



Group Review Actions

Review Type	Bid/No Bid		Siebel reference number:	UKR&RMG-ITE-46201
	Bid Approval			
	Contract Approval	X	Competitive Status	Non-competitive
Customer	Post Office		Bid Name & Offering	HNGX re-baseline
Opportunity Owner	Ian Terblanche		Account Manager	Ian Terblanche
Total Contract Value (BAR & CAR)	£26.5m		Gross Margin (BAR & CAR) (Value and %age)	£825k (1.1%)
Business Unit	Private Sector		Business Unit Director	Mike Stares
Date of Review	18 th September 2008		Date and type of previous review	30 th July 2008

Attendees	David Courtney; Kirsten Ellwood; Brian Harris; Phil Heath; Petri Imberg; Maz Kostuch; Lindsay Mcgranaghan; David Roberts; Peter Rowley; Mike Stares; Mike Stratford; Ian Terblanche; Wendy Warham; Guy Wilkerson
Copies	Business Assurance; PBU Bid Reviews; Paul Davies; Julie Sadler

Number	Action	Actionee	Date Due																														
Info	The purpose of this review is to seek approval of the re-baselined P&L and to submit CCN to POL to be signed end September 2008.																																
Info	HNG-x Programme Review - financials: <table> <thead> <tr> <th></th> <th>CAR (July 06)</th> <th>Update Review (Feb 08)</th> <th>CAR (July 08)</th> <th>This Review</th> </tr> </thead> <tbody> <tr> <td>Man Days</td> <td>43,000</td> <td>74,000</td> <td>105,000</td> <td>108,500</td> </tr> <tr> <td>Revenue</td> <td>£51.2m</td> <td>£59.1</td> <td>£75.3m</td> <td>£77.7m</td> </tr> <tr> <td>Costs</td> <td>£40.2m</td> <td>£53.8m</td> <td>£74.2m</td> <td>£76.7m</td> </tr> <tr> <td>Margin</td> <td>£11.0m</td> <td>£ 5.3m</td> <td>£ 1.1m</td> <td>£825,000</td> </tr> <tr> <td>GM%</td> <td>21.5%</td> <td>9.0%</td> <td>1.5%</td> <td>1.1%</td> </tr> </tbody> </table>		CAR (July 06)	Update Review (Feb 08)	CAR (July 08)	This Review	Man Days	43,000	74,000	105,000	108,500	Revenue	£51.2m	£59.1	£75.3m	£77.7m	Costs	£40.2m	£53.8m	£74.2m	£76.7m	Margin	£11.0m	£ 5.3m	£ 1.1m	£825,000	GM%	21.5%	9.0%	1.5%	1.1%		
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Info	Full life margin (including Managed Service) is now £158m vs. £121.6m that was originally CAR'd. Gross margin has also increased from 24.1% to 27.9%.																																
1.	PR to review cure periods and termination risk.	PR	Before submission																														
2.	Include clause within CCN which will protect us in the eventuality of service breakdown during migration.	GW	Before submission																														
3.	Seek commitment in volume of new business we will receive through the CCN.	IT/GW	Before submission																														
<i>Actions updated from previous review held on 30/07/08:</i>																																	
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Info	<p>The HNG-X programme has suffered a 12 month slippage which has had a major impact on the project and lifetime P&L (£9.9m margin – worst case).</p> <p>Fujitsu have started negotiation with POL to allow the program to continue and avoid dispute.</p>																	
1.	<p>Since last review £4.3m contingency has been added and £1.5m of additional contingency will be funded by the customer, bringing the total contingency to £5.8m. This assumes we hit every milestone between now and March 09.</p> <p>Re-examine risk and ensure they are weighted/factored sensibly. A plan must be in place detailing:</p> <ul style="list-style-type: none"> - Who is owning each risk - What is the risk - How will it be managed - When will it be effective <p>MStratford to review with PD once this work has been completed.</p> <p>Completed. Presented at re-CAR on 18/09/08</p>	IT/MStratf ord	NOW Closed															
2.	Review the number of man hours required and assess if this can be reduced.	MStratfor d	NOW															
3.	<p>The lifetime model presented at this review is not acceptable.</p> <p>There is 7 years remaining on this programme. A reform needs to be put together to get us back to £12m margin approved at CAR.</p> <p>The reform programme must articulate profit improvement and give confidence that the re-baselined numbers are correct.</p> <p>This plan must detail:</p> <ul style="list-style-type: none"> - Owner of each reform item - How the owner will ensure it will happen - Progress made to date - Timeline detailing when savings will be achieved <p>Completed. Presented at re-CAR held 18/09/08.</p>	IT/MStratf ord	For next review Closed															
4.	Immediate focus is to get rid of any risk on this year's numbers.	IT	NOW Closed															
5.	BA to work with team to identify appropriate timings for further review to review new baseline costs which are underpinned by the reform programme.	BA	As appropriate Closed															
	Updates on actions from review held 02/07/08:																	
Info	Purpose of the review was to provide an update on the HNG-x Programme as well as an account plan update.																	
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Info	Number of man days have increased from original estimate of 43,000 upto 83,000. We are 20 months late on the original contracted date. However, we are on track with what the client expects ie we are still meeting the POL business case.																	
1.	Check the contract terms around acceptance. Aim to lock down acceptance asap before Ric's departure. <i>Closed - Due to the slip to 105k man day this was not achieved.</i>	IT	NOW Closed															
Info	Paul Holloway is working closely with Paul Tasker and team re off-shoring. POL numbers have been included in the overall BOT numbers.																	
Info	RMG – FY08/09 financials: <table> <thead> <tr> <th></th> <th>Budget</th> <th>Forecast</th> </tr> </thead> <tbody> <tr> <td>Revenue</td> <td>£120.3m</td> <td>£78.0m</td> </tr> <tr> <td>Margin</td> <td>£23.8m</td> <td>£19.7m</td> </tr> <tr> <td>OP Profit</td> <td>£19.4m</td> <td>£16.2m</td> </tr> <tr> <td>TCV</td> <td>£30m</td> <td>£20m</td> </tr> </tbody> </table> <p>Next year already looks challenging. The team looking to drive new business to achieve the rev and gm numbers. They are looking at driving cost reductions to achieve the profit target.</p>		Budget	Forecast	Revenue	£120.3m	£78.0m	Margin	£23.8m	£19.7m	OP Profit	£19.4m	£16.2m	TCV	£30m	£20m		
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Outcome	Approved - subject to completion of actions 1-3.																	

Please confirm completion of actions to Business.Assurance@

GRO