Smart sourcing insight
Finding the right balance in outsourcing, insourcing and cloud procurement

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1. Foreword

There can be no organisation in the public sector that has not looked at – or isn't looking at - cloud and the best way to source its technology requirements.

It would be fantastic to be able to say 'here is the answer'. But in reality, there is no 'one-size fits all' - every organisation is at a different stage of the journey.

The only certainty is that no two organisations have exactly the same technology estate and architecture as starting points. The challenge for all of us, therefore, is to understand the status quo and the desired destination – and what you need from both technology and suppliers to help you get there.

Meanwhile, of course, technology continues to evolve at pace. All that can be guaranteed regarding the future is that not only will there be change, but there will be increasing complexity and choice.

Within this moving landscape, the term 'cloud' has become a standard part of the public sector technology lexicon. Yet, despite the original G-cloud strategy being drafted ten years ago, there is still debate about the best way to harness cloud technology.

Core to this is procurement. Cloud flips the traditional public sector procurement model on its head – no longer a capital purchase but a subscription-based affair. Many procurement teams have mastered this change, but equally many organisations have not.

At the same time the trend for outsourcing 'the problem' of technology that started last century and continued into the start of this one, has shifted to one of insourcing - taking back control of the organisation's technology in-house. This is a big shift in thinking from the days of wholescale outsourcing and has required many in-house teams to rebuild key skills that had been lost to the organisation.

As part of this shift, organisations are looking for 'best of breed' in all areas. In effect, 'smart sourcing' technology with a selective and agnostic approach. Insourcing or outsourcing the individual parts of the technology on which the organisation depends – ie,

finding the right solution, at the right price, at the right time. This often involves a mix of public and private cloud, commodity and specialist products. It also requires the long-term nurturing of a wide range of internal skills and judicious sourcing of external support when needed.

Rhys Sharp, Solution Director Public Sector, Rackspace

With the flexibility and agility required in today's digital world, smart sourcing is a continuous process, not a one-off event. It is a mindset. And getting the right blend of technology services and suppliers for your organisation will always be a moving target.

In truth, it needs smart thinking to get the best from the plethora of cloud options available - using multiple suppliers as a menu to find the right fit for your organisation. And choosing cloud as appropriate, not always 'cloud first'.

Rackspace commissioned this paper with UKAuthority following a series of UKA Live debates exploring how organisations are approaching smart sourcing and the importance of getting the 'right' mix of cloud. These discussions contain a wealth of practical advice and information which, backed up with further investigation and interviews with public sector digital leaders, is contained in this report.

Essentially, this paper is a guide to the core issues to consider in taking a smart sourcing approach. We hope that you will find it useful in planning your own technology strategies and help you to successfully smart source the right technologies for your organisation's future.

If you would like to discuss the contents of this paper, or find out more about how Rackspace can help you to smart source your organisation's technology, please reach out to me and the team:
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2. A fruitful middle ground

The trend has moved on from wholescale outsourcing, but neither is it a case of 'all in' regardless

ICT outsourcing is not dead, but it does not have the clout it had in the public sector 10-15 years ago, when it was a firm favourite as the sector looked for big savings through the wholesale outsourcing of its technology.

In recent years many organisations have taken their ICT management back in-house – including Birmingham City Council[1], Central and North West London NHS Trust[2] and Croydon Council[3] – others have done so for specific services, and there is declining support for the view that wholesale outsourcing is the best way to produce big savings with high quality services.

This trend has run alongside increasing take-up of cloud services. While not all digital leaders in the public sector have been convinced by the 'cloud first' approach – in which it is considered as the first option for new infrastructure and services – almost all see it as an intrinsic part of their plans. There is a steady shift in that direction, with organisations moving specific sets of data and applications into public and private cloud repositories.

One thing that has become clear over the past decade however is that, while big changes in technology and business management can open up new opportunities, there is no one single approach likely to provide the best solution for all organisations. Each faces their individual demands for efficiency savings and service improvements. Each has capabilities strongly influenced by particular legacy systems, data estates and management arrangements. Each must therefore make their own calculations of the costs of any change against the expected financial benefits of new arrangements. Some are confident that a bold commitment to a strategy – cloud, insourcing, outsourcing or other - will be for the better; others prefer a step-by-step approach, looking for what is best for specific elements of their digital operations.

