

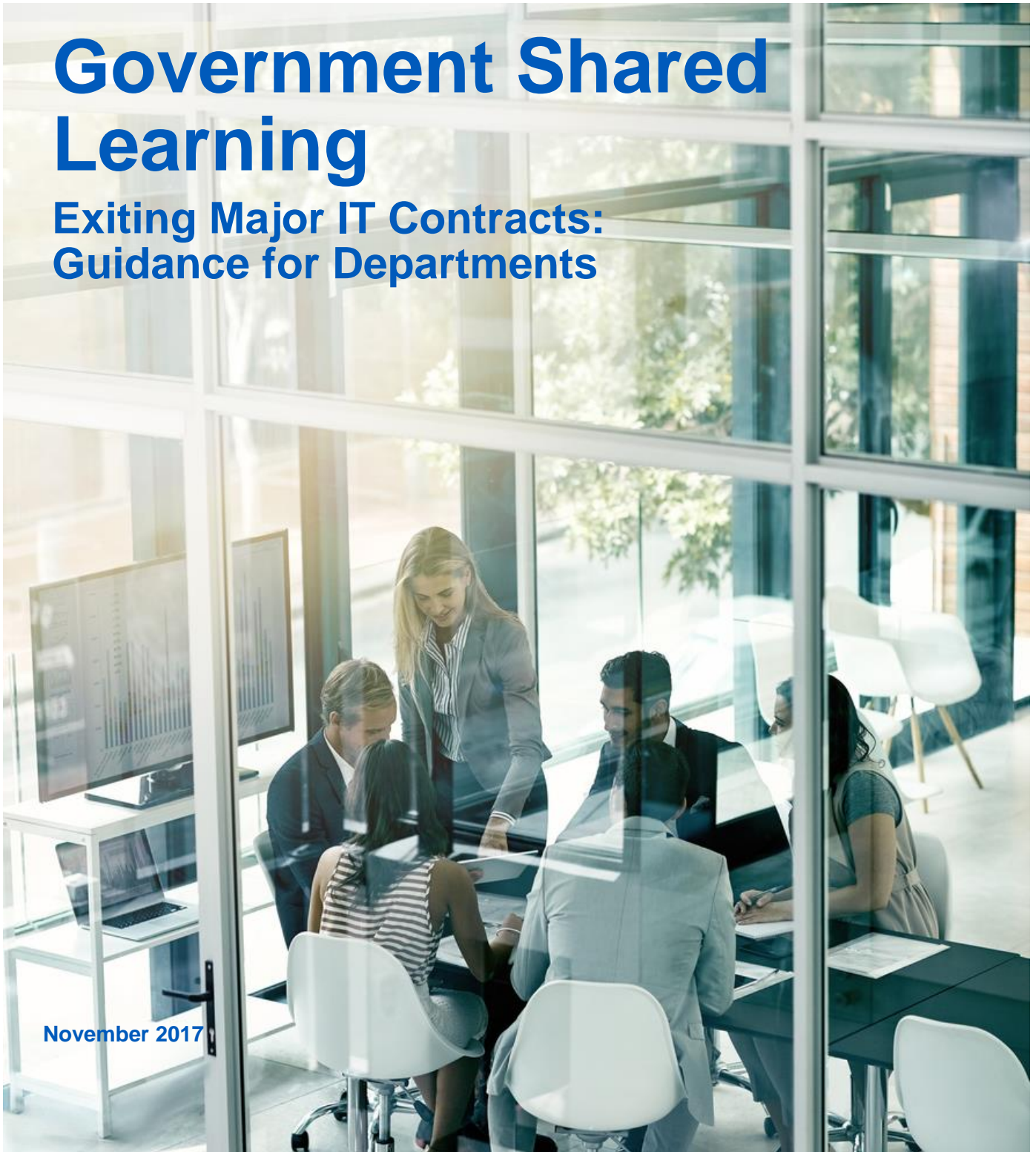


Government
Commercial
Function

Government Shared Learning

Exiting Major IT Contracts: Guidance for Departments

November 2017





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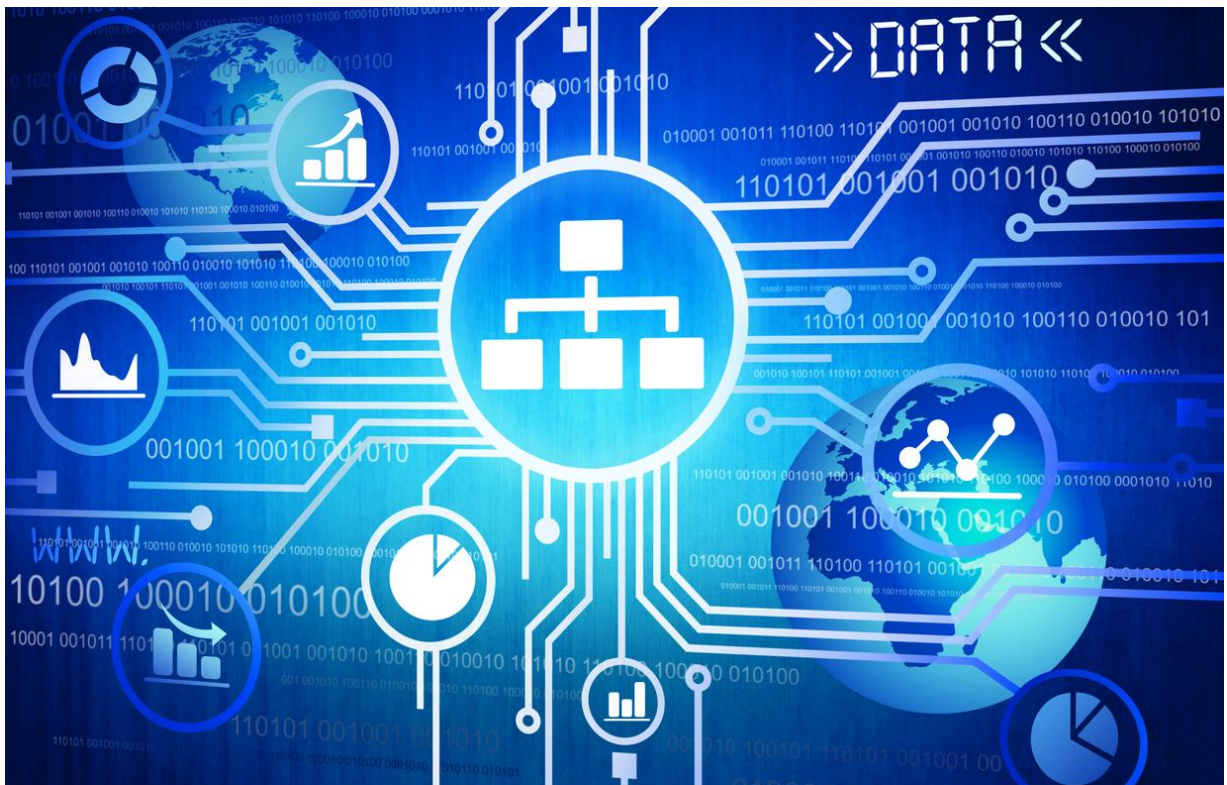
