COMPANY SECRET
FSMC/07/06

FUJITSU SERVICES MANAGEMENT COMMITTEE

FEBRUARY 2007

MAJOR ACCOUNTS

POST OFFICE ACCOUNT

Fujitsu and Post Office Limited have signed the HNG-x (Horizon Next Generation) contract which extends the current contract from expiring in March 2010 to March 2015. The recognition of the contract is subject to a funding condition confirmation which is due by and expected by 28th February 2007.

The delivery of the HNG-x programme is fully mobilised with over 140 full time employees engaged. The programme has experienced challenges with regard to timescales to complete, and after extensive reviews are now on track in terms of man-days and budget. The current challenge is to ensure that Fujitsu meet the planned Release Authorisation date of 27th December 2007. The current planning demonstrates that a 6 week delay has to be mitigated.

Hardware procurement decisions are complete comprising Fujitsu Siemens Bladeframe servers; EMC storage and Sarian for the branch router infrastructure.

Other programmes are also continuing successfully with the Horizon T40 and T50 software releases. The major component of T40 and T50 is the deployment of Moneygram, Pin change, and support for the Epson counter printer.

There are two major opportunities closed in quarter 3, which were 'must wins' for the account to meet the full year 06/07 financial commitments:

- Post Office Counter Printer Replacement   GBP 7.6m
- Royal Mail Group Digital Media Network   GBP 15m

The operational service continues to perform strongly and the latest CSIP report from the IS and Change team within Post Office has provided a feedback score of 8.5 out of 10.

The mobilisation of the Royal Mail Digital Media Network is proving to be very challenging. Technically, the solution works; however there are numerous network provision, equipment logistics, site wiring and access issues which are causing the rollout progress to be impacted along with customer satisfaction. As a result of these additional challenges we have reinforced the Programme Team to ensure we deliver to our agreed plan.

IRRELEVANT

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NHS

Difficulties continue to be experienced with achieving volume deployments of the Cerner application. NHS Trusts have not been prepared so far to take the product as presented and have insisted on changes which have delayed the Programme. The NHS Connecting for Health (CfH) team have been unable to manage the Trusts to the original plan.

Recently the new NHS Chief Executive, David Nicholson, initiated the National Programme for Information Technology (NPfIT) Local Ownership Programme (NLOP). It has been set up to ensure that the NPfIT was re-positioned to become part of mainstream NHS business. It will also ensure that the products and services being delivered under NPfIT were meeting the current priorities in the NHS. The NLOP recommendations stipulate that the functions currently carried out by the CfH Clusters will in future be carried out either at a local Trust, Strategic Health Authority

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(SHA), Pan-SHA or national level. The current NLOP activities are focused on joint work between NHS CFH and SHAs to develop an NPfIT Operating Model for the future. The Fujitsu Services NHS Project management team will continue to work closely with the NHS, CfH and the SHA's to ensure that we are in step with the devolution of responsibility introduced as a key component of NLOP. We will need to manage the transition carefully as the new NLOP regime does not take effect until 1 April 2007 and is taking place during a critical phase of the R0 deployment programme. In the medium term, NLOP is seen as helping to achieve faster deployment.

Over the next two months four acute Trusts are scheduled to deploy the Release "0" version of the Cerner Millennium NHS Care Record System (CRS). As reported in the last update the most difficult aspect of the implementation of CRS to the acute Trusts has proved to be the creation of month-end reports and key to achieving these short-term go-lives is the resolution of some reporting-related issues. This is primarily due to data quality issues associated with data migration from previous systems and each trust having a different approach to reporting.

Following up on the successful introduction of the NHS Connecting for Health Service Desk to the 223 Trusts in the North West Midlands, North East and Eastern Clusters in December, Fujitsu Services NHS Account has recently completed the deployment in the London and Southern Clusters. This brings to a successful conclusion Release 1 of the £42 million programme across all of England. The new service provides a helpline for NHS staff with IT problems or questions regarding systems and services brought in as part of the NHS NPfIT. In a satisfaction survey of the Trusts deployed in December 82% of those who responded were either satisfied or very satisfied with the service which replaced an existing NHS National Service Desk. Subsequent releases will provide support for future applications to be deployed under the NPfIT programme.

The Picture Archiving and Communications System (PACS) programme has moved into the final phase with 4 PACS systems remaining to be deployed. Since the programme commenced in April 2005 33 PACS systems and 30 Radiology Information Systems (RIS) have been deployed. 153 sites now have access to the PACS/RIS applications and over 115 million patient images are now stored in the central data store. The completion of the remaining deployments will bring the overall value of the PACS programme to £283 million.

