

COMPANY SECRET
FSMC/05/25

FUJITSU SERVICES MANAGEMENT COMMITTEE

AUGUST 2005

MAJOR ACCOUNTS REPORT

NHS Programme Update

On June 25th a Memorandum of Understanding was signed with the NHS Connecting for Health (CfH) and Cerner Corporation. This is a step in a formal process that will, subject to contract, see Cerner as the software supplier for the NHS Care Records Service in the Southern Cluster. The Programme Change Control Note (CCN) with CfH will be signed by the end of August. A sub contract agreement with Cerner will also be signed in the same timeframes.

In the months leading to the decision to change software suppliers an extensive functional assessment of the Cerner solution was undertaken by the NHS Southern Cluster Clinical Advisory group and the Fujitsu Clinical Domain group. A similar technical assessment was also undertaken.

In an effort to meet the Trusts need to evaluate the Cerner solutions a series of demonstrations were held during June and July. The positive and enthusiastic response to these demonstrations by the Trusts can be seen as a strong endorsement of the decision to change software suppliers.

A Detailed Implementation Plan (DIP) has been developed and approved by CfH for the deployment of the Cerner solution throughout the Southern Cluster. The plan calls for the deployment of 16 Trusts within this fiscal year, six of which will "go live" within this fiscal year.

The first Picture Archive and Communication System (PACS) solution within the Southern Cluster was implemented in May. In another milestone the first PACS implementation complete with the Radiology Information System (RIS) went into production in July. Orders for an additional 9 PACS systems have been received including one from outside the Southern Cluster. A further 10 Trusts have been engaged in discussions to proceed with the deployment of PACS.

Fujitsu has been asked to quote for the supply of PACS to the North East and Eastern clusters in place of Accenture. A decision on the Eastern Cluster is expected during August.

A concerted effort is underway to take the knowledge and experience gained in the Care Records Service into new markets that are beyond the scope of the existing Programme. Included in these initiatives are current bids for the Scotland NHS IT Infrastructure Service as well as a NHS Help Desk.

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Since the signing of the DII/F sub-contract by Fujitsu and EDS we have gone through a 3 month start up programme. All the milestones have been achieved during this planning phase i.e. the Phase 1 move into Reading 24 (now known as Atlas House) has been completed. The successful demonstration of the DII/F concept at CWID (Coalition Warrior Interoperability Demonstration) in June was agreed with MOD as being a complete success.

We now look forward over the summer months to be in a position to stand up the single point of contact (SPOC) for MOD which will start to take on all the calls associated with the DCSA contracts over the following 2 years. These achievements will be known as SPOC 0. Two locations have been identified and are currently being configured to start this service in October, one in Bracknell to be run by Fujitsu and the other one in Tyneside at Colbalt 16, run by EDS. This will be the first milestone that proves to MOD that we have the capabilities and techniques to take on their future services.

The Design and Integration teams are focused and are now located at Reading 24, as mentioned above and producing our first DII/F releases. This is planned to go live on the first site in January 2006. If the final 2 milestones mentioned above are achieved on time we will have achieved all our deliverables in the first year of the contract.

Post Office**Financials**

Q1 revenue and profit were £24.7M and £3.7M against budget of £25.9M and £4.0. The shortfall was due to not achieving the expected HNG revenues. Given the delay in HNG (see below), appropriate steps have been taken to reduce the cost base in the short term.

Service

Current service remains very good. The service transformation plan continues to be implemented and scorecards remain high.

Work in Progress

Time and materials development programmes continue:

1. S80 is in the final stages of testing. The key components are:

- Impact – the new Post Office financial accounting service that will replace the cash account that has been in place in post offices for over one hundred years.
- Smartpost Track & Trace implementing improvements in the mails service
- +1 prompts – offering sales prompt screens to the counter clerks

Fujitsu remains on track for delivery within time and budget.

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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

Horizon Next Generation (HNG)

HNG discussions have taken a new direction, principally because of new constraints within the overall Royal Mail business. A change of ownership direction is being signalled by Alan Leighton, Chairman that may involve some kind of employee shared ownership. This will involve more significant investment in Post Office than Royal Mail are prepared to make at this present time. Our original HNG proposal was based on up front investments in technology refresh and application re-write.

We are now working up an alternative proposition that will aim to leverage the counter assets and only take on tech. refresh when absolutely necessary. Our revised proposal will still aim to re-write the counter application but do so in a way that challenges current business process within Post Office. This outline proposition has already gained support from Ric Francis, Operations Director and will result in a formal proposition in early September.

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. We have continued to delay the XP roll out at the request of HMCE, but have now started re planning with an expect start date of September 2005 with, initially, an NT build on the desktop.

The confidential roll out has now started across the estate and this is going well. Phases two and three of the CASE system are also well in hand.