Alternative format versions of this report are available on request from Complex Transactions.

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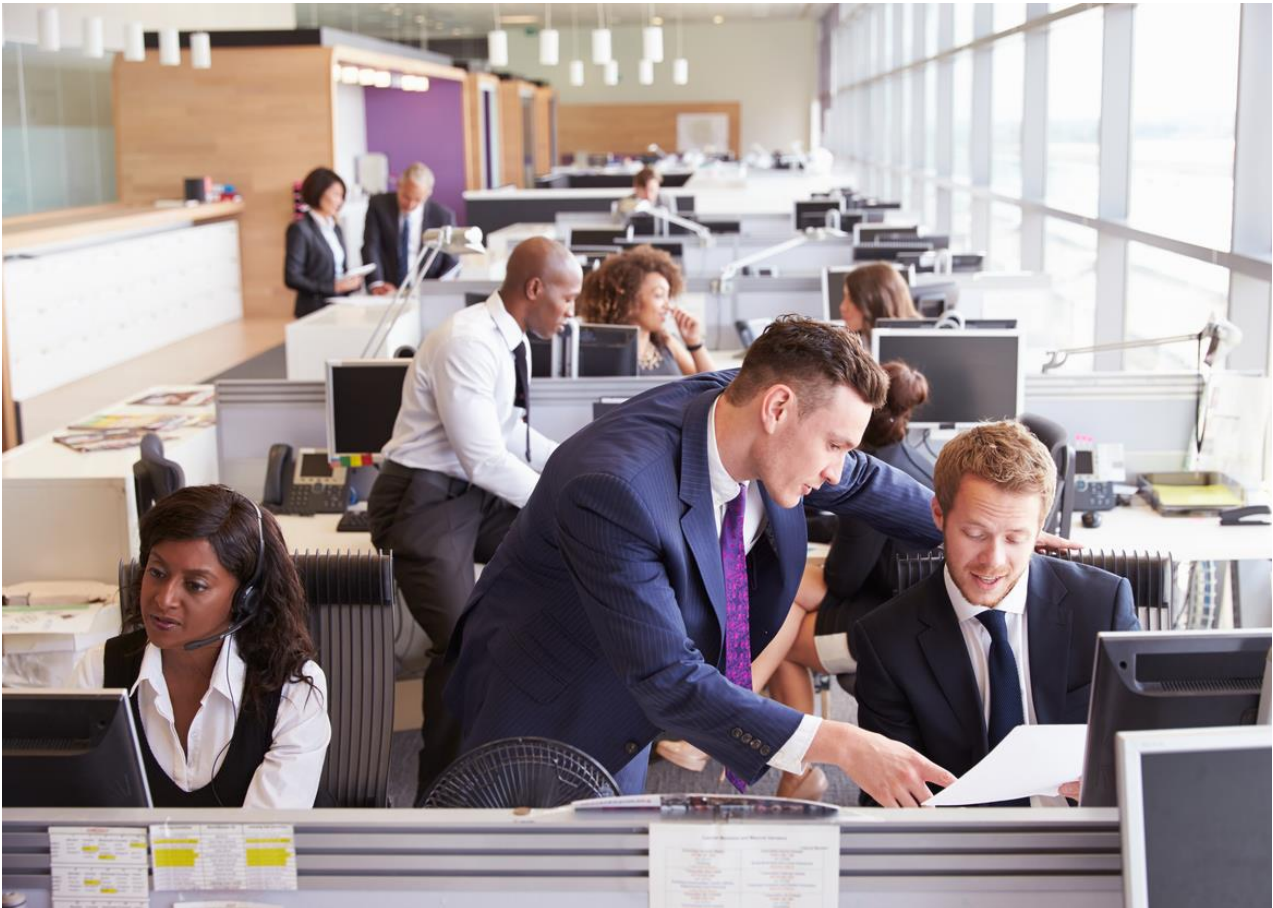
A. Background

