COMPANY SECRET
FSMC/07/44

FUJITSU SERVICES MANAGEMENT COMMITTEE

NOVEMBER 2007

MAJOR ACCOUNTS

NHS

Contract Reset

Since March 2007, responsibility for the programme has been transferred from the central control of CfH and has now been devolved to the Chief Executives of the three Strategic Health Authorities which cover the South. It is now accepted by all parties that there is a need to move away from the totally standardised approach as envisaged in CCN60 and to develop a deployment plan which allows more flexibility in the way solution is configured for each individual Hospital Trusts.

On 13th July 2007, a Memorandum of Understanding ("MOU") was signed between FS and The Secretary of State for Health, with the objective of agreeing new working methodologies and to encompass these in a new Contract Re-set CCN. Due to the scale of the changes to the solution that have to be agreed, the Heads of Agreement is scheduled to be reached in January. The full rewrite of the contract targeted for completion by the end of the financial year.

Both NHS and FS have dedicated teams currently working on the new solution and deployment plan. Progress and discussions so far indicate that the NHS will make all of the current contract value, indexed to current values, available for investment in the revised way of working. A key consequence of this is that all service delivery revenue, which would have been lost as a result of continued slippage in the existing deployment plan, will be made available to FS. FS have also launched a major cost reform programme of £90m. This is currently being embedded in the new costings for the revised solution and deployment plan.

The revised deployment plan currently assumes that there will be one standardised release across all hospital trusts, followed by smaller software releases tailored to individual hospital requirements. This plan is in the process of being finalised and agreed with the customer.

The Contract Re-set CCN will cover the following key elements:

- A revised solution and deployment plan.
- An acceptable level of profit for FS.
- A risk transfer formula enabling FS to bill the NHS once new releases are made available to the Trusts, irrespective of utilisation.
- A revised profile of cash payments to FS which will enable the progressive reduction in the current level of contract receivable.

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PACS

Usage of the fully deployed PACS and RIS systems continues to grow with increased numbers of images stored with the Fujitsu data centre. Service performance remains high with all but 4 Trusts achieving 100%; these 4 all achieved in excess of 99.9%.

CarePlus - Child Health

On 10th September 2007 the first of the Child Health CarePlus deployments in Avon, Gloucestershire and Wiltshire (AGW) went live in Salisbury for South Wilts PCT. A further five deployments, covering the entire Avon, Gloucester and Wiltshire area are on track to go live by April 2008.

Major Opportunities

Opportunities for Ambulance, Mental Health, Data Migration and Maternity are now being considered as part of the Contract Reset discussions. There may still be options for some interim deployments especially Maternity.

A £100m opportunity to supplier GP systems with facilities to view and be viewed by Cerner Millennium is being developed.

HMRC (Aspire)

There has been significant Treasury pressure on HMRC to reduce its expenditure, which has resulted in a major downward impact on both this year's and the next 3 years approved spending levels on the overall HMRC account, thereby reducing previously anticipated future growth in this area. Steps are being taken to identify cost reductions that can be taken around Virtualisation of the Datacentre Operations and other efficiencies in the account that will help to reduce the impact on FS of the spending cuts. We are also identifying new Business Opportunities within the Government Department to obtain new Revenue and Profit streams that will help to recover some of the reductions in overall Business. These opportunities are being sought under the government Departmental Transformation Programme as well as additional Printing and Stationery lines of Business which would involve TUPE of staff into FS.

The effect on our 2007 MTP is shown below:

	2007/08		2008/09		2009/10	
	Revenue	Margin	Revenue	Margin	Revenue	Margin
2006 MTP	393	93	425	109	453	120
2007 MTP	312	74	317	81	333	89
Reduction	81	19	108	28	120	31

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We continue to provide high levels of operational performance to HMRC, with Service Credits for the contract year reducing by half from the previous year. This performance level has continued through the last quarter with SLA conformance running at above 99%.

MOD DII(F)

Although the overall Programme continues to run late, deployment volumes have stepped up, new releases are working well and most milestones have been hit in the last quarter.

A new deployment plan known as Migration Sequence 22 has been agreed and performance is above the 90% standard against this plan with agreed changes. This deployment plan is part an agreed DII/F High Level Plan (V8) and 8 Critical Success Factors are being jointly monitored against this.

At the end of September, 13,179 user access devices had been deployed and the critical customer target of 10,000 by the end of August was achieved. This gave the customer enough confidence to sign Increment 2b to the contract bringing another £32m of TCV to Fujitsu.

Release 1 Secret and Release 2a have entered into trials and business pilots at MOD sites, these will continue over the next 2-3 months leading to a first delivery to a major headquarters end January 2008. The engineering work on Release 2a has commenced leading to a delivery of 4 main capabilities throughout 2008.

Commercial discussions between MOD and ATLAS on Delay Notices 21, 22, and 29 are expected to be completed in December. These should deal with the increased costs and delayed revenues experienced by Fujitsu as a result of the delays, most of which are due to lack of customer readiness and excessive changes. The financial model continues to indicate a lifetime margin of 18%.

