CMS Rebuild

Options Analysis

Why Replace CMS?

- The Contact Management Service (CMS) is a workflow management system designed to manage all customer interactions that orchestrate key Industry processes.

- CMS needs to be replaced for two main reasons:
  1. The platform is ‘end of life’ and out of vendor support, presenting significant risk to service stability and restoration.
  2. Customer experience is outdated and there are a series of pain points impacting usability and functionality.

- There has been extensive customer engagement during 2021 (over fifty workshops held with all customer constituents) to understand your requirements and ensure these address the current issues.

- The normal option of “Do Nothing” is not a viable option. The platform is at end of life and the current functionality is no longer fit for purpose. Customers need the solution to be rebuilt to resolve their pain points.

Options to Replace

We have worked with a service provider to analyse your requirements and identify a solution, and we have also established two funding options for you to consider. Under both funding options there will be similar solution architecture to deliver the requirements captured during Q4 2020 and throughout 2021.

Option 1 – Platform (Software) as a Service

- Xoserve will take a subscription with Correla who will provide the up-front investment in the development of a product that delivers the same scope of requirements as Option 2 and as identified in customer workshops. The subscription also provides for an identified capacity for modest enhancements under the annual subscription cost.
- The new Process Workflow Platform (PWP) will be created for broader market use as Software as a Service (SaaS) with the IP being retained by Correla.
- The delivery will follow an ‘agile’ methodology and the product will be developed and iterated upon through sprints with high customer input and feedback, including customer testing, allowing the solution to be adapted to provide the best outcome for customers.

Option 2 – DSC Project

- A standard DSC initiated Xoserve project will be undertaken to deliver the chosen solution architecture working alongside a delivery partner. This route will require DSC customers to fully fund the development and subsequent operate costs for the solution thereafter.
- This option will be baselined at the end of design with any required change going through a change management process.
- The IP will be retained by Xoserve.

Why choose Option 1?

SaaS

Software as a Service (SaaS), means the application is delivered as a service to the 'customer' without the complex & costly software / infrastructure build and ongoing management activities that a new solution traditionally had to endure.

This approach has become a market trend with application vendors, offering mainstream applications, that can be configured (to an extent), via this model for a number of years now, which we can all see the existence of the subscription offerings in things like Office 365, Zoom, DropBox etc…

Through Correla, the benefit of such an offering can be brought into our environment where a specific, industry aligned and purpose built offering can be developed, hence this SaaS option, provided through a subscription means:

Key Customer Benefits

Requirements/build

- ✓ Existing industry activities remain supported
- ✓ Ability to modify UX/UI during development
- ✓ Earlier release of new functionality whilst minimising impact on customer systems/processes

Investment

- ✓ No significant upfront investment costs for building the solution
- ✓ Risks of overspend are removed, as scope & delivery commitments are agreed
- ✓ Approach drives efficiency as 'Correla' has invested interest to get it right first time and customer aligned standards

Future MTB

- ✓ Ongoing subscription cost are predictable (only subject to inflation)
- ✓ No peaks in cost for future technical upgrade / re-platforming, the costs are inclusive of the subscription
- ✓ Stability of service exists, as SaaS offered in stand alone fashion (not reliant on DSC+)

Industry Change

- ✓ Choice of change investment options available (upfront or subscription adjustment) – always elected never forced
- ✓ Impact of large industry change costs, spreadable over time into the subscription
- ✓ An industry solution is in place that can be changed and evolved with the industry

1 Removes Investment Peaks

2 Removes Service Risk

3 Guarantees longevity of solution

Options Analysis

Activity	Option 1 - Software as a Service		Option 2 – Traditional DSC	
Flexibility to adapt design during development cycle	✓	Small enhancements/improved UI throughout build phase	X	Requirements baselined at detailed design
Scope changes/new requirements during development lifecycle	✓	Can be swapped in exchange for other functionality in the backlog equal in size, funded directly, or funded through adjusted subscription	X	Funded by customers through Change Requests
Technology maintenance	✓	Subscription costs include cost of operation and technical upgrades e.g. for out of support components	X	Run costs include only the cost of operation and excludes technical upgrades e.g. for out of support components
Minor Changes & Enhancements post go live	✓	Minor enhancements, small level of change included in subscription price	X	All change would require customer funding
Continued Service post DSC+	✓	Service continues under subscription contract with Xoserve	✓	Service continues as part of DSC
Predictable charging	✓	Subscription costs will be only subject to inflation	X	Run costs will be subject to review (based on cost to run service)
Clarity of Change funding known post go live	✓	Change will be cost base plus 5% - option to fund up front or amend subscription charges. Existing process will be used for DSC customer changes	✓	Change will be cost base plus 5%. Up front funding for investment and then ongoing run costs if applicable. Existing process will continue for DSC customer changes

Financial comparison

The table below shows a financial comparison of the two options over an extended 16 year period