1. In past years many government organisations entered into large outsourcing contracts, which were often single vendor arrangements lasting 5 to 10 years. Independent analysis has highlighted a number of concerns and issues relating to these contracts, noting that they no longer represent value for money and that their structures constrain the relevant organisations from modernising technical environments.
2. In January 2016, Cabinet Office initiated the 'Ocean Liner' Review focussed on the future approach to contracting and delivery of Government IT, within the context of the Large Expiring IT Contracts (LECs). That report identified a number of challenges that should be addressed when exiting from LECs.
3. Current government policy is to move away from large, single vendor IT outsourcing contracts to multi-vendor, disaggregated environments, combined with in-sourcing where appropriate, and adopting a cloud-first principle. The potential benefits of this approach are highlighted in section F of this document.
4. This document contains embedded slide decks that provides examples of government experience of major IT exit and disaggregation.



B. Purpose of this document

1. The purpose of this document is to:
 - a. Provide **general guidance on the principles** for disaggregation which government organisations should follow when managing exits from LECs (technology contracts with a spend of over £20 million per year);
 - b. Highlight **critical tasks and key success factors** or achieving the exit from a LEC and transition to a new environment where a combination of multi-vendor and in-sourced arrangements are used for the provision of on-going services, noting that these key activities will form part of the method of assessment by the relevant approval bodies (e.g. Government Digital Service Standards Assurance Team and Commercial Assurance); and
 - c. Drawing on the experience obtained from contract exits undertaken by various government organisations, provide guidance on **additional policy documentation and resources, such as the [Technology Code of Practice](#) and the [Commercial Operating Standards for Government](#)** to help organisations navigate their way through exit from large complex contracts.



C. Executive Summary

1. Disaggregating LECS gives organisations better visibility and control of systems and substantial cost savings.
2. Disaggregation is complex, **in reality it typically takes longer than anticipated (up to 4 years)**, is resource intensive and needs to be well planned and executed ensuring, as a minimum, the following activities are present:
 - a. That **market engagement, in line with Commercial Operating Standard 5 (Maximising Competition)**, is used to inform the packaging of the services and these are attractive to the market prior the future state and sourcing strategy being agreed
 - b. Aligning with Commercial Operating Standard 3 (*Senior Responsible Owners & Expertise*), setting up the disaggregation work as a **business transformation programme** and having the right governance in place with the commercial director playing a key role

Understanding the **risk attached to being the systems integrator** (on the service management side as well as on the commercial side) and resourcing the role (s) of the integrator appropriately

- d. Having a **programme plan** through the transition, recognising that transition may take time if there are a number of service lines to be disaggregated,
- e. Identifying the **skills and capabilities** that will be needed in the future to manage a disaggregated model, which are very likely to be different from the ones organisations have needed previously and may be absent from the current organisation e.g. service management and integration roles



D. Guiding Principles

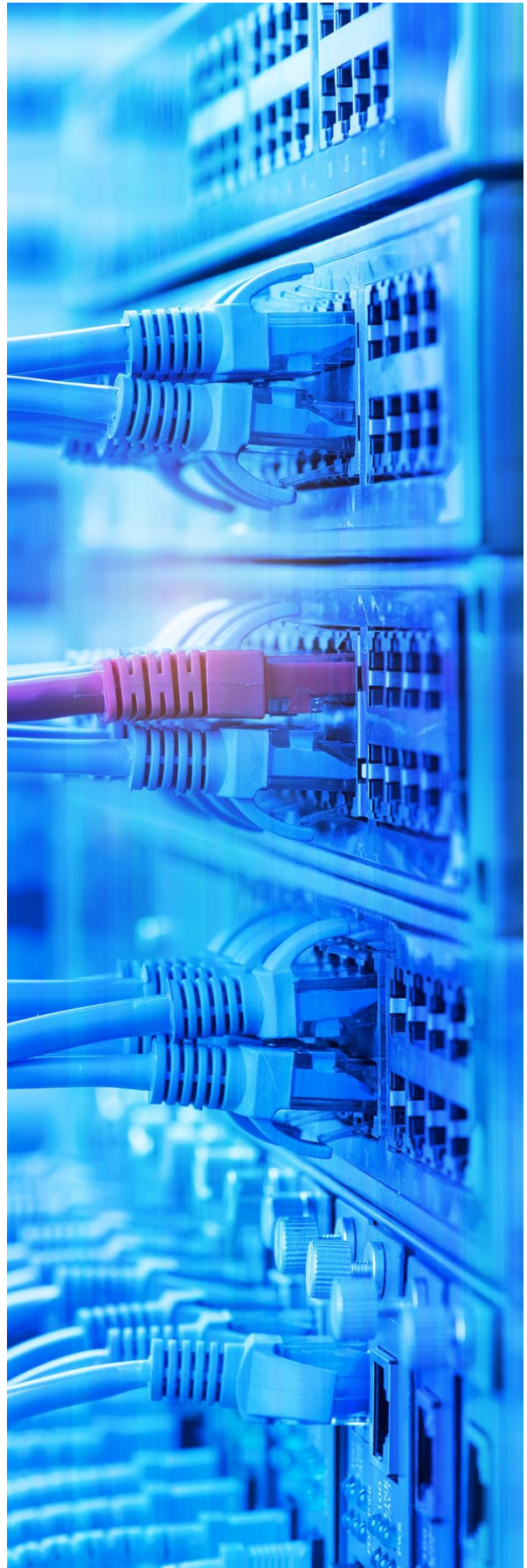
1. When **exiting from and disaggregating** LECs, the following principles should be applied:
 - a. Government organisations should ensure that there is a clearly defined strategy in place, with senior management support and Senior Responsible Officers (SROs) in place.
 - b. Large contract exits should be viewed and implemented as holistic business change programmes which require a structured, well-managed and multi-disciplinary approach, and, in accordance with Commercial Operating Standard 2 (*Pipeline & Planning*) forecast in the Department's pipeline well in advance.
 - c. Incumbent suppliers need to see the opportunity to potentially become future suppliers, in order to ensure full cooperation throughout the exit process.
 - d. The relevant government policies, in particular the Technology Code of Practice¹ (TCoP), should be used in the development of future strategies and any subsequent procurements that need to be undertaken, to support the revised operating model.
 - e. Proper consideration should be given to the amount of time and resource required to provide sufficient time for the management of the complete exit and transition to a new service model; this typically in reality takes 4 years.
2. When **producing a business case** for the preferred level of disaggregation the following should be included:
 - a. A demonstration of a thorough analysis of the options has been carried out;
 - b. Clear evidence that the principles outlined in the Technology Code of Practice (TCoP) have been followed; and
 - c. Articulation of the rationale for the proposed options using the Government Commercial Operating Standards in light of the guidance below, and, in a timely fashion, following all relevant commercial assurance procedures in the Department and with Cabinet Office and HM Treasury.

