0		0.0	
**** 23000 Uniforms & Workwear	28.7	840.0	86.0	754.0	OET Risk relating to balances/stmts not realising
**** 23020 Printing & Stationery Purchases	212.6	2481.7	637.9	1843.8	OET Risk relating to balances/stmts not realising
**** 23100 Counters & Sorting Office Equipme	1310.1	330.0	3930.2	-3600.2	OET
**** 23110 Miscellaneous Materials	16.0	139.8	47.9	91.9	
**** 25500 Management Consultancy Fees	287.4	0.0	862.3	-862.3	
**** 25520 IT Consultancy Fees	186.8	0.0	560.4	-560.4	
**** 25530 Legal Fees	-123.0	0.0	-369.0		
**** 25501 Management Advice	1548.9	0.0	4646.7	-4646.7	Overstated, takes into account banking consultancy
**** 29117 Interbusiness Consultancy	121.4	240.7	364.1	-123.4	
**** 23820 Non Capital Plant & Machinery	0.0	300.2	0.0	300.2	OET
**** 23830 Non Capital Computer Hardware £1	16.1	0.0	48.3	-48.3	OET
**** 23870 Non Capital Office Equipment	74.2	429.8	222.6	207.1	OET
**** 23900 Non Capital Other Fixtures and Eq	137.2	334.7	411.6	-76.9	OET
**** 26665 Banking Back Office	8770.0	41875.6	26310.1		EDS forecast will only be changed when income forecast changes
*** 24230 Maintenance Office Equipment	495.6	2134.0	1486.9	647.1	OET
*** 26690 Miscellaneous Costs	-807.6	1.0	-2422.9	2423.9	
	63298.8	182353.9	65735.9	100683.6	

Proposed changes to forecast at period 4

	£m
Current level of budget/forecast	-182.4
<u>Changes</u>	
Cost of Horizon contract	-2.1
Banking forecast (Difference between budget and forecast)	2.4
Consultancy	?
Revised forecast ?	-182.1

BH = budget holders FA = finance analysts

Action plan

Action	Who	When
1 Consultancy		
Detailed analysis of consultants employed with view to change forecast in period 5	BH + FA	29-Aug-03
Raise at team meeting on 19 August 2003 to establish 'ownership'	DB	
2 Housekeeping		
Comprehensive review of all spend and housekeeping including T & S All OET costs BSBU/Prism split between IB and prime Change control costs	BH + FA	29-Aug-03
3 Staff budget		
Pursue staff budget changes to ensure clear baseline	DB	29-Aug-03
4 Budget allocation		
Pursue Horizon and Consultancy budget allocation Plus ADSL, Telecoms, EMV in due course	DB	29-Aug-03
5 Banking recurring costs	IO'D	
Establish process/scenarios for recurring banking costs (IBM/EDS)		