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FUJITSU SERVICES MANAGEMENT COMMITTEE

NOVEMBER 2005

MAJOR ACCOUNTS

NHS Programme Update

As envisaged by the earlier MOU, a Change Control Note (CCN 060) changing the main solution supplier from IDX to Cerner was signed with the National Programme on 1 September. A full flow down subcontract was signed with Cerner on the same day.

The CCN resets the programme timetable, sets the rollout plans by trust through to 2010 and extends the term of the contract by 18 months to December 2014. It limits our commitments in some key areas and places further obligations on the NHS as dependencies. Overall, it introduces greater clarity to what has to be delivered and how. The total contract value is increased by £209m and cash flow is significantly improved.

The positive and enthusiastic response to the change of supplier reported in the last update continues to spread among the trust community. The first product set, Release 0, is in test and the first deployment is due to go live around the end of December.

The deployment plan for this fiscal year to 31 March remains approximately 20 trusts, unchanged from MOU.

The Picture Archive and Communication System (PACS) programme is going well. Four PACS deployments have gone live including one outside the Southern Cluster and one with a Radiology Information System (RIS). The PACS programme continues in line with the requirement to complete the Southern Cluster roll out by mid-2007. In addition to the system already deployed in the Eastern Cluster (James Paget) we have received an order for a further out of cluster system in Coventry.

A help desk supporting 5000 NHS staff in South Devon, supplied as part of the CRS programme, went live in October.

We have just submitted a bid to supply the NHS with a first line Help Desk, either national or for one or more clusters. A decision was made to "no bid" the Infrastructure opportunity in Scotland.

Post Office

Financials

First half revenue and profit were £49.9M and £11.1M against Q1 budget of £50.8M and £7.6M. The continued revenue shortfall was due to not achieving the expected HNG revenues although we were able to achieve a much better profit number due to delayed costs on HNG.

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Current service remains very good. The service transformation plan has been implemented and scorecards remain high. We have identified a number of areas for service improvement as part of the HNG work.

Work in Progress

Time and materials development programmes continue:

1. S80 has now been implemented successfully.
2. S90 continues on track for delivery in January 2006 with most developments complete and now in testing. S90 comprises the following:
 - Credit/Debit Card acceptance for Bureau transactions
 - Postal Order automation
 - AP outpayments
 - Several S80 overspill changes
3. We are now testing the S92 release that covers Branch Network Resilience.

Horizon Next Generation (HNG)

Having been set the task of re-evaluating our HNG proposition, we re-presented a fresh proposal to Post Office Ltd. on 12th September. The overall reaction was positive and the next weeks were dedicated to answering questions and providing elaboration on our offer.

This culminated in a presentation of the way forward to the POL Board on 19th October when broad agreement to proceed with discussions with Fujitsu was given. There were a number of areas still to be firmed up and there is a target date of 11th November for completion. Currently there are no show stoppers although there are some difficult areas to be agreed.

Post Office are looking to provide limited funding to carry the project forward to end May. Because of Royal Mail Group overall funding issues, Post Office believe that the finalisation of a contract may not be achieved before end May.

Our current joint plan shows all contract details firmed up by mid-March so work will progress against that plan.

This latest proposition puts Fujitsu in place as POL's prime SI contractor.

HMRC ISA (ex HMCE)

The HMCE Account is on track to meet all business targets for this year and HMCE have continued to be a reference customer for a number of Fujitsu Services opportunities.

The activities to upgrade the whole network are on schedule to complete at the end of this year. The desk top roll out has now started and we are running to schedule.

The confidential roll out has experienced a number of problems which need to be resolved to allow the full roll out to continue. We have agreed a recovery plan with HMRC and we are currently on track against this plan.

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HMRC have issued their strategic requirements as a result of the merger of Inland Revenue and HMCE. There has been some recent improvements in resolving the gaps in the requirements but we have agreed to proceed with our response on the basis of agreed assumptions.

The Department decided to proceed with financial benchmarking even though there still remain some issues between us. We have now received the results of the exercise and there are major gaps between the peer group prices and those being charged within the ISA. We have responded to the report on the basis that we cannot agree to the findings in their current form. This is now a substantial issue with the Department but we are looking at ways of resolving it.

HMRC continue to review their preferred way forward for IT services provision following Government agreement to bring together the Inland Revenue and HMCE into HM Revenue and Customs. They have continued to progress merging the HMCE contract with the ASPIRE contract and we have agreed an MOU to cover this approach. We have agreed a revised workshare with Capgemini within the extended ASPIRE contract. We have also provided a proposal to HMRC based on the MOU and the agreed workshare.