And the above should be underpinned by the technical strategy and roadmap for the organisation.

¹ <https://www.gov.uk/government/publications/technology-code-of-practice/technology-code-of-practice>

3. The **scale and pace of disaggregation** will vary based on 'local' factors affecting the relevant government organisation, including:
 - a. Organisational maturity - capacity and capability to take services in-house and manage multiple suppliers. For example, does the organisation have the right skills and head-count to both manage the disaggregation and manage the operation of the disaggregated services? Any interim or professional services resource must be utilised sustainably and not exacerbate loss of corporate memory;
 - b. Organisation size - for example, a smaller organisation is likely to break up its technology supply chain into less granular components than a larger one;
 - c. Current technology provision - complexity will influence the pace with which change may be affected. For example, phased implementation is highly likely to be preferable to 'big-bang' from a risk management perspective; and
 - d. Adaptability to change - disaggregation is a major business change activity and as such an organisation must be ready and willing to adopt change.
 - e. Safety over ambition – where possible and appropriate, the priority should be to transition to a Transitional Mode of Operation, after which the organisation is in a better position to transform its IT estate
4. When **procuring services** to support a disaggregated model, government organisations should ensure that the following factors, within the overall context of value for money and business strategy, are fully evaluated and considered:
 - a. The term of any contract for services should be for the shortest appropriate duration, bearing in mind factors such as vendor investment, ability to take advantage of reducing costs of technology, attractiveness to the market, organisational costs and ability to manage frequent change, to enable flexibility on exit and to allow transfer to alternative providers and avoid vendor lock-in. For contracts for commodity IT this will be up to 2 years and between 3-7 for service agreements depending on level of supplier investment required, size of contract and market dynamics.
 - b. Services should be procured from a government framework where possible and appropriate, with consideration being given to the terms and conditions of frameworks and their appropriateness in a disaggregated model, where standard vendor obligations may not support a disaggregated model. Market appetite for any material deviation from standard terms and conditions should be tested at market engagement stage;
 - c. Services should be defined as discrete elements within any contract to allow separation of services at a future date if required;
 - d. The ownership, management and integrity of data through the transition and migration phases should be clear and well documented at no extra cost to Departments;

- e. Understanding the allocation of risk including liability and indemnity risks, how these are impacted by moving to a disaggregated model where the government organisation is the integrator.
- f. For each variable e.g. volume, cost, it's important to be clear on who owns the risk of variation, acknowledging this may vary over the duration of the contract.
- g. Where it is necessary to procure services in larger 'lots', contracts should be structured to facilitate separation of the elements of those lots from both a technical and commercial perspective; and
- h. Exit provisions in contracts should be structured to enable separation of individual services (partial termination) without punitive financial implications, and include provision for updates if required.



E. Programme Management and Governance

1. Exiting large outsourcing contracts and moving to a multi-vendor operating model is a strategic change programme and should be run as such. The skills and resources required to manage such a complex project should be in place, and the programme should be run to a realistic timeframe. This will require a multi-disciplinary team with subject matter experts in the field of IT, Commercial, Project Management, Legal, HR and Finance. It is important to note that experience has shown that it can take up to four years to achieve stable, E2E service provision. The programme structure should focus on clear and accessible decision-making channels.

Shared Learning – Programme Governance of the PACT Programme, DVLA

The shared learning here depicts how the PACT Programme, a multi-disciplinary programme was structured, as well as the governance process it adopted for decision-making.

https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/65755/5/Case_study_1_-_PACT_DVLA.pptx
2. Good programme governance is essential and should be supported by the relevant government bodies where required, including:
 - a. Government Digital Service (GDS) and Service Assurance and Commercial Assurance - for spending approval and assurance that a government organisation's proposals for exit and disaggregation are in line with the TCoP and Government Commercial Operating Standards;
 - b. Infrastructure and Projects Authority (IPA) - which provides expertise in infrastructure and the financing, delivery and assurance of major projects;
 - c. Cabinet Office Complex Transactions Team (CTT) - which can provide guidance and support to the development of a government organisation's exit and disaggregation strategy;
 - d. Crown Commercial Service - for advice and assistance in the use of government frameworks; and
3. The timescales for exiting LECs should not be underestimated. The complexity of separating out single vendor agreements, combined with the implementation of new structures and processes can typically result in timescales approaching four years from initial discussions to actual contract exit and transition.