Agility factor

Meanwhile, there has been increasing emphasis on agility and iteration in the development of modern digital services. Promoted heavily by the Government Digital Service (GDS) in the Cabinet Office, the approach makes a virtue of incremental developments, a readiness to 'fail fast', learn from mistakes and move on. This is complemented by an increasingly modular approach to procurement, buying more commodity products and services on shorter term, 'pay as you go' contracts. It is about having the scope to respond to changes in technology and new thinking on services as they evolve - which does not always sit comfortably within large, fixed or long-term outsourcing contracts.

This landscape is encouraging organisations to think about 'smart sourcing', a more flexible approach that allows scope for procuring 'best of breed' solutions, using cloud offerings that are most appropriate to specific services, and finding the right balance between in-house control and using outside contractors to develop and manage networks and applications as needed. The approach is still taking shape and people have their own perspectives on what is involved, but there is a view that smart sourcing can provide a fruitful middle ground between outsourced and in-house delivery of ICT services that maximise the benefits of both worlds to create a future-proof technology environment.

A smart sourcing approach can also help organisations to find the right blend of cloud platforms, hybrid and on-premise systems to meet their unique demands, find the right blend of external and internal skills, and build up the latter to increase their control over the long-term.

This paper examines how the public sector is maturing its approach to smart sourcing. It is based on a series of discussions and interviews with public sector digital leaders and service heads, organised by UKAuthority and supported by Rackspace.

Defining smart sourcing

While it is something of a fluid term, there is a growing consensus around what smart sourcing is about. Public servants familiar with the term tend to see it as a selective approach to insourcing and the move to cloud, focusing on specific areas and often involving a hybrid cloud model.

A local authority official taking part in the discussions defined it as follows:

"It's about getting people and resources that are the very best at what they do. For things like patching servers it wastes so much time and doesn't add any value. But you have to do it, it's very important, so why not just contract out to a patch management company that just applies the patches on a Sunday morning and reboots the servers based on the schedules that we have put in place?"

"It's about looking around and asking 'What is key to what I do? What adds the most value to what I'm doing?' It's things like customer services and the digital experience. Then you ask if you can afford to buy in those other services and have the conversation with the business to point out that it is not the focus of what you do, so let's get someone who can do it well."

CNWL NHS Trust brings ICT back in house with smart sourcing

Central and North West London NHS Trust is working with Rackspace to bring its technology back in house after a long term outsourcing contract, using a best of breed, hybrid cloud approach to building a platform to power transformation.

"We spoke to lots of suppliers to understand the art of the possible and to find out what they could do for us, to deliver benefits which we hadn't been previously accruing", says **Owen Powell, ICT director, at the trust.**

Powell explains the best of breed approach to smart sourcing, where they kept core skills in-house, but lent on technology providers to do the heavy lifting where they had more expertise.

https://www.ukauthority.com/ articles/cnwl-nhs-trust-brings-ict-back-in-house-with-smart-sourcing/

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1. https://www.ukauthority.com/articles/birmingham-city-council-completes-ict-insourcing/
2. https://www.ukauthority.com/articles/cnwl-nhs-trust-brings-ict-back-in-house-with-smart-sourcing/
3. https://www.ukauthority.com/articles/croydon-appoints-rainmaker-as-transformation-partner/

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One participant spoke about outsourcing their organisation's device management while retaining its ICT service management team to support a broader range of functions such as applications and security. It amounts to a small reduction in the internal team to cover a proportion of the calls, giving the remaining staff more time to focus on more complex problems and contributing to the operation's overall efficiency.

The approach can also fill a skills gap created by advances in technology. In this case, it gives the internal service management team the breathing space to keep track of developments in their areas of responsibility, and frees them of having to be aware of every change for every device used in their organisation – a responsibility that now falls to the supplier.

There have also been suggestions of an alternative term, 'right sourcing', coined by Amit Patel, the British Heart Foundation's (BHF) director of technology, design and engineering. The organisation has used this approach for the management of the tills in its nationwide network of shops, and the essence is the same as for smart sourcing – passing selected responsibilities to the right partner with the right strength of skills – and again it can be a full outsource of a specific operation. The BHF has taken a similar approach in outsourcing the management of its website.

There is also a wide agreement on the key constituents of smart sourcing, with a strong emphasis on intelligent procurement and skills management to find the right blend of internal and external capabilities, and to pay for the latter only when there is real value in doing so. This aligns closely to organisations' approach to cloud services, which although removing some of the management burdens for ICT still require some new skills in managing how the organisation uses cloud and makes changes when required. This is where the 'smart' element comes to the fore: it needs smart thinking to get the best from outsourcing and cloud.

