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FAX - 8 PAGES

faxed to JP 4/11

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3 November 1999

Dear Stuart,

HORIZON WORKING GROUP: 8 NOVEMBER MEETING

8 November meeting

I am writing to confirm that the next meeting of the Horizon Working Group, which will be chaired by Alan Johnson, will take place on Monday 8 November at 4.00 pm at the DTI Conference Centre, 1 Victoria Street.

Mr Jeff Rooker, Minister of State at the Department of Social Security will be attending to speak to the Working Group about the DSS/ Benefits Agency ACT migration plans. I attach an agenda.

I would be grateful if you and copy recipients could let Margaret Gumbrell in Mr Johnson's office know the names of those attending (tel:).

Further meetings

David's Sibbick's secretary has advised that the next full meeting of the Working Group will be held on Wednesday 1 December 3.30pm to 5.00pm. You and copy recipients are also holding Wednesday 15 December 3.00pm to 4.30pm on a contingent basis.

Internet:
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Minutes of last meeting

I attach minutes of the last meeting of the Working Group held on 11 October.

Copies of this go to Derek Hodgson, CWU; Colin Baker, NFSP; and Terry Deegan, CMA.

Yours sincerely,

GRO

ISABEL ANDERSON
POSTAL SERVICES DIRECTORATE

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HORIZON WORKING GROUP

SIXTH MEETING MONDAY 8 NOVEMBER 1999 AT 4.00PM

1. Introduction: Mr Johnson
2. Presentation by Mr Rooker on DSS/BA plans for ACT migration.
3. Discussion with Mr Rooker.
4. Arrangements for next meeting.

DTI
3 November 1999

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RESTRICTED - POLICY & COMMERCIAL**NOTE OF 5TH MEETING OF THE HORIZON WORKING GROUP ON
MONDAY 11 OCTOBER 1999 AT DTI CONFERENCE CENTRE,
1 VICTORIA STREET, LONDON****Present:**

Alan Johnson MP, Minister for Competitiveness DTI (Chairman)
Stuart Sweetman, Managing Director Post Office Counters Ltd (POCL)
Dave Miller POCL
Derek Hodgson, General Secretary Communication Workers Union (CWU)
Tony Kearns CWU
Matthew Payton CWU
Terry Deegan, General Secretary Communication Managers Association (CMA)
Tony Harris CMA
Colin Baker General Secretary, National Federation of Subpostmasters (NFSP)
John Peberdy NFSP
David Sibbick, Director-Posts DTI
Isabel Anderson, Postal Services Directorate DTI
Bronwyn Madson, Press Officer DTI
Simon Lancaster, PS/Alan Johnson DTI

Main Points**A. Introduction**

1. Mr Johnson in introducing the meeting as new Chairman stressed that he felt the work of the Group was very important to the success of the Horizon project, and he would accord it a high level of priority. It was agreed that a letter would be sent by the Group to Ian McCartney thanking him for his work as previous Chairman.
(Action Point: DTI to prepare and circulate for signature by Group members)
2. The minutes of the meeting held on 27 July were agreed.
3. Mr Hodgson expressed concern about a number of issues including the time which had elapsed since the last meeting. A great deal had been going on about which the Group had not been informed nor had been able to offer any input. If the Group was given the task of ensuring the success of the Horizon project, there needed to be much more frequent meetings, perhaps fortnightly, to enable the Group to remain firmly in the driving seat. The Group had considered at its last meeting the case for a joint submission to the Performance and Innovation Unit (PIU), but there appeared to have been no progress on this within the Group; and the DTI paper detailing points of interest raised in recent Trade and Industry Select Committee hearings on Horizon and the Post Office White Paper, and in subsequent Parliamentary business, had only been tabled at the meeting. In particular the

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Working Group had not been kept informed of developments on the study by the PIU nor on the important discussions between Post Office Counters (POCL) and the Benefits Agency (BA). It was not a question of recriminations - he understood the discontinuities caused by the summer holidays and the change in Ministerial responsibilities, but it was important that sufficient resources were made available to ensure that the Group could fulfil its role effectively.

4. Mr Johnson suggested that meetings should in future be held on a monthly basis with additional ad hoc meetings called to deal with specific issues as needed; the paper by DTI merely contained information already in the public domain; on the PIU study, the terms of reference and other details had not yet been finalised or made public, but would be circulated to the Group when they were. There would be further discussion of this study and of the POCL / BA negotiations under the appropriate agenda items. He also hoped that the Post Office and the Unions would be able to make progress on the media strategy paper they had undertaken to produce at the last meeting.

B. Update by Post Office on progress with project

5. Mr Miller explained that formal acceptance of the reconfigured Horizon system planned for 18 August had been postponed because of POCL's concern about training, system stability, data integrity (there had been an unacceptably high level of screen freezes) and the effective operation of the help desk. The Post Office had accepted the system on 24 September on the basis that effective remedial action had either been completed or was in hand.

6. Currently 950 post offices are automated and the Post Office expect that this will rise to 1,600 - 1,800 by Christmas. They confirmed that they were still confident of achieving roll out by March 2001 at the rate of 300 offices a week although of course there remained risks. The Post Office had commissioned an independent review of the roll-out plans.