F. Critical Tasks

Moving from a single vendor outsourced arrangement to a multi vendor environment (which may also include elements of in-sourcing) is a complex process. The process requires the implementation of a full business change programme that includes a review of and, where necessary, the re-engineering of the Current Mode of Operation (CMO) to a new Future Mode of Operation (FMO), in addition to the activities required to successfully exit from existing contractual and operational arrangements.

This section sets out the critical tasks that each government organisation should, as a minimum, include in its approach to implementing disaggregated service provision on exit from a LEC.

1. Exit Strategy and Timing

The diagram below maps these critical tasks on an indicative timeline for exit and transition gathered from both the public and private sectors. The actual timeline will depend on the nature and complexity of the programme and the disaggregation strategy adopted.

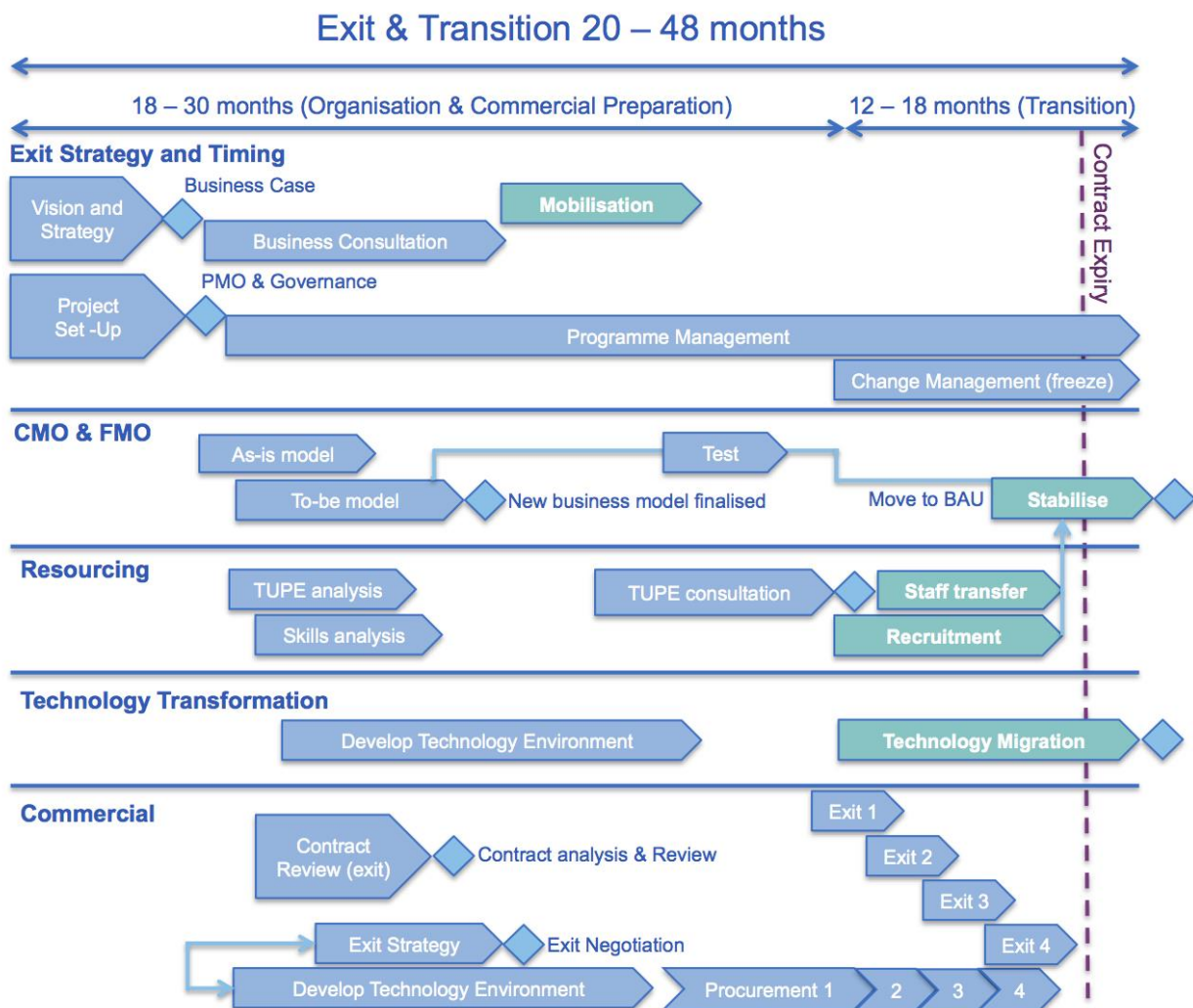


Diagram 1 – Critical tasks and typical timescales for contract exit and transition

The negotiation of exit from current contractual arrangements is critical to success. It is likely that the contract framework with the incumbent vendor and associated technical landscape will place considerable constraints on the timing and flexibility for exit. Consideration of the following aspects should be factored into the programme plan:

- a. Realistic timelines for developing, agreeing and implementing an exit strategy – the process of contract negotiation, setting up of new service provision (in-house or with third parties) and subsequent transition activities can often take up to 4 years;
- b. Whether transition should be “big bang” or incremental, considering the risks and costs and timing implications attached to each approach
- c. Service descriptions and requirements will need to be reviewed to determine the extent to which they need to be redefined (and agreed with relevant parties) to reflect a disaggregated model. Pricing models to reflect any changes in requirements and service provision will need to be negotiated and agreed; and
- d. Future project requirements - it is likely that there will be on-going project and change activity during exit and transition, so consideration should be given to how these activities will be managed.

