

COMPANY SECRET
FSMC/07/30**FUJITSU SERVICES MANAGEMENT COMMITTEE****AUGUST 2007****MAJOR ACCOUNTS****NHS**

Since the last report Release 0 deployments have continued to be impacted by delays caused by local requirement changes and in some cases a lack of appropriate customer resources. We continue to log all delay events. However, the number of changes and fixes being delivered caused configuration management issues with a maintenance release known as 07.02 and we had a number of failed attempts to implement this release in June. This has caused some customer concern and dissatisfaction and we are working on an exercise to learn the configuration management lessons arising.

The customer has though now recognised that the current method of delivering releases and deployments requires changes to take account of the current state of the programme and the evolution of the NHS and the programme structure (NLOP). To this end an MOU has been signed to instigate a review of the current contract and its potential re-alignment with a phased development process rather than the major release schedule. The Fujitsu Services objectives are to accelerate and de-risk the deployment forecast and recover the programme costs incurred.

Usage of the fully deployed PACS and RIS systems continues to grow with increased numbers of images stored in our data centre. Discussions are underway with NHS Connecting for Health for an extension to the on-site equipment to increase resilience and for the inclusion of cardiology images.

Agreement has been reached with the NHS and our major sub-contractor, Cerner, for the supply of a standing change team to accelerate the development and delivery of application enhancements raised by the NHS user representatives. This has resulted in a £5.1 m order for Fujitsu Services.

We are continuing to target growth opportunities across the account;

- Our Ambulance solution has been confirmed and we are in the final stages of negotiations for their approval to deploy this into 1200 vehicles.
- Following UK Treasury approval of funding, a proposal for the integration of GP systems with the acute hospital systems has been approved for submission to the client.
- Discussions are progressing to provide interim solutions to particular care settings based on commercial off the shelf (COTS) applications.

MoD DII(F)

At the end of July, the rollout volumes achieved were 266 sites, 5325 UADs (user access devices) and 20870 users trained. The priority business milestone of completing full operating capability for the Joint Personnel & Administration System (JPA) by end July 2007 was achieved but the number of UADs delivered was substantially behind previous forecasts.

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There continue to be problems with the delivery of building infrastructure work, network design, and network installation that are impeding high volume rollout. None of these areas are Fujitsu's responsibility but they are adversely affecting Fujitsu's revenue both in 2007/8 and across the lifetime of the project. A new plan called Migration Sequence 22 (MS22) has been agreed which comprehends the delays so far and sets a new baseline. Commercial discussions to cover the costs and lost revenues of the delays to date are in progress.

There are future risks to the schedule due to poor quality survey data and difficulties over data migration. Some frustration is being expressed by both Fujitsu Services and the Customer at the length of time it is taking EDS to resolve the implementation issues and the fact that EDS is not making full use of the Fujitsu management talent and experience.

The Engineering Improvement initiatives continue under a joint EDS/Fujitsu Engineering Improvement Plan. The key priorities for Engineering remain Release 1 Secret, Release 2A, and Release 2B. Release 1 Secret is scheduled to complete its first site trial in September 2007, Release 2a is scheduled to complete its first site trial in January 2008. These dates meet the requirements for delivery of the large HQ sites within Migration Sequence 22.

Increment 2a is now contracted and a number of other RFCs are in progress which will extend the footprint of DII/F and cover changes requested by the customer.

Overall, significant challenges remain in delivering the total contract profitability but there is mitigation in continuing revenues and profits from legacy contracts being extended as a result of the delays.

HMRC (Aspire)

HMRC has identified significant budgeting errors in its current financial year (FY) April 2007 to March 2008. This has resulted in major cutbacks to its Departmental Transformation Programme (DTP) expenditure and also to its Business As Usual (BAU) expenditure. Multiple programmes expected to start under the DTP within the financial year have been postponed resulting in significantly reduced in-year discretionary funding for the Aspire consortium. The Aspire consortium has also been challenged to reduce its BAU baseline operating costs by at least £70m by the end of fiscal year 2010/11 with required incremental savings of:- £37m FY 2007/08, £12m FY 2008/09, £15m FY 2009/10, £6m FY 2010/11.