It comes back to identifying the right people, products, services and suppliers for specific responsibilities. Most people see it as using multiple suppliers as a menu to find the right fit for their organisation.

3. The broad picture

Taking back control of your technology with an eye on complexity

Smart sourcing has been portrayed as a way of 'taking back control', making organisations more agile and flexible in the management of their ICT estates, and giving them the freedom to innovate rapidly as new technologies come online.

It is emerging in response to the experience of organisations that felt they lost this control through big long-term outsourcing contracts, which constrained them to a particular way of doing things and specific technology solutions for years after others had moved on to better things.

One council ICT chief explained:

"It's easy to forget how complex local public sector technology services are. For some of this stuff you can just buy it in the cheapest place that meets the required standards, while other stuff is really niche and then it's about how you integrate it all together."

"Part of the reason the old big outsources have failed is that there was a naivety in both the buyer's and seller's views that missed how complicated it actually is."

It involves a number of measures that will take different complexions in different organisations, and which reflect the complexity that comes with developing, managing and delivering public services in a constantly evolving digital world.

One of the early steps to recovering control is to map the organisation's technology, including that in any existing outsourcing deal, to track the way it is performing and its effect on services, and begin to understand how it is managed for optimum results. It is here that a thorough understanding of the organisation's information architecture is key along with assessment of the critical or commodity nature of each element. Inevitably, as elements change there are relationships and impacts on other parts of the whole – knowing exactly which components fit where is essential to making a good start.

It is a complex business, but investigating the whole landscape well before existing arrangements expire can provide important insights into managing that complexity. Investing the time in understanding the interconnections between digital systems, and the nature of the data, where it is held and how it affects frontline services will deliver benefits later down the line. These relationships will also be changing as new sources of data come on stream and new technology options become available, especially in the cloud, and having a firm grasp of the existing situation is important in being able to respond to that change.

This is where building-in long term flexibility is important. Organisations attempt to anticipate the way a service will have to evolve to meet changing needs, then develop a plan and aim to build a solution for its delivery. But the future is never guaranteed, and organisations need to be able to respond to unanticipated changes - sourcing support and cloud services to do so effectively.

Changing risk perceptions

The traditional view from previous decades was that outsourcing would reduce the risks in ICT provision, based on the belief that the contractor may be better equipped to manage operations. But these contracts often did not have flexibility built into their bedrock, and contained punitive change clauses. This has led to a shift in perspective where greater risk is seen in not being able to respond to changes in technology and service demands – and that flexibility and agility are prioritised over long term 'fixed costs'.

One comment in the discussions was that there have been some good outsourcing arrangements and some horrible ones, but that experience is removing the excuses for the latter.

The flip side of this is a wide acceptance that difficulties can also arise with insourced services. The siloed structure of many public authorities means that communications between different departments and the ICT team are not always as productive or effective as they could be. In many cases, our interviewees felt that there was often too much reliance on one or two individuals to ensure that things run smoothly.

There have been reports of internal teams that operate as suppliers to other departments within the organisation, retaining close control of how those departments use the systems. They control all the admin rights for any changes, meaning they have to be involved in every reconfiguration, either carrying it out themselves or sitting alongside the business service teams to 'sense check' what they are doing.

This can hinder the intent of some authorities to take advantage of low code digital platforms, which are set up to enable employees without strong technical skills to configure processes. These promise increased flexibility and significant savings, but their potential could be hindered by the organisation's approach to ICT management.

Market limitations

There are also limitations in the market. One participant commented that within his sector it was possible to get a good chunk of capability relatively cheaply on a software-as-a-service (SaaS) basis, but that this is not possible for all of its activities as the market has not been big enough to provide the incentive for development in some specialist areas. Some elements of the digital estate have to be designed specifically for that function, and it may be a long time until an appropriate SaaS product becomes available – this was often cited in functions with wide deployments of legacy systems.

One of the benefits in a flexible smart sourcing approach would be enabling senior officials to find the right balance of internal and outsourced support, and to identify the areas where non-technical staff can take control of business delivery processes.

Smart sourcing also supports the pragmatic cause of finding the right type and mix of cloud services. Cloud enablement is not a virtue in itself; it only

Norfolk saves £1m each year by smart sourcing

Norfolk County Council not only significantly improved services but also saved £1 million per annum by withdrawing from an outsourced managed service arrangement and deploying a combination of insourcing and smart sourcing

"We all have to make savings - we have 50% less income than in 2010," says Geoff Connell, head of IMT, Norfolk County Council. "Ultimately you have to look at anything you can flex to make savings. Anything that has been procured over two years ago is an area to be looking - and the bigger the contract, the bigger the opportunity for savings.