2. CMO and FMO

It is essential to understand both the CMO and FMO in order to determine the roadmap (Transitional Mode of Operation) for the transition to a new operating model, which may be delivered in phases.

- a. In many circumstances, the understanding of the CMO will be retained within the incumbent vendor. Full use of current contractual provisions is needed to gain this understanding. It may also be at a high level, incomplete or out of date. Key elements that will need to be identified are the:
 - i. Overall framework for End to End (E2E) service delivery;
 - ii. Range of vendors used in the provision of the services (including material sub-contractors), particularly the backing off of contractual provisions between the two; and
 - iii. Technical products and solutions used by the vendors (in particular any IPR and non transferrable tools used in the delivery of the services).
- b. Development of the FMO will be an extensive and iterative exercise and will need to cover the following aspects:
 - i. Alignment with the departmental business strategy and plans;
 - ii. An understanding of which services are to be brought in-house and which services should continue to be provided by third parties;

- iii. What service delivery tools, processes and service management framework will be required to manage and integrate the services in a multi-vendor ecosystem;
- iv. The organisational structure and governance models required to manage and deliver any in-house service provision, bearing in mind the end user is anticipating indiscernible differences between in-house and outsourced provision; and
- v. Determining the nature of and building the “intelligent client” function (ICF), vendor management framework and model for managing third party providers who deliver as part of the E2E services.
- vi. Technical interfacing of services/products
- vii. The role of the organisation as the integrator (even where this has been outsourced) including dependency management and interface management between suppliers and change control.

The above will inform the potential lotting structure and the requirements that will go into each procurement exercise.

Diagram 2 is an example, developed by Common Technology Services (CTS), of the process to get from CMO to FMO:

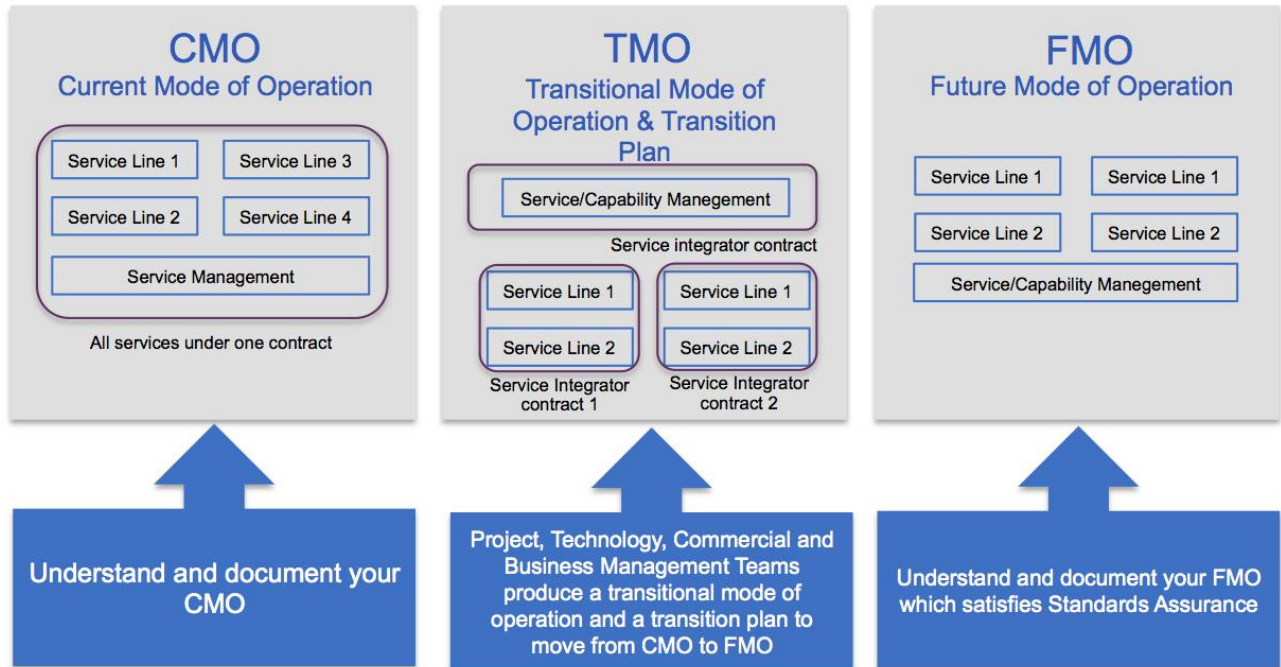


Diagram 2 – CMO to FMO process and plan

Shared Learning - CMO to FMO on the Aspire Programme, HMRC

Here are further details on HMRC's Aspire Programme. This includes an overview of the design of the transition from CMO to FMO and provides an example of a disaggregated service model.

https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/657556/Case_Study_2_HMRC_Aspire.pptx

3. Resources

Where service responsibilities are changing, either in-house or between vendors, there will be a significant number of people issues that need to be reflected in a coherent resourcing strategy and approach, with much of the current information again held by the incumbent. Key tasks and considerations include:

- a. Development of the resource requirements for FMO, including the right skills, staff numbers, both operational staff and commercial staff, training, governance etc.;
- b. The strategy for meeting these requirements:
 - i. TUPE - staff, location, costs, skills (including incumbent vendor tactics); and
 - ii. Knowledge Transfer; and
- c. Addressing any shortfalls in the right skills and resources:
 - i. Staff may not transfer under TUPE;
 - ii. Skills not available in the local market; and
 - iii. Requirements to train new/inexperienced staff.

