

COMPANY SECRET
FSMC/05/04

FUJITSU SERVICES MANAGEMENT COMMITTEE

FEBRUARY 2005

MAJOR PROJECTS REPORT

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Post Office

Financials

December Year to Date Revenue and Operating Profit are £107.9 million and £46.9 million respectively. These are both ahead of our budget commitment.

Recent Major Releases

S70 (EMV Chip and Pin) and S75 (NBX) have both been successfully implemented during December. S70 has enabled Post Office to be fully chip and pin ready by 1/1/05, a major milestone and one which if not achieved would have left the Post Office liable for significant penalty payments to HM Government. This places Post Office ahead of many of the high street retailers in the implementation of chip and pin.

S75 was the replacement of the IBM Network Banking Engine. Horizon now communicates directly to Link (the interface to most high street banks), to Alliance & Leicester and to Post Office Card Account.

Both of these Releases took place following a risk evaluation with Post Office.

Services

There have been a number of issues with the operational service since the S70/S75 Releases, most notably on 20th December. The main service affecting incident was the hardware failure of an EMC disc array which caused a loss of the Network Banking Service for over two hours.

We have established a comprehensive Vulnerability Assessment and Service Transformation Programme to ensure that we solve the problems and restore confidence. This has been reviewed with the Post Office and is subject to a weekly progress update.

The issues in the live service have caused us to put Post Office back on Red Alert. The purpose of this is to make it clear to Post Office that Fujitsu takes these issues seriously and secondly, to ensure that we have the correct Fujitsu resources available to Post Office Account to solve the problems.

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FSMC/05/04****Work in Progress**

Time and materials development programmes continue:

1. IMPACT: S80 - the introduction of revised accounting systems for post offices and the hosting of the SAP system to support it.
2. S90 aimed at October 2005 is now being firmed up with the following:
 - Credit/Debit Card acceptance for Bureau transactions
 - Postal Order automation
 - AP outpayments
 - Several S80 hangouts

Horizon Next Generation (formerly known as IT Roadmap)

Post Office has now signed the Heads of Agreement for HNG. While the Heads are non-binding, this is a major milestone and guarantees that Fujitsu Services has exclusivity regarding discussions on Next Generation. The Heads also guide the contract model for HNG. Detailed discussions, both contractual and commercial continue at pace with the aim of signing a new contract in Q1.

Post Office Organisation

Post Office has appointed Ric Francis to the new position of Operations Director, reporting to David Mills, CEO. Dave Smith who has been acting IT Director since Alan Barrie's move now reports to Ric as General Manager – IT. Ruth Holleran who is our principal services contact will also report to Ric. Ric joins Post Office on 31st January. He has worked for Safeway, Smith Group and Pepsico.

HMCE

The HMCE Account will exceed all business targets for this financial year and HMCE have continued to be a reference customer for a number of Fujitsu Services opportunities.

The activities to upgrade the whole network continue to schedule, with the completion of phase one in January. 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 August 2005. We will commence the roll out using the HMCE desk top design whilst at the same time looking for a standard desk top to work across both HMCE and Inland Revenue

HMCE have spent the majority of the last few months drafting their strategic requirements as a result of the merger of Inland Revenue and HMCE. We continue to experience some delay in making major decisions whilst the two Departments decide on their organisation and approach to IT. One example of this is the move of the HMCE servers and mainframes from HMCE owned data centres to a Fujitsu data centre

The financial benchmarking has made progress but there have been further delays in reaching agreement on some critical areas and this has delayed the whole process. The process will now not finish before March 2005.

HMCE 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. We have been working with both Inland Revenue and HMCE to look at options

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going forward, particularly where the two Departments require common services across both contracts as part of the early integration activities.

We are bidding with IBM for the Lorry Road User Charge (LRUC) opportunity and have been short listed in all three lots. A further down select is schedule for later this year with contract award in December 2005.

Libra

The Customer Score Card results have now reached their highest ever level of 9.0 for the past Quarter with 100% of our customers reporting as 'Very Satisfied'.

We have been put to the test on Disaster Recovery with three separate incidents at the same time:

- 10/11th January – The Cumbria Flood – Carlisle Magistrates' Court (20 users)
By noon on 11th Jan we had deployed 20 Dell Laptops & relocated an Equis Server to Kendal
- 11/12th January – Arson at Bingley in W.Yorkshire (22 users)
Invoked 11th Jan - 1 Print Server, 9 w/s & 2 printers damaged, DR print server and 2 FS laptops deployed by 12th January
- 12/13th January - Power surge - GLMCA – Haringey (52 users)
Invoked 12th Jan - affected monitors, printers and network switch
13th Jan - 20 FS Laptops deployed

All three recoveries were within the deadlines and the customer is understandably extremely pleased with our performance.

Project revenue for the period to December 04 amounted to £35.8m, an improvement of £1.2m over the Q3 forecast. Project margin is standing at £9.8m, showing an improvement of £1.1m over Q3 forecast. TCV is in line with forecast and should exceed base target by the end of the financial year. Orders are currently standing at £9.3m against base target of £10m.