Existing DTP programmes under contract and which continue to be delivered by the Aspire consortium are;

- Modernisation of PAYE Processes for Customers (MPPC) - the programme consists of 3 main releases, culminating in the system being operational in April / May 2008. Work is on track for the initial release due in October 2007.
- Carter - the programme to deliver improved electronic services to HMRC's customers is currently within the design stage and a Proof of Concept environment has been established to help shape the technical solution.

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- Estates Consolidation Programme to reduce the number of sites from which HMRC operates. Is on-track.

Outside of the DTP programme the Learning Management System (LMS), which provides training support to HMRC was handed over into Live operational service at the beginning of June on schedule.

POST OFFICE ACCOUNT

Service delivery across the Post Office portfolio remains very high with customer satisfaction achieving an all time high of 9. The customer relationship in these areas remains strong with good team working across all focus areas.

The HNG-x development is now - underway; we have experienced some challenges in certain aspects of the program which have driven a revision to the original delivery timelines:

- Completion date moves from April 09 to July 09 for the NT version
- Start of Pilot moves from August 08 to November 08
- Application & Infrastructure development deployment will move from September 07 to March 08

These changes present challenges to the programme but the team are focussed on delivering the original business case. The Post Office is fully engaged and is very supportive of Fujitsu Services and we have a strong joint working team.

The Royal Mail Digital Media Network (DMN) is nearing its completion with some service problems. The project has been moved into Red Alert to ensure the focus required is available to close this part of the project by mid August 2007.

IRRELEVANT

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MINISTRY OF JUSTICE [MoJ] (formerly DCA (Libra))

The Department continues to focus on the programme to transition to the new suppliers, ATOS Origin and Logica, under the DISC programme. This programme was originally due to complete in March 2007 but is now scheduled for completion in the August or September 2007 window. The delay has been communicated to the incumbent suppliers as a result of difficulties with the unexpected complexity of the programme.

The infrastructure transition to ATOS Origin continues to be significantly re-planned on an almost daily basis. Relationships between ATOS Origin and MoJ have become increasingly fraught, with daily planning meetings publicly airing a level of frustration on both sides.

As a result of the delays a contract extension has been signed with the MOJ to run the Fujitsu Services contract until 30 September 2007, but services provided are reducing over the period as is our revenue.

The account team have had regular feedback from the customer on the high quality and professionalism of the Exit programme, including a personal thank you from Yvonne Gallagher, CIO.

The Libra Application deployment continues to deploy with 18 sites now using the application in live operation (approx 800 users). The target date for completion for all 8,000 users remains as December 2008. However, this date remains dependent on the successful implementation of the Fines Enforcement functionality due to be installed on 23rd July 2007.

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As reported in our last FSMC report the Home Office reorganisation was undertaken in May splitting justice functions from the Home Office, leaving a focus on Homeland Security and anti-terrorism. This change has not substantially altered the scope of the Fujitsu Services contract. The reorganisation has now been followed by a new Prime Minister and the appointment of a new cabinet including the appointment of Jacqui Smith to the post of Secretary of State for the Home Department. As a consequence there is a considerable state of organisational flux. This coupled with the continuing budget crisis has resulted in decision making continuing to be affected in most areas.

Service quality has continued to improve over the period but we are actively trying to gain wider customer recognition in this respect.

We continue to broaden and strengthen our contacts in the key area of the Border and Immigration Agency and have during the period been awarded, in competition against ATOS, the contract to deliver the UK's new high visibility immigration system, known as Points Based System or PBS (also known as PIDP). Initial customer workshops and design work is well underway with a key demonstration using screen shots scheduled for presentation to senior customers and the relevant Minister (Liam Byrne) on the 17th July. Face to face meetings are also arranged with other key stakeholders from within the programme.