4. Technology Transformation and implementation

A thorough technology review should be completed in order to understand the technical and security needs of the Department to establish the position in the following areas.

- a. Moving from on-premise to cloud based technologies: A technical strategy should be developed that is aligned to the Tech Code of Practice and the overall exit and disaggregation approach.
- b. Ensuring legacy applications are operable in new environment: This review may highlight specific technical changes required to ensure continued systems integration.
- c. Changing working practices to align to the TCoP: Changing from on-premise to cloud based technologies may affect the working practices of the IT function in areas such as Release Deployment and Configuration Management.
- d. Understanding the cultural impact: To fully realise the benefits of cloud based technologies requires a change in the behaviours and culture of the user community, particularly when it comes to things like collaboration on documents.
- e. Engage with the end user: Assess with the business the type of products and services are required to deliver the business requirements.
- f. Appreciating that business transformation may be a multi-year change programme: To minimise any potential risks and impacts on the services and user community, the Department may need to stagger the transformation dependent on the scale of the transformation required.

5. Commercial

As indicated in section D1 above, the constraints inherent in current contractual arrangements will directly inform the commercial strategy that is adopted for exit and disaggregation.

- a. A thorough contract review should be completed in order to understand the commercial position in the following areas:
 - i. Exit regime, including:
 1. Key dates and timings;
 2. Provisions permitting access to/supply of in-life service information and data (e.g. operations manual, performance data etc);
 3. Provisions governing people, TUPE and associated liabilities;
 4. Termination provisions, including ability to partially terminate;
 5. Service transfer/transition obligations, including whether they allow for a one-to-many service transfer; and
 - ii. IPR ownership and licensing;
 - iii. Asset ownership and disposal;
 - iv. Treatment of third party contracts (e.g. transfer, management etc); and
 - v. Financial obligations (e.g. payments due on exit, exit assistance charges etc.).

This review may highlight the need to renegotiate to address those terms that are found to be deficient or missing. Utilising these provisions where they exist is crucial to a successful outcome.

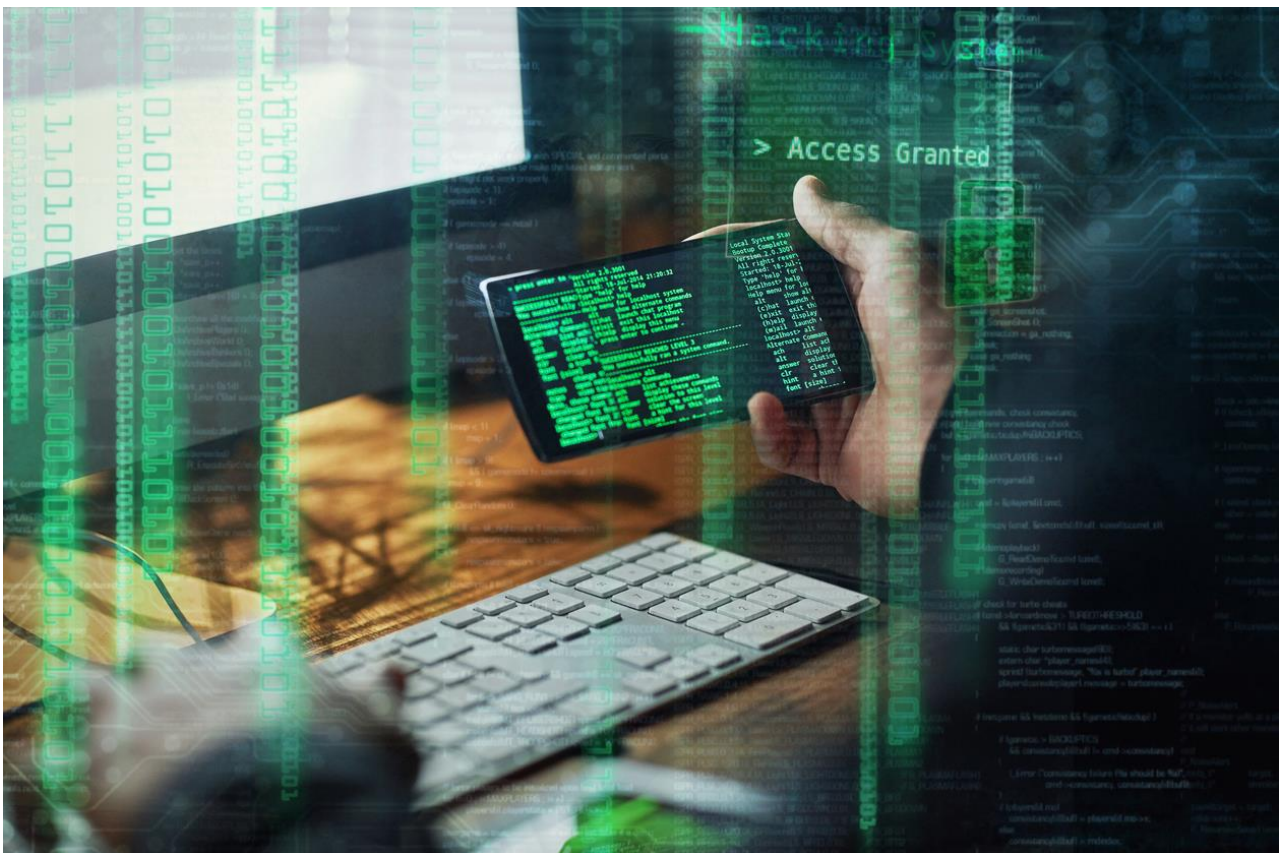
- b. Prior to determining any procurement or sourcing strategy, market research and engagement is essential to understand and assess the market place. Specifically:
 - To understand the technology available which is likely to have changed and improved since the original contract.
 - To understand how the market place offers the services that the organisation requires,
 - To explore the market appetite for different combinations or services,
 - To make sure that services are being procured in the right way to achieve best value for money.
- c. A procurement strategy should be developed that aligns to the overall exit and disaggregation approach taking into account the outcome of the market engagement. Factors to consider include:
 - i. Commercial and financial approach;
 - ii. Timeframes required to undertake procurement(s) and have service ready vendors in place, including strategies for addressing incumbent vendor tactics;
 - iii. Use of government frameworks wherever possible, such as [Technology Services 2](#) and G-Cloud;
 - iv. Where government frameworks cannot be used and where appropriate in light of procurement needs, running OJEU procurements;
 - v. A realistic view of costs of transition to multiple vendors and in-house, including any parallel running costs; and
 - vi. Committing to the relevant services and products for the minimum possible duration. Some considerations will be: size of supplier investment, state and age of CMO.