"Just because you are not at a contract break point, or at the end of a contract, don't think that stops you from talking and working with a partner to change the arrangement, to work well for both parties."

https://www.ukauthority.com/articles/norfolk-saves-1-million-per-annum-through-smart-sourcing/

counts when it helps the organisation become more effective and efficient overall. There is a rising debate among public authorities about finding the right blend of public and private cloud or on-premise services, and the rationale behind smart sourcing is that it allows them to make their own judgements and amend the arrangements as circumstances demand.

4. Skills & capacity

Capacity and skills are the key to long term success

As outsourcing was always related to the skills capability in public authorities – effectively buying it in through long term deals with third parties – so it is with smart sourcing, but in a more dynamic composition that can provide more assurance for the future.

Some organisations have learned through bitter experience that outsourcing may bring new skills to them in the short term, but over the longer term it can deplete the knowledge held inside the organisation and make them more dependent on their private sector providers.

And outsourcers will have their own staff churn. One participant reported the experience of their authority's outsourcer constantly replacing the people working on its service, on the basis that this was 'supporting staff career development and freshening the skills'. But with every change a little of the body of knowledge around how that service related to the bigger picture for the authority was lost, affecting its overall attempt to modernise services.

There may be efforts to document everything that is regarded as relevant, but even when these are taken seriously so much of the knowledge is in small pieces, collected ad hoc and may seem too marginal to record at the time that it slips through the net. It is lost in increments, but over a period of years can create a big gap in understanding and undermine the effectiveness of a service.

Hoarding knowledge

The problem is compounded when an outsourcer is using its own contractors, some of whom, report our interviewees – have been inclined to hoard knowledge, especially when they have an eye on making themselves indispensable to ensure that their own contracts are renewed down the line.

"Even when you're a manager it's difficult to get close to the team because everyone is changing, and you've never really got your 'go to' people. It's always 'changing faces' and we found that challenging."

Questions were also raised about the extent of the outsourcers' skills. If they do not have a range of customers they could be very focused on a handful of processes for a single authority, and when their people move on they do not have replacements on hand. Similarly, the authority could be using them for a specific process for which there is no-one else in the job market with the relevant skills. In both cases, it begins to undermine the rationale for the outsource and creates a mutual dependency.

Ensuring that some key skills are retained in-house is a key element of smart sourcing. This goal, however, can reportedly run into resistance, either from an outsourcer eager to take complete control, or from inside the authority from officials who want to reduce the wage bill. If retention is focused on the most talented staff - who are most likely to be paid more highly - it could be claimed this is undermining the business case for transferring operations outside. There needs to be a readiness to fight to keep key skills, however, with an eye on the long term consequences if an outsourcing arrangement underdelivers.

Retaining a core internal team offers a degree of insurance if an outsourcer falls far short of what is expected. It will always create disruption to cut a contract short, and it can be impossible if the internal skills resource has run too low.

"You'll be over a barrel if you want to end the contract but have no internal team."

This can lead to accepting a service that consistently falls short of key performance indicators and embarking on some long and painful planning to find a way out of the deal.

Part of the solution is in identifying the more mundane areas of work to be transferred outside and keeping the more complex and imaginative tasks in-house. While short term contractors with expensive day rates may sometimes be necessary, it is best to avoid these for the more routine tasks, for which the better deals are likely to come from longer term deals. In addition, these are less likely to be affected by an erosion of skills through staff turnover.

Cloud skills

Managing cloud services requires another package of skills, and these can be developed in-house or contracted to partner. The latter can provide an effective solution for the short to medium term, but again comes with the danger of leaking knowledge. The sentiment in the discussions was generally in favour of building the skills in-house, although there was a recognition that contracting with specialists was often be the more viable approach for the short term – especially if a requirement for knowledge transfer was built into the contract.

It is part of a wider issue of examining the broad range of skills in ICT. The point is often made that the way ICT departments operated 10-15 years ago, with a strong focus on running the technology, is no longer fit for purpose. It needs teams that are more outward-facing, ready to learn from and partner with the business teams in their authorities, and the contract management and communications skills to deal effectively with contractors.

This will take on further qualities as emerging technologies become more important, even if it is not yet clear which could be run internally and which could be smart sourced to advantage. Much of the capability will be in the mindset as much as grasping the technical details.