Also mentioned in the last report were the two key appointments, within the Home Office, of David Myers for Shared Services (including IT) and John Collington, as Group Commercial Director. We are continuing to grow relationships with both individuals and our newly appointed Account Director, Joe Bailey, is now also engaged in this process.

Moving forward we see ongoing successful delivery of both service and projects as key to our growth and are providing focus to ensure this takes place.

BERR (Business, Enterprise and Regulatory Reform) formerly DTI Elgar

As part of the Machinery of Government changes, the DTI has changed names to the Department for Business, Enterprise and Regulatory Reform. (BERR)

Service delivery continues to be very good during the period with no missed SLAs. The Flexible Computing Platform programme is in its closedown phase after delivery of 600+ Flexible computing platforms that have been extremely well received by the user base.

As part of the Estates Optimisation Programme, a completely new office was established facilitating a smooth move from old office to new as part of the DTI's continued transformational drive, again this was well received.

The Matrix 2 program is on target to 'go live' as planned on 28th August; primarily a technical refresh of an EDRMS capability that is fundamental to the way in which BERR operates. We are working very closely with the client to ensure the combined implementation plan is accurate and managed effectively, providing confidence the targeted go live date is achievable.

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We are working with the client in ensuring good post go-live support with additional floor walkers to address any usability issues arising within the first few weeks of usage. In parallel, we are working with our partners to ensure that we have all the necessary commercial arrangements in place, enabling confidence in reliability and service operability to be gained.

Fujitsu Services was not selected for the Insolvency Service re-bid and we are now negotiating an exit and a timely handover to the new provider.

We are continuing to work with the client and Gartner with regard to Benchmarking, which has just entered phase three - normalisation of selected peer groups to Fujitsu Services service towers. We continue to believe we are delivering value for money and expect the outcomes of the benchmarking to reflect that.

There have been some difficulties with the client's perception of Fujitsu Services around project/programme delivery. We are actively working with the client to address these perceptions and introducing ways of working that aim to re-establish Fujitsu Services' position as preferred partner of choice.

NORTHERN IRELAND CIVIL SERVICE (NICS) e-HR Programme

The e-HR programme overall continues to progress.

The shared services centre has been commissioned and the recruitment of staff started. Fujitsu Services have now built the ICT system for external recruitment and HR records management. We have agreed the plans for the rollout of this service to each of the Northern Ireland departments. External recruitment is planned to 'go live' in August and HR records management will start roll out in September completing in December.

Fujitsu services have now agreed the new payroll processes with the NICS and have built the weekly and monthly payrolls. These are now in system test; this will be finished in November. These will then be tested through a process of running in parallel with the existing payrolls and will go live in the spring of 2008. Changes to the contracted timescales (with some services being brought in earlier and others later) and the associated financial and commercial implications are currently being worked through with NICS and Capita with the aim of being captured in a minor Contract Change Note in early August.

The customer governance boards are in place and continue to operate well. This provides early sight of potential issues, helping both the NICS and the Fujitsu Services teams to manage both risks and issues on a timely basis.

ALLIANZ

On the 15th May 2007 we signed an outsourcing contract with Allianz/AGIS in Germany worth in excess of €400m over five years. This contract includes managed network, voice, service desk and desktop services for 35,000 clients in all major locations of Allianz and Dresdner Bank in Germany.

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On 1st July, after a very short and intense transition phase lasting only six weeks, we transferred 530 employees and more than 300.000 assets from Allianz/AGIS to Fujitsu Services without any disruption to the service. The customer has praised us for our leadership in project management and the project results. On 22nd July we met one of the last key milestones and critical deliverable through achieving the first salary payment for our transferred employees. Allianz/AGIS are now planning to extend their outsourcing programme outside of Germany through a programme called CREDO. CREDO is a European consolidation of IT Infrastructure; we have been short listed for this programme. In Germany we are pursuing further opportunities to extend the contract into Dresdner Bank branches 20.000 clients, along with providing support for the Allianz agencies 40.000 clients.

Our focus is now on planning and delivering the transformation project and continuing to deliver high quality services to Allianz.

David Courtley
August 2007