HMRC

The joint Fujitsu Services and Capgemini presentation, outlining the major operational risks and vulnerabilities currently facing the Department, has received its final review by the HMRC Operational Committee. Its recommendation is to proceed in migrating the most critical business systems into a Fujitsu Services Tier 3 Data Centre from the existing HMRC premises. Funding approval is awaited from HMRC.

HMRC has instigated a Departmental Transformation Programme (DTP) which will transform the way it does its business over a 5 year period. There are 20 work streams and the executive committee of HMRC will be reviewing the outline business cases for the work streams at the end of January. This will result in a period of refinement and prioritisation before any approvals are forthcoming.

In November, Aspire successfully implemented a SAP (ERP) system for Payroll and HR Self-Service, including online access to payroll data for all 110k HMRC employees.

The Aspire/HMRC Innovation Centre was successfully launched in December and was well received by the Client. This will be used for showcasing potential solutions to business issues facing HMRC and accelerating adoption and implementation.

The roll out of the STRIDE programme delivering a new Windows XP desktop environment across the whole of HMRC is nearing completion and is on schedule and to budget. This has been recognised by HMRC as a major success and the next phase, aimed at exploiting the new desktop capabilities, is being planned.

The fourth tranche (of seven) of Volume Printing has been transitioned from the ex-HMC&E output centres. When completed in April, this will transfer the printing of 1,248 document types to Aspire and represents around 23.5 million printed images per year.

Department for Constitutional Affairs (Libra)

The Department signed contracts on 23rd October 2006 with ATOS Origin for Infrastructure Services and with Logica for the Applications support, as the final outcome of the DISC procurement.

Discussions are still taking place with regard to the request from the DCA to extend the current contracted Fujitsu service for an additional 3 months beyond 31st March 2007. It was anticipated that this would be finalised by January 2007. However, delay has been caused by ATOS underestimating the complexity of services provided by incumbent suppliers. The customer is reluctant to finalise the scope of the contract extension until they have an agreed plan with the new supplier ATOS.

We are expecting this agreement and finalisation of scope during February, with agreement of the contract extension during March.

The Libra Application deployment has recommenced in January, with a target date for completion of July 2008. This date remains dependent on the development of the Fines Enforcement functionality.

The key focus for the Account team remains that of maximising profit for the remaining contract period, whilst maintaining service quality and ensuring a professional exit.

Home Office

The overall relationship with the Home Office remains strong. In December Kurokawa-San paid a visit to the Home Office and met Sir David Normington, the Permanent Secretary. We also have a good relationship with the Financial and Commercial Director, Helen Kilpatrick.

The Home Office continues to suffer severe management problems and this is beginning to noticeably affect the way that they deal with suppliers. The problems are increased by a financial crisis (caused by a need to divert funds towards building more prisons), which means IT budgets and investments are threatened. This is badly affecting the size and timing of sales prospects.

We are building a good relationship with Tom Saunders, the interim Head of IT. He appears to respect our abilities and the qualities of our people. However, he adopts an adversarial and contractual style of supplier management the new approach is creating challenges for us in a number of areas.

IND will be a separately governed agency of the Home Office from April 2007. Senior management appear to be considering trying to reduce dependence on Fujitsu, in favour of ATOS, as part of this move. Our strategy to counter the threat is to ensure we deliver very high quality project work in all key areas of IND, thus making Fujitsu indispensable. We have now succeeded in delivering good project work or bids to each of the key directorates, which reinforces this strategy.

Our team is reshaping its management skills and we are recruiting several new people with experience in applications sales. We are also strengthening our relationships with key partners, particularly Oracle and hope to exploit these to drive sales.

Service quality has substantially improved. Since the last report, we completed our customer satisfaction survey and achieved the highest score ever. We have also recorded very low service credits – in October we incurred zero points for "time to fix" failures and in December the total service credit was the lowest ever recorded on the account.

DTI Elgar

Service has been very good during the period with availability consistently exceeding service levels & customer satisfaction remaining above average.
UK Trade and Investment (an Agency of DTI) scored us at 7 during December. This was an improvement from 6-12 months earlier and reflected a noted improvement in Project Delivery.

The Flexible Computing Programme is progressing. This project was delayed due to a communications error resulting in a Red Alert. The Red Alert was satisfactorily resolved and the project is shortly due to enter UAT.

The Matrix2 Document Management Programme continues satisfactorily, the project has been re-scheduled to an end-August delivery date.

We are currently refreshing the estate with Office2003. This high profile project is on schedule.

Negotiations have begun with regard to completion of the Insolvency Service CAMEO project. This Service is currently considering a number of options.