HMRC ASPIRE (ex Inland Revenue)

The operational service continues to be successful with service levels maintained / improved on those previously being delivered prior to transfer. We continue to have some operational issues whereby the processes we have inherited are not ideal for achieving impeccable service; these areas are being investigated as we identify them.

We are currently forecasting that we will meet the financial targets for this year. The relationship with Capgemini continues to be very good and we are working well as a joint team providing the integrated proposal to HMRC. The agreed new workshare principles are now being adopted for all new HMRC services.

A revised Data Centre Strategy has been accepted by HMRC and the preparation work at SDC02 has progressed to schedule.

The preparation of the new Print Centre in Warrington has gone well and we plan to take over production of NTC Flatpack & Giro from EDS in January 2006. The P2 colour printing programme remains on hold by Inland Revenue due to a shortage of funds.

There continue to be many high profile projects within ASPIRE which are being delivered by both Fujitsu and Capgemini.

Libra

We have now had 36 months without a National SLA failure with the 42 Area customers continuing to report that they are 'Very Satisfied' with the Service they are receiving; however, we have seen a drop in satisfaction with our main customer - The Department for Constitutional Affairs in the area of new projects delivery. As a result of this we have launched a major Service Improvement Plan covering the following areas – Governance, Resourcing, Process, VFM, Communications, Risk sharing, Quality, Futures Register & Rapid Assessment. Work on the improvement plan is progressing well.

A full Libra Hardware & Software asset register was submitted on September 30th to Areas and the Department in accordance with the Main Agreement and Exit obligations.

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Implementing Sense & Respond® in the Help Desk environment has led to a proof of concept study being undertaken to install voice recognition technology, which would increase user productivity by reducing the elapsed time taken to process password calls from hours to minutes.

The implementation at the North Liverpool Community Justice Centre of the EZ-GOV software data hosted by Fujitsu at its Southern Data Centre went live successfully on Monday 5th October.

The Libra Project Board on the 18th October will decide on the schedule for Live Business Trials of the new application following completion of Phase 2 of the Live Trial Release. The current plan is start the trials in Kingston in the second half of October with Warwickshire, South Wales and Suffolk commencing before the end of the year.

Our printer replacement programme was completed on schedule.

Project revenues to September 05 are £0.9m above Q2 budget and on track to exceed base target. Profit is £5.9m above Q2 budget and will exceed base target.

An increase in additional services work has brought in the revenue increase (and associated profit) seen, particularly in the area of joined up services resulting from the new HMCS structure. Additional profit derives primarily from the movement from project accounting to an annual P&L following adoption of IFRS. The progress towards the end of the contract has enabled risk provision releases total circa £5.6m. The balance is attributable to a combination of productivity savings and a higher proportion of additional services work attracting a higher margin %.

The Mid Term Plan has been prepared and submitted on the basis of an annual P&L and therefore will be more consistent with the profits shown throughout the remainder of the year.

TCV for the year to September 05 is £5.8m against a base target of £12.5m. We are continually working towards closing the gap between forecast orders and target, however this is a concern and forecast orders in the Mid Term Plan were reduced to £10m.

Cash is healthier this year with the successful completion of the Tech Refresh rollout and is on track to reach target. Current position is £16.1m against a Q2 budget of £11m (£3m of this variance is due to higher invoicing in advance in April 05 than was forecast in the Q2 budget). We are continuing with an internal drive to improve the turnaround time from project completion to invoicing which will improve the cash position further.

Home Office

The 4 step change programme, known as InTune, is now well under way. Activities to rebuild the reputation with the customer have been very successful, marked by much improved relationship with IMTU (Core HO IT) and BISTD (IND IT) and a letter of thanks from Sir John Gieve reflecting prompt support after the recent London bombings.

The Sirius account is also piloting the internal Reputation initiative and to date over 180 people have attended Session 1 briefings, with very good feedback received.

A repricing exercise will deliver a new IT investment fund and lower marginal seat prices, which has successfully eliminated the threat of seat transfers to ATOS, and opened up prospects of net seat gains for Sirius.

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The Correspondence Tracking System (CTS), which was subject to an extended red alert from November to May, has now been stable for several months. However, there have been regular red alerts since, for different reasons. These undermine Home Office confidence in other reforms we are making and directly affect sales momentum. The third step of our programme, "right first time" is focusing on quality improvements in our service model that hopefully eliminate these problems, although its success is dependent on matching improvements from capability units we depend upon – particularly networks and storage.