Organisation changes occurring within the EDS have helped improve collaboration within Atlas.

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IRRELEVANT

POST OFFICE ACCOUNT

The HNG-x project has had challenges in both timeline and cost, working closely with Post Office Limited (POL) we now have a robust plan (V50) that takes us within 2 weeks of the April 2009 target completion date. The two key areas that have improved the timeline are; Counter Development - which has more parallel development and migration this, has been simplified and will start earlier than previously planned. We have also started delivering software drops and the first (INT1) was delivered to plan. We will continue with our focus on reducing the costs to ensure we bring the project in on budget.

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Our service delivery remains consistently high and highly valued by the client this is supported by high customer satisfaction scores. We must also start to review Off-shore opportunities to enable us to lower our service costs.

Royal Mail Group (RMG) the Digital Media Network (DMN) project is now under control but has caused Fujitsu Services some perception issues with the client. We have identified two key opportunities to further develop this account; these are in Data-centre and Call centre consolidation, these are likely to finalise in 12 – 18 months. We have defined a high-level campaign plan and outlined an initial value proposition.

IRRELEVANT

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IRRELEVANT

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

The Department has continued to be focused on the programme to transition to the new suppliers, ATOS Origin and Logica, under the DISC programme. The ATOS infrastructure programme originally due to complete in March 2007 is now scheduled for majority completion on 28th October, with Logica transition only now beginning to receive full focus, meaning inevitable delay.

As a result, the Fujitsu Services contract has been extended to cover the October period, though reducing in services provided and therefore revenue.

As the majority of the account will close by the end of 2007, this will probably be the last FSMC major account report.

HOME OFFICE

The Home Office reorganisation has now largely settled but there is a continuing budget pressure on cost in all areas of the department.

Service quality remains at a high standard as reflected in lower service credit payments and improved quarterly scorecard which, at 8.7, is now at its highest level.

Within the Border and Immigration Agency (BIA) work on the Points Based System (PBS) programme has continued. However there have been a number of delays resulting in the need to restructure the programme whilst meeting ministerial imperatives for delivery of an initial system in February 2008.

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There are strong relationships between the customer and Fujitsu Services management teams with a new joint initiative to reinvigorate governance.

Finally, a new Business Unit Director, Chris Doutney, has been appointed to bring increased focus on strategic growth.

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

BERR core seat numbers are reducing as the Department downsizes so the account is making proportionate adjustments in order to increase profitability and free resources to focus on the new Department, the Department for Innovation, Universities and Skills (DIUS), which has the potential to grow. A brief description of work with DIUS is at the end of this report.

All SLAs continue to be met and the average scorecard is 8.8. The Matrix document management system's call volume has now stabilised following the major upgrade described below.

Strategy development for the next technology refresh is in progress this is a joint approach with the customer enabling us to play an active role in planning key systems.

The Matrix 2 project went live on 28th August 2007 as planned and has been very well received by the end users. We are now in post-implementation phase and working with the client to ensure a smooth handover into standard live running.

As Fujitsu concerns around the Gartner Benchmarking methodology have not been met, the Dispute Resolution (DR) Procedure was invoked. An external statistician from Imperial College London has been engaged to evaluate and report on the statistical validity of the Gartner models and output.

NORTHERN IRELAND CIVIL SERVICE (NICS) e-HR Programme

The “external recruitment service” for the NICS has passed testing and is now live delivering service to all the Northern Ireland Departments. ‘Employee relations service’ is the next functional delivery. It is in operational readiness testing and it will be switched on progressively through November and December.

The new payroll system has been built and has completed unit test, this will now be run in parallel with the existing system before going fully live in early 2008 to assure NICS and Fujitsu Services that we can manage the payroll accurately.

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A combination of client change and a number of technical issues have necessitated a re-planning of the roll-out schedule. The commercial consequences of these changes are currently being negotiated with NICS.

Mr John Hunter the Permanent Secretary for the Department of Finance and Personnel has retired and been replaced by Mr Bruce Robinson. Fujitsu Services management met with Bruce Robinson on 11th October and he was supportive in his new role and our relationship with our partners in the NICS remains strong.

The NICS have identified new participants for the HR Connect service. NI Courts Service will be a new participant for the external recruitment service.

ALLIANZ

Since the last report, the Transformation Programme has been started which will include the implementation of TRIOLE for Service and the completion of the Governance and Programme Organisation. A further project to control the Risk is in place and the overall programme has an agreed project plan with milestones backed off to the customer, the duration of this programme is 18 months.

All measured service levels for delivery are overall green or amber, plans are in place for service levels not at the expected level. The service delivery management team will implement strengthened, operational practices and processes in support of this plan.

A rollout project for a new insurance application, named ABS, in combination with new hardware has started with the first 2,500 clients in the north/east region of Germany; the overall roll out volume for this project is in excess of 10,000 clients. We are continuing to focus on the European Sourcing opportunity (previously known as CREDO) to provide desktop services across Europe.

At 1st December 2007, the full responsibility for procurement and the procurement processes will be taken over by Fujitsu Services.

David Courtley
November 2007