7. Mr Deegan asked about the issues of spare capacity and triggers for payment. Mr Miller confirmed that the Post Office were clear that they would be able to use spare capacity on the system (this had previously been an issue of dispute with ICL). The Post Office will pay ICL £60m on 24 October on initial acceptance of the system and will pay ICL a further £80m when they achieve roll out to 1,600 offices which is planned for around Christmas time. ICL would not receive payment until the target had been reached, though the Post Office was not expecting significant slippage. Mr Baker expressed support for the Post Office's position - whilst there was a need for ICL to hit deadlines it was also important for the system to be delivered in full working order. The feedback which Mr Baker had received from NFSP members was intermittent, and not all positive but problems now seemed to be being sorted out and training seemed to have improved. The Post Office confirmed

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that systematic measurement of returns from offices was carried out and that Post Office Counters support staff visit individual offices and provide feedback to POCL HQ. Mr Miller also personally visits front line staff.

8. Mr Johnson suggested that publicity be arranged to coincide with automation of the 1000th office. The Post Office agreed to do this. (Action point: PO)

C. Update by Post Office on Benefits Agency Issues**a) Payments for Order Book Control Service (OBCS) / Floor Payments**

9. Mr Sweetman said that he and John Roberts had met with the DSS Permanent Secretary, Rachel Lomax, and that a series of further meetings at working level with the BA had been scheduled. In terms of progress, financial constraints appeared to be restricting the negotiating ability of the BA. There were a number of areas within the contract which the BA wished to change. Mr Sweetman suggested that an independent assessment of POCL's costs in providing the OBCS service should be made, which might then lead to a joint approach to Treasury by BA and POCL. This seemed at present to offer the best chance of resolving the impasse. Mr Johnson asked whether the negotiating teams were at the right level. Mr Sweetman said this was indeed an issue since this sort of negotiation had traditionally been done at account team level. He felt it was however worthwhile continuing the negotiation for the next couple of meetings.

10. The Working Group discussed its role in these negotiations with the BA. Mr Hodgson suggested that there was a case for the Working Group to input more directly into the BA / POCL discussions. Mr Johnson concluded that the Working Group shared the common objectives of securing a fair payment for OBCS and the continuation of the floor payment. The Group could consider what wider influence they might bring to bear either collectively or individually in resolving the issues, but could not sit at the negotiating table. That needed to be left to POCL and BA.

b) Bar Codes

11. Mr Miller explained that offices equipped with Horizon were recording unacceptable high rates in reading the bar codes on benefit order books. This problem had not been experienced with the stand-alone bar code reader used within the M25 area. BA blamed the Horizon system, whilst ICL blamed the quality of bar code printing. A further possibility was that paper quality might have caused the problem. The Print Regulatory Authority would be giving a view on this at the end of the week. It appeared that the Horizon bar code readers worked satisfactorily with other bills.

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RESTRICTED - POLICY & COMMERCIAL**c) Development of ACT migration strategy**

12. Mr Sweetman told the Group that POCL had met with the BA on 1 October. BA had indicated that plans for ACT migration strategy were not sufficiently advanced to share with them, though it was known that officials had been tasked with providing DSS Ministers with a worked up strategy by 31 July.

13. Mr Johnson confirmed that a meeting of the Working Group at which DSS/BA could be questioned would be set up as soon as possible. He hoped that it would be possible to persuade a DSS Minister to attend. (Action Point: DTI)

d) Roll out issues

14. Mr Miller told the meeting that preparatory work had already been done on 9,000 offices and POCL was starting to mobilise support teams (comprising 400 staff). They had identified a number of offices where they believed there may be a problem with implementation (about 20% of the network) and had strengthened the training for these. Time would tell whether the target roll-out of some 300 offices a week was sustainable in practice. Mr Johnson emphasised the importance of avoiding slippage in the roll-out. Mr Miller confirmed that BA now had no particular involvement in the roll-out, although they wanted the pattern of roll-out of OBSC to adhere to the plan formulated to achieve the maximum fraud savings.

D. Update by Minister on Discussions with Colleagues

15. Mr Johnson said that Ian McCartney had made several attempts to persuade Alastair Darling to increase the money available to the BA, but without success. A proposed meeting with Alastair Darling had been cancelled, but would now be rearranged. (Action Point: DTI)

E. Update by Minister on PIU Study

16. Mr Johnson advised the Group that Greg Wilkinson was the official leading the PIU study whilst Charles Clarke was the Minister in charge. He suggested the Working Group submit a joint submission to the PIU, and that a sub group of the Horizon Working Group should be set up to do this. Members could also, of course, submit independent submissions and would have the opportunity to meet with the PIU.

17. Mr Sibbick explained that the PIU's timetable was to finish the study by Christmas or early in the New Year. The study would look to the future whilst recognising the legacy of the past. Mr Lancaster explained that PIU studies were led

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by a Minister not involved in the day to day policy, hence the choice of Charles Clarke for this study. It was agreed that DTI would write around urgently to prepare a paper for early submission to the PIU. (Action Point: DTI)

F. Future Work Programme**a) substance**

18. Mr Johnson confirmed that an early meeting with the DSS/BA would be arranged. (Action point: DTI)

DTI would convene a sub-group to prepare a joint paper for the PIU. (Action point: DTI)

Mr Johnson asked about the media strategy which the Post Office and the unions had undertaken to prepare. (Action Point: PO, CWU, CMA, NFSP)

Government would update the Group on Government gateway, e-commerce strategy. (Action Point: DTI)

Post Office Counters would at a future meeting give presentations on network banking and, following that, on their other clients. (Action Point: PO)

19. Mr Hodgson suggested that studies were needed on Post Office Counters' future contracts with other Government clients. Mr Johnson suggested that whilst POCL would be sharing future prospects with the group some information might be commercially confidential.

b) Meetings

20. Mr Johnson suggested that the Working Group should meet regularly on a monthly basis, with additional ad hoc meetings called to deal with specific issues as needed.

POSTAL SERVICES DIRECTORATE /DTI
3 November 1999