The final step of the change programme, reform of profitability, is a major focus of attention. A wide range of initiatives have been identified and a transition manager appointed to drive benefits quickly.

Efforts to improve the reputation are beginning to deliver improved sales prospects. We now have business consultants in billable roles, including one working client side to improve IMTU demand management. Other sales opportunities are being opened up including a BPO opportunity.

The IND team have significantly improved the customer relationship to the point where we have been asked to present our thinking on rapid improvements in borders controls to the newly appointed Director General of IND.

DTI Elgar

The DTI account has come through a difficult period brought about by changes of key contacts within the Department and the disappointing performance of the Joint Infrastructure project last year. We have, however, undertaken a root and branch reform of the account and have raised project and service delivery standards to high levels while, at the same time, improving the account's profitability.

The principle activities in the last few months have centred on the technology refresh and the consolidation of DTI's office space into two buildings. These projects have gone extremely well, and the building consolidation played a key role in enabling the Department to meet demanding efficiency targets. The Technology Refresh programme has been recognised by the Department as successful in its implementation. The end-customer community have been generally very pleased with their new equipment and user experience.

The focus for the team now is to continue our own efficiency gains as we strive to retain profitability at a time when the client is reducing IT spend considerably. A new Permanent Secretary, Brian Bender joined the Department on the 3rd of October. Until he has had an opportunity to review the key priorities and strategic direction of the department we do not expect the Department to launch any major new investment programmes beyond those that we are already involved in.

MoD DII(F)

The buildings at Reading 24 (now known as Atlas House) and BRA07(for Service Management have been completed. ATLAS House is now fully occupied with over 1000 staff. Service Management staff are starting to be located at the BRA07 in the build up to Take On Services becoming operational. The highlights of the achievements in the first 170 days of DII/F. The list is as follows:

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- 20/03/05 Contract Award to ATLAS
- 22/03/05 First ATLAS Staff Collocate at Copenacre
- 09/05/05 Work commenced on Tier 1 Data Centre
- 20/06/05 CWID05
- 24/06/05 Joint Programme Management Office Formed
- 28/06/05 Joint Business Plan Issued
- 01/07/05 Novation of CHOTS Contract to ATLAS
- 28/07/05 Partnership Charter signed
- 01/08/05 TUPE Transfers of staff into ATLAS
- 01/09/05 Novation of QCIS Contract to ATLAS
- 06/09/05 ATLAS House Opened By Bob Quick

Included in the above list are CWID and Novation/Transition of legacy systems which are the first major contractual milestones achieved.

SPOC 0 is the Single Point of Contact service for the multitude of systems that have transitioned in to DII/F, e.g. CHOTS, Navystar. SPOC 0 is being implemented in a new building in Bracknell and Newcastle. The key areas of work cover building services, voice and data network installation, IT implementation, and setting up service management. The critical path items are the voice and data networks, and provision of DII/C as the IT infrastructure hosting the SPOC 0 tools. The BT dates for providing voice and data networks now are too late to enable SPOC 0 to be operational by 14th October. The new date scheduled is November 18th, however this is still dependent on BT completing the work to enable time for the service management processes to be tested and ready for live use. The service management tools were installed on DII/C during the weekend of 8/9 October, therefore all the ATLAS deliverables are complete.

The FUL milestone date is scheduled for January 9th. There are a number of small MOD sites scheduled for Migration to DII/F during January 2006. The Copenacre site has been designated as the site that achieves First User Live.

The overall status for achieving FUL is that, notwithstanding a number of risks and tight deadlines, it will be achieved. The specific risk areas are:

- The amount of technical work to complete the final Build of Release 1 and the associated testing and trialling activities to achieve January 9th.
- Completing sufficient security accreditation activities to achieve security approval to deploy Release 1 live use

Other deliverables such as Data Centres, SPOCs, and Networks are on schedule for FUL. It is important to highlight that there is additional work to increase the capability of these deliverables to cope with the subsequent high volumes of migration to DII/F after FUL.

There are a number of factors that determine when ATLAS will be in a position to migrate the highest volumes of sites and users into DII/F, these are:

- The MOD Data Centre environments completed and IT equipment installed
- The MOD Applications portfolio supplied to ATLAS and integrated available for users migrated into DII/F
- Migration tools available to enable automation of migration processes
- SPOCs completed with full set of System Management tools
- A final version of Release 1 with all functionality included
- Security approval to operate the final version of Release 1 software

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The current estimate is that the above factors will all be in place by the end of March 2006, and full migration volumes to DII/F will commence in the 1st half of April 2006.

David Courtley
21st October 2005