This prompted one participant to comment:

"You need to say to staff that there will be plenty of jobs in the future, but not your current job and you have to constantly relearn if you are in IT. Some will love working more closely with the business and flourish. Others are more technical in their focus and there is still a role for them, but it is evolving. Change is going to be a constant factor."

There are different elements to how this can develop. Some participants emphasised the potential in bringing the younger generation of 'digital natives' together with the experienced staff of existing ICT teams, learning from each other's outlooks and to strike the right balance within teams.

Another approach could be to encourage more people from across the business and ICT teams to develop the skills to take on roles in solutions architecture, understanding how to match a technology and data with business requirements. There could be a lot to gain in showing them that they could be more valuable to the organisation, and improve their long-term prospects, by learning how to both articulate and relate technology to desired outcomes.

Improving organisational memory

Indeed knowledge sharing within the organisation brings great benefit. Sharing and passing on skills internally will help to deal with inevitable staff churn and retain organisational memory.

In addition, there is plenty of talk about the potential of low code platforms which, while not requiring such a high level of technical knowledge, do extend the overall skills base of those without coding knowledge or a technical background. It is beneficial to get staff from areas such as user research involved in the field to bring their knowledge into using the platforms.

The general view is that there will never be enough dedicated people inside authorities to manage and maintain all the specific networks and applications, and that there will need to be tactical use of contracts for achieving the right blend in meeting short term demand and planning for the long term.

As a step towards this the leaders of digital teams need to scope out what skills are required, get the tech specialists to think about their roles, and consider what sort of skills the internal teams should possess. This comes with at least a degree of knowledge transfer as part of the deal, some of it in more routine areas like security management, but also in more specialist functions. Asking this can be part of the procurement process, and while some vendors may be reluctant there is also a growing pressure on them to cooperate in this area.

It reflects an important element about smart sourcing, that it involves genuine partnerships with multiple suppliers, not just a traditional buyer/seller relationship.

Capability for complexity

However, managing such complexity requires its own range of skills, related to business architecture and commercial operations, that go beyond those traditionally associated with IT teams. This imposes some tough demands on an organisation and, although it reflects a need that has been recognised in the public sector for several years, there is a view that many authorities still lack the capability to approach it effectively. This is where support from an experienced third party with a strong understanding of the issues can be an important asset, requiring an initial investment but helping to reduce long term costs and achieve better outcomes.

There are differing views on how much could be viably achieved. One comment was as follows:

"Because of the velocity of change we have to change our approach to skills. We need to have good partners and a change in mindset among our people. There are possibilities in a DevOps way of working, encouraging teams to learn on the spot; but it's not easy and there's no clear formula for success."

But another participant produced a more optimistic assessment:

"If we are in a good collaborative relationship with a clear understanding of responsibilities, then the contract works well, and it is a win-win."

Cloud: new world, new skills

Smart sourcing your technology in a world of cloud and legacy assets brings a unique set of challenges, says Rhys Sharp, Solutions Director at Rackspace.

From procurement and licencing in the new world of cloud to building the architectural foundation to transform delivery, unpicking the complexity along the way, is essential. New models of procurement and pay as you need licencing may be complicated but the benefits - including the savings - are there to be gained.

https://www.ukauthority.com/articles/cloud-new-world-new-skills/

5. Improving procurement

Strong procurement is needed to underpin smart sourcing

There is a tension between the traditional approach to procuring major contracts and the way to make smart sourcing work effectively.

The discussions brought out the view that there will still be a place for the type of formal, prescriptive major procurements that have traditionally gone through the OJEU process; but in many cases there is a need for a more agile approach for the smaller, shorter contracts that provide more scope for innovation. To an extent this can be found in using procurement frameworks such as the Digital Marketplace, although there is still scope for deals outside such channels.

An organisation needs a strong procurement team that understands not just how the different deals work, but how they fit with the way digital is evolving and the need for more agility in developing services. It comes down to striking the right balance and ensuring that procurement teams work closely with their colleagues in technology and business units.

Good suppliers are likely to encourage this approach as it can make it easier for them to deal with the organisation in the long term; but authorities also need to test their perspectives. They need to get into a dialogue, before the full procurement begins, on what is possible with different technologies, and how the transfer of data and processes from legacy systems will work within the plans for change. As it develops a vision for what it wants to achieve over the next few years, it is worth sharing that vision with potential suppliers to get a clear view of their offerings, road map and capacity to help deliver the plan.