Option 1 - Platform as a Service *(£m 2021/22 Prices)*	Spend Category	Year 1 2022/23	Year 2 2023/24	Year 3 2024/25	Year 4 2025/26	Year 5 2026/27	Year 6 2027/28	Year 7 2028/29	Year 8 2029/30	Year 9 2030/31	Year 10 2031/32	Year 11 2032/33	Year 12 2033/34	Year 13 2034/35	Year 14 2035/36	Year 15 2036/37	Year 16 2037/38
Subscription	MTB	0.6	1.5	1.5	1.5	1.5	1.5	1.5	1.5	1.5	1.5	1.5	1.5	1.5	1.5	1.5	1.5
Cumulative Total		**0.6**	**2.1**	**3.6**	**5.1**	**6.6**	**8.1**	**9.6**	**11.1**	**12.6**	**14.1**	**15.6**	**17.1**	**18.6**	**20.1**	**21.6**	**23.1**

Option 2 - DSC Project Delivery *(£m 2021/22 Prices)* - With Replatform and Rebuild	Spend Category	Year 1 2022/23	Year 2 2023/24	Year 3 2024/25	Year 4 2025/26	Year 5 2026/27	Year 6 2027/28	Year 7 2028/29	Year 8 2029/30	Year 9 2030/31	Year 10 2031/32	Year 11 2032/33	Year 12 2033/34	Year 13 2034/35	Year 14 2035/36	Year 15 2036/37	Year 16 2037/38
Build & Programme Costs	Investment	2.8	1.3	-	-		1.0					4.1					1.0
New CMS Run Costs	MTB	-	0.6	1.2	1.2	1.2	1.2	1.2	1.2	1.2	1.2	1.2	1.2	1.2	1.2	1.2	1.2
Cumulative Total		**2.8**	**4.7**	**5.9**	**7.1**	**8.3**	**10.5**	**11.7**	**12.9**	**14.1**	**15.3**	**20.6**	**21.8**	**23.0**	**24.2**	**25.4**	**27.6**

- In Option 2 there are assumed to be additional investment costs for customers in Y6 (upgrade) Y11 (rebuild) Y16 (upgrade)
- In order for customers to compare investment costs for each option, Xoserve has assumed that the run cost will be the same for both options (£1.2m). Therefore the investment costs for Option 1 being charged to DSC customers is £300k (£1.5m - £1.2m). NB. This does not reflect the actual investment Correla is making but what is assumed as investment as a basis for comparing the 2 options.

Potential Risks

Xoserve must consider the below potential risks to your service and will establish the following key controls:

How are DSC customers protected if Correla wants to terminate the service?

- As long as the DSC+ contract is in place, Correla is obliged to deliver the DSC Services and this service falls under that arrangement.

How are DSC customers protected if Correla goes insolvent?

- During the term of the DSC+ contract, in our opinion, it is unlikely that Correla would go insolvent as the majority of Correla's business is currently the delivery of services under the DSC+ contract. However, should this occur the provision of this service, along with the other services provided on Xoserve's behalf would be transferred to a new service provider or brought back in-house.

How are DSC customers protected should the DSC+ not be renewed with Correla?

- If the DSC+ is not renewed with Correla the DSC+ contains provisions which enable the continued provision of Correla products post termination. These provisions will be amended to ensure that customers are given at least 18 months' notice of termination of CMS, to allow reasonable time for a replacement system to be sourced and built. Correla are obliged to provide service information to the new Supplier as set out in the Exit Management Schedule of the DSC+ contract.

Appendix

Options Finances

Option 1 - Platform as a Service (£m 2021/22 Prices)	Spend Category	Year 1 2022/23	Year 2 2023/24	Year 3 2024/25	Year 4 2025/26	Year 5 2026/27	Total
Subscription	MTB	0.6	1.5	1.5	1.5	1.5	6.6
Savings from decommissioning old CMS	MTB			0.4	0.4	0.4	1.2
Total		0.6	1.5	1.1	1.1	1.1	5.4

Option 2- DSC Project Delivery(£m 2021/22 Prices)	Spend Category	Year 1 2022/23	Year 2 2023/24	Year 3 2024/25	Year 4 2025/26	Year 5 2026/27	Total
Build & Programme Costs	Investment	2.8	1.3				4.1
New CMS Run Costs	MTB		0.6	1.2	1.2	1.2	4.2
Savings from decommissioning old CMS	MTB			0.4	0.4	0.4	1.2
Total		2.8	1.9	0.8	0.8	0.8	7.1

INVESTMENT FUNDING SPLIT %	NTS	GDNs	iGTS	Shippers
BP21 (2021/22)	N/A	N/A	N/A	N/A
BP22 Option 1	N/A	N/A	N/A	N/A
BP22 Option 2 *	0%	10%	0%	90%

- Note – BP22 Funding split for Option 2 is assumed to follow the same split as the MTB funding split.
- Note – the above costs do not imply that the preferred option will take longer to deliver, the difference is that with agile the milestones are not set in stone and can be flexed to support the right outcome, so it will agreed with customers to deliver the right outcome at the right time, understanding that customers want to see benefit as soon as possible and Correla are incentivised to deliver benefit asap in order to commence subscription charges.