NiTEWORKS

De-Risking the Procurement of the Next Generation National Resilience Extranet: Executive Summary

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DE-RISKING THE NG-NRE: INTRODUCTION & CONTEXT

Task

Niteworks was tasked to

- "Provide de-risking advice on the NRE procurement strategy.

- Undertake work to improve understanding of the practical implications of delivering the NRE in line with the Government ICT strategy.

- Identify risks (e.g. resources required, organisational divisions/responsibilities, business processes etc.) and formulate de-risking advice."

Approach

The approach that Niteworks took comprised the following:

- Investigating and understanding the NRE, and the requirements for the Next Generation NRE (NG-NRE);

- Clarification of customer views of procurement strategy, and identification of any customer commitment to procurement strategy;

- Ensuring coherence and consistency with the activities and outputs of the market survey (Task 1);

- A brainstorming workshop within the Project Team to identify risks to the procurement strategy;

- A risk analysis to qualify risks;

- A Workshop within the Project Team to identify mitigation strategies & plans;

- An assessment of the evidence collected under all previous activities;

- The production of a report with conclusions and recommendations.

FINDINGS

Can Industry Deliver a Solution?

In the first instance, industry has the capabilities to design, develop and deliver the NG-NRE; and this is within the capabilities of many companies in UK. There is therefore the scope for competition in the procurement of the NG-NRE.

Industry however has concerns in a number of areas that they would wish to resolve before expending effort in a competitive procurement. The most important of them are as follows:

- Metrics: numbers of users, service levels required;

- Charging & Billing: how will the payments be calculated? How many different bodies will pay charges to the supplier? Who will pay the charges?

- Governance: with whom will the supplier interact?

- Commercial terms.

Industry will need to have as much information as possible, as early as is practicable. In the absence of such information, companies will add provision for risk, which increases costs, and hence bid prices. The more information that Government shares with industry, the greater the business interest and thus the more effective will be the subsequent competition

Charging & Billing

If the NG-NRE were to be provided free at point of use, this would reduce the disincentive that some users feel to sign up for the service. A "free" NG-NRE would thus lead to greater adoption, and hence more complete coverage in the UK. This would in turn deliver better knowledge sharing and UK Resilience. It would also contribute to more predictable volume-based payment to the supplier (a risk that might be removed by a replacement charging regime). There would therefore be a greater incentive to industry to compete.

The ideal charging regime would be proportionate to cost drivers of the supplier. In such cases, the supplier does not need to include provision for volumetric changes outside his control, which thus delivers better value for money especially in a highly competitive situation.

Contracting Models

There are three principal contracting models:

- "Prime": Prime contractor + subcontractors, with the prime contractor sourcing the infrastructure (either from the Cloudstore to reside on PSN, or independently);

- "Prime + GFX": Prime contractor + subcontractors, but with the infrastructure provided by Government as GFX;

- "Service Integrator + Towers": this model most closely meets the Government ICT strategy.

The Service integrator model carries risk to UK Resilience, as it is as yet unproven in Government. In addition, this model is expected to be cost-effective in the delivery of major outsourced ICT systems. Relative to the outsourcing of the ICT of a Government department, the NG-NRE is small: we would therefore question whether this model would deliver any savings on a contract of this size.

The remaining two models, "Prime" and "Prime + GFX", are both attractive. Several companies voice opposition for the "Prime + GFX" model on the grounds that its savings would be offset by additional work from industry.

Government does not need to decide between these two models, even if it has a preference: industry could be invited to compete on the basis of either model, and the competition would determine which model would provide better value for money. There would however be a small amount of work to accommodate both models in one procurement.

Options, Timescales and Implications

The market survey identified four possible technical architecture solutions for the NG-NRE:

- Option 1: Current NRE functionality, delivered by incumbent

- Option 2: Augment current NRE, delivered by incumbent

- Option 3: A new industry-provided NG-NRE

- Option 4: Government Cloud-based NG-NRE

Options 1 and 2 are "Continuity Options", while Options 3 and 4 are "Change Options".

Option 4 follows the Government ICT strategy most closely. On the other hand, Option 3 may be very close to following Government ICT strategy, depending upon how the infrastructure is sourced for Option 3.

Notwithstanding the Government ICT strategy, the two Change Options in September 2013 would only be possible if the production of the requirements documentation and the procurement process were compressed; this may require private-sector effort to support the creation of procurement documentation and to manage the procurement process while ensuring that any downstream competitive process is not impacted.

Such a rapid and compressed procurement would most probably reduce the extent to which the NG-NRE's functionality would exceed that of the current NRE; and in particular it would probably limit the functionality of the Common Operational Picture (COP).

The stated procurement timescales lead to the conclusion that there is no project contingency in terms of time (also known as *"project float"*). Thus any serious problem or challenge during the procurement would lead to a delay in transition and a break in service. Moreover, such a procurement is totally dependent upon there being at least one bid within budget at bid submission.

This procurement route therefore carries significant risk.

Risks

The most significant individual risks are:

- Rapid procurement may reduce NG-NRE functionality;

- Any delay in procurement risks reaching contract expiry without a successor contractor being identified, appointed and ready to implement a transition to a new service, thus causing a break in service;

- No compliant bid submitted within budget, thus also risking a break in service;

- Timescales prevent adequate time for change management within Resilience Community;

- PSN not ready to host NG-NRE in September;

- Billing & Charging Regimes (if unchanged) could impair the competition and also the efficient operation and exploitation of the NG-NRE.

CONCLUSIONS & RECOMMENDATIONS

The principal procurement options are as follows:

- Very rapid competition for new NG-NRE in September 2013: this would carry the significant additional costs of a client-side team with strong ICT procurement experience, yet it would also bring significant cost, schedule and performance risks. We recommend against this option on the grounds of risk.

- Extend the current contract ("Continuity Option 1"): an extension of 6 to 12 months would ease the pressure, and enable the procurement of one of the Change Options with considerably lower risk.

- Extend the current contract in Transitional Form ("Continuity Option 2"): an extension of 6 to 12 months would equally enable preparation for the future; the Transitional Form would enable, for example, the introduction of concept demonstrations a change of billing regime; these changes would serve to make the competition more attractive.

- The Continuity Options would also enable the possibility of linking the NG-NRE with to the re-procurement to other government systems (e.g. NERIMS and RIMNET, which are due to be replaced in March 2014).

Niteworks recommends the following courses of action in order to de-risk the procurement strategy:

- Instigate urgently an extension of the NRE with incumbent;

- Explore with incumbent the scope for augmentation of NRE provision or for concept demonstration in support of NRE, principally straightforward map functionality, including the costs of such an option;

- Consider a change to the Billing Regime, in order to simplify the NRE provision and increase take-up rates;

- Conduct a short study to evaluate the state of readiness of PSN to host NG-NRE;

- Consider within Government the scope to involve other projects in a unified procurement and service;

- Initiate a competitive procurement of NG-NRE to commence service in spring to summer 2014.

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