- d. Procurements should be supported by fully developed documentation, including:
 - i. Contractual documentation;
 - ii. Specifications for service components;
 - iii. Performance standards that support and are aligned to E2E service delivery;
 - iv. A technology roadmap;
 - v. A technology FMO architecture
 - vi. A commercial model that promotes flexibility and innovation; and
 - vii. A multi-vendor governance framework and common obligations across vendors to ensure E2E performance and collaboration.

Shared Learning – Market Engagement for the UnlTY Programme, DEFRA

The example below from DEFRA's UnlTY programme establishes the approach to procuring by workstream and the process from business need & baselining, to finalising contract. The market engagement approach in particular received positive feedback from participating suppliers.

https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/657568/Case_Study_3_DEFRA_UnlTY.pptx



G. Benefits of Disaggregation

Recent reports and government reviews have shown disaggregation and multi-sourcing:

- a. Can achieve over 40% savings²,
- b. Enables transformation of how people work thereby contributing to a more efficient delivery of services;
- c. Will provide access to the vendor ecosystems previously hidden behind prime contracts, enabling departments to understand and manage services better.
- d. Will allow government organisations to benefit from improved competition, with 'best of breed' contracts and market leading service packages;
- e. Can provide the opportunity to move to simpler, shorter term arrangements for common technology products and services, largely available via government frameworks; and
- f. Can make it easier to assess the on-going value for money of more commoditised and standardised products and services, which are easier to compare with the market through processes such as benchmarking.



² Source: Common Technology Services PBC (Government Digital Service/ Mckinsey 2015)

H. Other useful links and contacts

1. Click [Technology Code of Practice](https://www.gov.uk/government/publications/technology-code-of-practice/technology-code-of-practice) , or copy and paste the following link into your web browser <https://www.gov.uk/government/publications/technology-code-of-practice/technology-code-of-practice>

2. Click [Government Transformation Strategy](https://www.gov.uk/government/publications/government-transformation-strategy-2017-to-2020/government-transformation-strategy) copy and paste the following link into your web browser

<https://www.gov.uk/government/publications/government-transformation-strategy-2017-to-2020/government-transformation-strategy>

Click [Government Commercial Operating Standards](https://www.gov.uk/government/publications/commercial-operating-standards-for-government) , or copy and paste the following link into your web browser <https://www.gov.uk/government/publications/commercial-operating-standards-for-government>

3. Additional Case Studies

Defra Service Management, CMO to FMO

https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/657572/Case_Study_4_Defra_UniTy_.pptx

Land Registry Disaggregation

https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/657574/Case_Study_5_Land_Registry_DITI_.docx

If you have any questions or require further information on any aspect of this document, please use the following contacts:

- for Commercial Assurance, commercialassurance@cabinetoffice.gov.uk;
- for GDS Service Assurance, gdsapprovals@digital.cabinet-office.gov.uk;
- for CTT, cttbusinessoperations@cabinetoffice.gov.uk
- for CCS, info@crowncommercial.gov.uk; and
- for the IPA, IPA@ipa.gov.uk.

```
mirror_mod = modifier_ob.  
#set mirror object to mirror  
mirror_mod.mirror_object  
operation == "MIRROR_X":  
mirror_mod.use_x = True  
mirror_mod.use_y = False  
mirror_mod.use_z = False  
operation == "MIRROR_Y":  
mirror_mod.use_x = False  
mirror_mod.use_y = True  
mirror_mod.use_z = False  
operation == "MIRROR_Z":  
mirror_mod.use_x = False  
mirror_mod.use_y = False  
mirror_mod.use_z = True
```

```
#selection at the end -add  
mirror_ob.select= 1  
modifier_ob.select=1  
context.scene.objects.active  
("Selected" + str(modifier_ob.  
mirror_ob.select = 0  
= bpy.context.selected_object  
data.objects[one.name].select  
print("please select exactly
```

--- OPERATOR CLASSES ---

```
bpy.types.Operator):  
X mirror to the selected  
object.mirror_mirror_x"  
mirror X"
```

```
context):  
context.active_object is not
```