COMPANY SECRET
FSMC/08/05

FUJITSU SERVICES MANAGEMENT COMMITTEE

MAY 2008

MAJOR ACCOUNTS

NHS

Contract Re-set negotiations have continued throughout the period, but are no longer under cover of the Memorandum of Understanding (MOU) which entered a Cure period during January, but was not extended further. The intent is still to obtain a binding Heads of Agreement as soon as possible, including financial support for commencing reset delivery activities; meanwhile we have reverted to the current contract CCN60. The negotiations have reached a critical juncture where the proposed solution has been accepted, but the price target has changed. We are working at a senior level directly with the 3 Strategic Health Authority (SHA) CEOs and the Connecting for Health COO. We anticipate an agreement in principle during May with a signed contract change finalised in the following few months.

On 31st March MSB3 (Mid-South Bucks) NHS Care Records Service Release 0 implementation successfully went live across Stoke Mandeville Hospital NHS Trust. All live sites are running well with 7 out of the 8 having signed off their Deployment Volumetrics (DV), all but Milton Keynes. The latest for West Somerset was achieved 45 days after go-live.

Development of the next releases of PACS (Patient Archiving Communications Systems) and RIS (Radiological Information Systems), which will connect both systems to the national “Spine”, are on schedule, with test due to commence this month. Discussions have been opened to agree the approach to deployment of these releases, which is likely to result in incremental revenues in 2009.

On 11th of February, Gloucester, and 10th March, Swindon, went Live on the Interim Child Health system. With six go-lives now achieved we have completed the deployment of Child Health systems across the entire Avon, Gloucestershire and Wiltshire (AGW) community.

HMRC (Aspire)

The transformation programme established to drive through cost reductions in our Data Centre Operations following the signature of the Aspire Challenge Contract Change Note on the 23rd December 2007 continues at pace. Virtualisation of the HMRC development and test Wintel server estate is underway. Equipment and software costs, resource costs and other third-party costs are all being reduced in line with the requirements of the Account’s 2008/9 budget.

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Live Services Delivery continues to provide excellent service to HMRC with SLA conformance running at above 98%. The HMRC April release programme went very smoothly with no detriment to the service levels. This release programme included the going-live of key phases of two customer critical, infrastructure projects:

- MPPC (Modernising PAYE [Pay As You Earn tax] Process for Customers) Release 1 delivered a replacement of the legacy infrastructure at the end of March; and
- Carter DP1 delivered the infrastructure to support the continued expansion of the on-line PAYE in-year filing system from the 6th April – the start of the new tax year.

Both of these phases went live with no implementation issues.

Following the high profile loss of customer data by HMRC there has been a dramatic tightening of all aspects of data security across the HMRC estate with consequential impacts to the Aspire operational processes and procedures. This represents an opportunity for additional business for Aspire over the short to medium term.

HM Treasury's authorisation of HMRC's Departmental Transformation Programme (DTP) funding for the financial year 08/09 remains outstanding, continuing the uncertainty of the department's strategic direction and its current and future budgetary position.

MOD DII(F)

Roll out performance during the first 3 months of 2008 has been disappointing with lower volumes than in the final 3 months of 2007. Implemented workstations as at end March 2008 numbered over 29000 including, for the first time, a number of Secret workstations. The user and data migration issues referred to in the previous report remain factors that are impacting larger sites.

An in depth review of the Secret and Release 2A programme was conducted during March as delivery timescales continued to be impacted by slow progress through testing and trials. The issues have been identified and a revised schedule has been agreed with MOD that identifies the first MOD HQ business pilot in operation during August. Whilst overall the Service Management SLAs are still being achieved, Germany and the Abbeywood HQ have experienced intermittent performance issues during March which have now been resolved. The transfer of the DII/C D(S) service to ATLAS has completed on time as part of Increment 2b.

The Implementation delivery process has also been reviewed. A new statement of work has been produced by Fujitsu Services that will form the basis of the new end to end delivery process. The Statement of Work has been agreed with EDS, and a costing of the new scope of work is underway,

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the Governance approvals will be scheduled during April with end April as the submission point to EDS.

The main commercial activities in progress are the settlement of claims for delays to the migration schedule, and the Implementation Statement of Work. An Interim payment for settling delays to the migration schedule was received from EDS during December 2007 and this, together with other settlements; continue to support the forecast lifetime contract margin.

The first price submission for RFC45 was submitted to EDS, confirmation of the next pricing phases for this RFC is being discussed with MOD including the forecast date for RFC45 being on contract.

IRRELEVANT

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IRRELEVANT

ROYAL MAIL GROUP formerly POST OFFICE ACCOUNT

Post Office Limited (POL) - Since the last report we have experienced some program slippage, mainly in counter development and rig build. This has pushed the HNG-x project plan out by three months and increased the Estimation To Complete (ETC) up to 105k man days (which includes 8k man days of change). The relationship with POL remains strong and we are negotiating the commercial impact of this increase with POL. The target is to have the commercials agreed and signed in May.

Our service delivery has improved since December and is now at the highest levels and POL is very happy, this is reflected in our high customer satisfaction score of 9. We are in the final stages of planning our off-shore strategy which will be shared with POL.

The Royal Mail Group Digital Media Network (DMN) project remains stable and continues to deliver value to the senior executives. We have extended a key aspect (Managed Distribution Services) to co-terminate with the rest of the DMN solution.

There are a number of sales opportunities within RMG, we continue to focus on the Data-centre – although CSC has had their contract extended, RMG have introduced large areas of flexibility within this contract extension which mean a number of opportunities still exist for Fujitsu Services. The arrival of the new Group CIO, Robin Dargue has seen upwards of 45% of the IS team being made redundant and a total restructure. Robin has a track record of removing CSC, so this may assist us in our sales campaigns.