Work with Accenture on the Extension of the Help Desk Incident Management Service continues to proceed well. We are now ready to accept calls and are working on scenario testing.

The Joint Operational Change Advisory Board with DCA, Accenture and STL is set up and we are providing a change diary of currently planned changes. A set of tests will now take place in order to be fully prepared for the DCA's new application.

The Desktop refresh using Windows XP and Office 2003 continues with customers reported as delighted. Many have written letters of thanks. Since starting on 13th September we have rolled out over 5,800 PCs to more than 200 sites and are on target to finish on time by June 2004. 292 of the 404 new print servers have been deployed and we are again on schedule. The roll out of Technology Refresh was aimed at staying 2 months ahead of the DCA's roll out of their new application. The latest information shows that they are not expecting to be in a position to begin roll out until late summer 2005.

Data centre migration from Fel01 to SDC01 was completed in December. The data centre server refresh project is underway with the equipment currently being installed in the test environment and data centres with migration taking place between Jan & April 2005. This will include a SAN (Storage Area Network) facility providing enhanced resilient storage.

We have submitted proposals for the Unified Administration shared domain and are confident that we can meet the 31st March deadline.

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The Home Office Account is on track to meet its revenue and profit targets for the year.

As expected the contractual charges resulting from the benchmarking process will result in a significant reduction in Sirius revenues over the remainder of the contract. An initial plan to reduce the overall cost base has been implemented and the intention is now to create a clear route back to profitability for the account based on more effective project delivery, process improvements and significant changes to the infrastructure used to deliver services. Synergies with the DTI and DWP accounts will also be exploited.

A recent external review of customer satisfaction with the service provided to end users presented Fujitsu in a very favourable light. We have also received a commendation from the client for the delivery of the Freedom of Information project.

The very high level of change across our infrastructure, coupled with a degree of overstretch in some resources, has caused a number of service failures and an increase in the level of service credits incurred. Actions are in place to address the issues. The changes represent a peak in project work, including the migration of some 16,000 users to a Windows XP based environment, the move of several thousand staff within and around London, decommissioning of the Feltham data-centre and new application releases associated with the introduction of Freedom of Information legislation.

The Technology Refresh programme continues to progress well. The software roll-out, upgrading client and server components to Windows XP and 2000 respectively commenced on schedule with a pilot in June and full roll-out commenced in late July. The immediate challenge to refresh the 2 Marsham Street users prior to the move to the new building was completed successfully. Planning is at an advanced stage for the rollout to the Immigration and Nationality Directorate (IND).

Over the last quarter the project to move staff into the new 2 Marsham Street building has taken on increasing importance with the Home Office. The building work was well behind schedule leading to a need for numerous changes in the project approach and plan for the installation and commissioning of the IT Infrastructure. The project team has coped extremely well in a most difficult environment and the building now has its first occupants co-existing with the builders still trying to complete all the outstanding works.

DTI Elgar

The DTI account is on track to meet its year-end profit and revenue targets, despite considerable pressure on IT spending resulting from the Department's efficiency measures and associated headcount reductions (400 staff leave in March 2005 on a redundancy programme).

A reform plan is now being implemented by the account team to improve the profitability of the account and to raise delivery standards so that we can position ourselves to win a larger share of a shrinking market within the Department. This reform plan is progressing very well, and will exploit both Sense&Respond and Triole to improve the performance and cost profile of the core infrastructure service. Synergy across the DTI, Home Office and DWP accounts is also being energetically pursued as a means of sharing best practice and of reducing operating costs. Changes within the account are being driven by a refreshed but much smaller management team, comprising 4 key managers in place of the 9 who were on the account on 1 September.

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The critical area of project delivery in the past few months has been the move of much of the Department's headcount into 1 Victoria Street, and this complex and high profile work has progressed well. The pace of delivery on other projects has increased as well, and a great deal of effort is being applied to improvements in project delivery processes and methodologies following long-standing concerns about our project delivery ability compared with our competitors.

Inland Revenue

The operational service continues to be successful with service levels maintained / improved on those previously being delivered prior to transfer. We have completed the review of the applicability of the Warwick Data Centre going forward; and have issued a data centre strategy for the way forward, which encompasses the rationalisation of all the current data centres in both Inland Revenue and HMCE. We have had some operational issues whereby the processes we have inherited are not ideal for achieving impeccable service; these areas are being investigated.

We have increased the TCV forecast to £256m for this year and are building plans to meet the other business targets. The volume of Change Requests remains high and these range from major new developments through to minor change, but show a continuing growth in our services. A key part of the new business is the requirement for capital spend.

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 has been put on hold by Inland Revenue due to a fiscal shortage of funds. We are still monitoring the DWP input/output opportunity which has been delayed by DWP. We are also looking to bid for the logistics and supply chain opportunity within Inland Revenue, which arises from the Computer Centre contract reaching the end of its term.

*David Courtley
February 2005*