HMRC have issued their strategic requirements as a result of the merger of Inland Revenue and HMCE. There still remain some gaps in the requirements but we have agreed to proceed with our response on the basis of agreed assumptions. We continue to experience some delay in making major decisions whilst the two Departments decide on their organisation and approach to IT.

The Department have decided to proceed with financial benchmarking even though there still remain some issues between us. We are expecting the outcome of their work at the end of July.

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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 decided to progress merging the HMCE contract with the Aspire contract and we have agreed an MOU to cover this approach. We have been working with Capgemini to agree a revised workshare within the extended ASPIRE contract. We are due to provide a proposal to HMRC during August in line with the principles set out in the MOU.

The Lorry Road User Charge (LRUC) opportunity has been stopped by the UK Government whilst they decide on the future policy for general road user charging.

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. There have been a number of politically sensitive projects successfully deployed onto the estate over recent weeks.

We are currently forecasting that we will meet the financial targets for this year. The volume of Change Requests has reduced as the previous backlog is cleared.

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 we are now proceeding with preparation work at SDC02.

We have completed negotiations for Fujitsu to establish a new Print Centre in Warrington to take over production of NTC Flatpack & Giro from EDS. The P2 colour printing programme remains on hold by Inland Revenue due to a shortage of funds.

Libra

The Customer Score Card for the final Quarter of 2004/5 was 9.2. This was an excellent result with all of our Customers reporting as 'Very Satisfied'.

Joint working between the DCA, Accenture and STL is our Customer's main priority. We have made a major contribution in support of this priority by providing the Extended Help Desk Incident Management Service (EIM) and by being the key member of the Joint Operational Change Advisory Board (OCAB). The Joint Service Management Board (JSMB) in which Fujitsu also plays a vital role manages governance of the joint services. In addition there is on-going work on integrating Disaster Recovery processes across the 3 suppliers.

The OCAB is now fully operational, having tested the processes around all change types. The OCAB meets weekly to assess all changes that affect the end-to-end Service.

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These joint activities have fully supported the release of the DCA's new application. Phase 1 of the Live Trial Release (LTR) began on 9th May. This was a very successful exercise proving the application's functionality, including printing, across our infrastructure.

The Technology refresh of 12,000 workstations was completed ahead of schedule at the end of May and the printer refresh is on target to complete in mid August. The users are reporting that they are delighted with all of their new kit.

Phase 2 of the LTR begins on 1st August. This will further reinforce our ability to support the application. Roll out of the application to pilot sites starts in October in the Warwickshire Area. Migration planning is well underway which is fully supported by the Fujitsu Area Service Manager.

During the period there have been a number of new Services provided to the Customer including access to the Police National Computer. In addition work is on-going to introduce a new working practice model incorporating joined up third party access into the North Liverpool Criminal Justice Centre.

Account revenues to June 05 are £2.5m above Q1 budget and on track to exceed base target. Profit is £1.3m above Q1 budget and again, on track to exceed base target. An increase in additional services work has brought in the majority of the revenue increase (and associated profit) seen, particularly in the area of joined up services resulting from the new HMCS structure. Additional profit derives from a combination of productivity savings, a higher proportion of additional services work attracting a higher margin % and some risk provision releases. TCV for the year to June 05 is £4.3m against a base target of £12.5m. Cash is healthier this year with the successful completion of the Tech Refresh rollout and is on track to reach target. We are actively making changes to improve the turnaround time from project completion to invoicing which will improve the cash position further.

Home Office

We are pursuing a major reform programme for the Home Office account to revitalise the relationship as the contract reaches its mid-point. This programme includes improvements in project and service delivery and a close link to the "reputation" initiative that is running across Fujitsu Services. Coupled with these customer-orientated changes, we have also driven an internal reform programme that has markedly improved the profitability of the business, reversing the impact of benchmarking in the previous Financial Year.

The principal project activity has centred on further improvements to the Correspondence Tracking System (CTS) that is used at senior levels and which required considerable focus to overcome the effects of faults in software provided by Metastorm and Meridio. We were given strong support by these companies, and performance of CTS has improved markedly in the past quarter. We have also made good progress on the technology refresh programme and on contributing to a large scale document management project that is being led by Capgemini.

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Looking to the future, the Home Office has challenged us to engage with them on a discussion of our services and pricing with the goal of ensuring that all our services are aligned with business needs. We intend to use this as an opportunity to position ourselves strongly against ATOS Origin in the Immigration and Nationalisation Directorate (IND). A team is now in place building options to present to the Home Office.

Also in IND, development of the Warnings Index (watch list) has taken on a special importance in view of recent terrorist activity in London, and we are working closely with the client to see how this important service could be enhanced and expanded in advance of the development of the e-borders programme.

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 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 has been identified to head the Department, but he will not take up his post until January 2006, and we do not expect the Department to launch any major investment programmes during the intervening period.

David Courtley
August 2005