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In August the DTI issued an ITT to selected suppliers for a replacement HR system. Fujitsu responded with a proposed contract value of £3.5m. We are currently short listed awaiting the decision.

The DTI is reducing headcount as a Department. They have already reduced the contracted headcount by over 600 seats and this trend is likely to continue through 2007. As we are currently well above the contracted minimum number of seats these reductions feed through to the bottom line through the lifetime accounting model.

The Insolvency Service issued a Catalist ITT for an infrastructure refresh at the start of November. Fujitsu is the incumbent supplier for this service. We are preparing our response based on the benefits of Insolvency Service joining the DTI's ELGAR contract in a Shared Services environment. It is expected that there will be further TCV opportunities emerging within the Insolvency Service, e.g. Application Support, once the Infrastructure Service is secured.

The DTI has insisted that Fujitsu enter into a Benchmarking exercise with regard to the services provided. This is a contractual obligation and we have agreed to begin the process using Gartner as the Benchmarker. We are currently negotiating the terms of the exercise. Particular care is being taken to protect Fujitsu's commercial position whilst complying with the customer's requirement for us to demonstrate value for money.

MoD DII(F)

At the end of December the rollout volumes achieved were 130 sites, 2000 UAD's (user access device) and 11,000 users trained. The site approval process which is part of the migration roll out method is still introducing complexities and potential delays. These range from health and safety, site environment works and network equipment installation. None of these areas are Atlas or Fujitsu's responsibility. Some improvement in roll out volumes was achieved at smaller sites during December; however, rolling out the larger sites scheduled during Q1 2007 will be key to increasing the current volumes. MOD and ATLAS have revised the Site Implementation approach and approval process based on lessons learned to date. These changes come into operation during January 2007.

Following intensive and difficult discussions between EDS and Fujitsu, the ATLAS Engineering technical organisation has been restructured to create more effective joint working within the teams and improved integration throughout the engineering lifecycle. This is necessary to underpin the Q1 and Q2 delivery dates of technical solutions required for DII/F Rollout and to improve the efficiency and effectiveness of the ATLAS delivery organisation.

Overall, the changes identified above for Implementation and Engineering are essential to overcome the difficulties experienced by the DII/F programme to date and to improve delivery volumes throughout 2007.

There are a number of significant RFCs (change requests) in progress, including:

RFC12 – Increment 2 additional fixed site migration for approximately 55,000 desktops, this RFC is entering its final phase of negotiations between Fujitsu and EDS. RFC12 was signed between EDS and MOD at end December 2006.

RFC29 – Increment 2 solutions and services for deployed systems, this RFC is at an indicative pricing stage and is scheduled for contract change during August 2007, with activities ongoing to try and bring the date forward to April 2007.

RFC7168 – Covers the DII/F solution changes to Release 2. It has been agreed to reduce the EDRMS roadmap from 3 stages to 2. The interim stage of porting the current DII/C EDRMS solution to DII/F has been removed. The first stage of reaching back from DII/F to the DII/C EDRMS will continue longer until the office collaborations tools from Microsoft are available sometime during 2008. This RFC will need to be revised and then progressed with MOD.

RFC9817 – Brings forward the Abbey Wood MOD Procurement Agencies from Increment 2 into the Increment 1 scope of work. Currently in negotiation with MOD for agreement Q1 2007.

Northern Ireland Civil Service e-HR Programme

The e-HR programme is to help the Northern Ireland Civil Service (NICS) move to its Future Service Delivery Model for HR across all the NICS departments. The Fujitsu-led consortium is supported by PWC and Capita to deliver the programme of work.

Plans are in place to complete the next main programme milestones in the next two weeks, with some scoping discussions with Capita being managed by the programme management team. These discussions have progressed well over the last number of weeks, with the team making good progress in ensuring Capita understand that they and Fujitsu must jointly ensure the success of the programme of work. It is also anticipated that the overall risk provision for the programme will reduce in March as the Design and Build is completed.

Customer engagement at all levels on the e-HR programme is strong, with the governance and communications mechanisms helping to provide early sight of potential issues and helping both the NICS and the Fujitsu teams to manage both risks and issues on a timely basis. As part of this, the senior level team are working to build relationships with the new SRO who has recently been appointed by the customer.

Overall, the client is satisfied with progress to date and good working relationships exist between the Fujitsu team and the primary customer stakeholders, who have remained in place from the procurement phase into the delivery programme. This has been reflected in the recent CSIP that was completed last week by the customer.

Looking forward, the next major milestones are due to be delivered at the end of January 2007 and in March 2007 and are currently on target to be met.

David Courtley
February 2007