IRRELEVANT

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IRRELEVANT

HOME OFFICE

As anticipated client budget pressures in all areas of the Home Office have continued through into the new financial year with significant budget cuts and with spend on IT services still under close scrutiny. Notwithstanding this it is expected that budgets will be put in place for major programmes such as Immigration Case Working (ICW) although this could be on a restricted/phased approach rather that agreeing a full lifetime budget in one go.

Service quality and customer satisfaction were at their highest levels during the financial year with the lowest level of service credit payments since inception of the contract. Notwithstanding this customer budget pressures are causing them to call in to question the value for money they receive as we move toward a contractual requirement to implement a benchmark exercise.

Work has continued on the Points Based System (PBS) within the Border and Immigration Agency (BIA), as of 1 April 2008 BIA becomes the UK Border Agency (UKBA), and the first release (R100) of the de-scoped application service was delivered on time on 28th February, with a subsequent element of the release delivered 14th March. This was a significant achievement but only possible as a result of the de-scoping of the amount of functionality released and the commercial debate as to why this was needed continues. Having now achieved this, we remain positioned to capture the wider opportunity for ICW although we now think it is possible that the customer will be forced to run a restricted competition rather than extend through PBS. The key to winning this opportunity remains with ensuring ongoing success within the PBS programme.

The new infrastructure upgrade programme within the borders area of BIA has now been started and is progressing well. We were successful in winning a competitive opportunity (£6.0m) against Serco to provide a secure infrastructure project which has now moved into the implementation phase; successful implementation of this solution could lead to other similar opportunities.

Relationships between the customer and Fujitsu Services management teams remain generally positive and continue to grow but at the Home Office Management level there have again been a number of changes with the introduction of replacements for the Head of Shared Business Services, the

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Chief Information Officer and the Senior Commercial Manager responsible for the Fujitsu Services relationship. The replacement of the Head of Home Office IT is also pending. We have met all of the new incumbents and are again setting about developing these relationships.

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

The service remains strong with consistent SLA achievement over the past 6 months. The customer is also pleased that we have implemented the new government security standards on data encryption so quickly. The successful Matrix 2 project to upgrade the BERR document management system has now been formally signed off after a 3 month trial period in live operation. We have also gone live, on-time and within budget, with Phase 3 of the UK Trade and Industry Customer Relationship Management System.

The final Gartner report was issued and as forecast in the last report this leaves us in a strong position to justify our existing ELGAR desktop pricing.

The key challenge we face with BERR going forward is the customer's shortage of funds over the next 3 years. The Treasury have instructed the department to make 5% year on year cuts in running costs and BERR has asked its key suppliers to help in the search for savings, with a particular focus on 2010. We have entered into negotiations with the customer to identify if a win win outcome can be achieved through a move to the Public Sector Flex desktop service in 2010. This would provide desktop savings for BERR and additional contracted business for Fujitsu Services out to 2017.

Other significant new business opportunities are limited at present with BERR, due to the funding shortages, and so 15-20% of the BERR Account Team have been redeployed during the last 6 months onto winning and supporting new business in BERR's sister department, the Department for Industry University and Skills (DIUS). This generated a significant growth in revenue and profit last year across the two departments and we are targeting continued growth this year using the same shared services approach.

NORTHERN IRELAND CIVIL SERVICE (NICS) e-HR Programme

The external recruitment service for the NICS has been operational since October 2007. Thirty six campaigns were transferred to the new service and to date sixty two recruitment campaigns have been launched, this level of activity is 150% of the forecast activity and is enabling the NICS to fill vacancies more effectively. To date we have had no material service failures.

The employee relations service has been operational since Christmas and the number of weekly calls managed has risen to 6,000. Management of the service level regime in this service is now fully operational.

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The payroll has now been tested and the first parallel run complete with no unexplained variances. This remains on target to be implemented in the first half of this year. The vacancy management and performance management services remain on track for implementation in spring 2008.

Our relationship with the NICS remains strong and this relationship is being exercised to manage individual queries through the new service delivery model.

ALLIANZ

We continue to develop a strong partner relationship with Alliance supported by strong customer satisfaction scores. Measured service levels for the service are overall green with one that we are negotiating between amber and red. The service delivery management team have implemented strengthened, operational practices which are beginning to show a significant increase in service quality. All high level design & service documents are in place and agreed with the customer and we plan to have our Triole for Service test environment in place during May.

Additional costs have been incurred during the transformation phase, mainly relating to contractors on the contract that should have been transferred to Siemens and BT. The program is also running with a delay of approximately four weeks. A Senior Account Director from the UK has been appointed to lead the Account . He will ensure that the work done by by the contractors is invoiced to the customer, focus on transition and transformation and implement Reform cost reduction programmes to ensure that our account and programme plans support achievement of the lifetime financial model.

The project for a new insurance application named ABS in combination with new hardware is still being rolled out we have completed in excess of 10.000 clients in three regions of Germany. We have also completed a further rollout for more than 3.000 26 inch monitors. We continue to focus on the accounts financial performance and have delivered 3500 incremental days of additional projects to support this.

The due diligence for Dresdner Bank branch network and voice support is underway and the Euler Hermes DMS extension of the ASIC contract has been signed. We have further opportunities with a thin client evaluation project for Dresdner Bank, AZ24 call centre project for Allianz Germany as well a transfer of the t-systems contract CCC, which is voice over ip support for the customer contact centre of the Allianz Group.

David Courtley
May 2008