Scepticism asset

A degree of scepticism can be an important asset, with a willingness to challenge the supplier's early assurances and press for detail on what their systems and services can provide. Several public sector participants recounted instances of vendors promising capabilities that they failed to deliver, often revealing severe shortcomings in their own understanding at the time of contract. It needs a willingness to drill down and ask difficult questions to minimise the risks of this occurring.

Another possible element in the approach is the development of a capability model that identifies every area of the business and how the authority wants it to change, then mapping the appropriate technology to each one. Breaking it down into constituent technologies at each level can feed into the discussions with potential suppliers, testing their understanding and what they can offer, and ensuring that it matches their view of how they can all fit together.

At the same time, it is necessary for procurement teams to understand that the prime purpose of digital tech is to facilitate the movement and management of information, and that any single procurement has to fit within a broader integration. This can at least ensure that they do not look to revert to traditional processes that could undermine the vision.

Another shortcoming identified in the discussions is that in cases when ICT teams are managing a procurement they often have no idea of how some companies approach their sales. Some salespeople will tell them what they want to hear without even knowing for sure if it can be delivered, and provide quotes that inflate the costings involved in delivery. Some teams are smart enough to delve into the detail and spot where there is scope for reductions, but many have an insular mindset and no commercial experience, and accept the quotes without question.

"A problem in the public sector in a lack of knowledge around what is on offer in the market."

Along with this comes the danger of business people leading a procurement when they have insufficient knowledge of the technology. This can apply at a basic level – a couple of the research participants said they have come across executives who still fail to understand the concept of cloud computing – and

this makes them more vulnerable to manipulation by suppliers.

"My biggest continuous challenge internally is that you really need the business as well as IT people to understand enough about the technology. I don't mean they have to become technology experts, but they need to understand what is meant by cloud, which can mean different things to different people."

"If you don't understand at least some basics or have a trusted adviser who understands them, you can't ask those suppliers the basic questions. If you don't understand what they mean you won't know if they've given you a right or wrong answer and be able to assess the solution."

It comes back to the need to be an intelligent customer, with the ability to identify whether costs are realistic and judge whether the supplier can really deliver. This is where ICT and procurement teams have to work together, with the former contributing technology knowledge and the latter bringing the ability to assess a marketplace and the behaviour of individual suppliers. They can also help to assess the total cost of ownership through the lifecycle of a service.

Size factors

Another factor to consider is how big a client the organisation is for a supplier. Some participants expressed concerns that if an organisation accounts for a relatively smaller share of its business it will be vulnerable to a shifting of resources when demand is high or get the short end of a staff turnover. The supplier could afford to disappoint this particular customer.

Equally, there is a risk in being too big for the supplier, requiring capabilities that it does not have the financial clout to develop and maintain. Supplier sustainability is a key issue, and organisations need to look carefully at whether a supplier is the right size and has the right outlook to do the job.

It is also necessary to keep in mind the exit arrangements if the outsourcer fails to deliver. It is common for organisations to remain locked into an unsatisfactory deal, even when they have the legal right to walk away, because the data migration would be too

A trend towards multi-sourcing

Socitm Advisory has seen a trend in large outsourcing contracts in local government not being renewed when they come to an end, says chief executive, Tony Summers.

This is predominantly because the supporting infrastructure has changed over the contract term with the advent of cloud. Instead, Summers is seeing councils flexibly multi-sourcing the right technology for their needs. If you are thinking about moving out of a long term contract start early, he advises: at least two years ahead to ensure that you have the vision and the planning right. And don't be afraid to bring in specialist resource - enterprise architecture for example - as you need it in order to make sure your transition is a success.

https://www.ukauthority.com/articles/a-trend-towards-multi-sourcing/

complex and expensive. It is the type of issue that has to be taken into account in drawing up contracts in the first instance, but which should also influence thinking about what exactly is outsourced or kept in-house.

The underlying demand for an authority is to ensure its key people are sufficiently well informed - to be sure that they are buying the right product or service for what it wants to achieve. With the rising emphasis on short term deals and exploiting new technologies this is becoming more challenging and needs some investment to develop the right blend of expertise, but it is an investment worth making to support smart sourcing.

6. Cloud as appropriate

Not cloud first, but cloud where appropriate

Cloud services are a big part of the future for all organisations, and there is a gradual change in approach that reflects the wider move towards smart sourcing. Early in the 2010s, fuelled partly by the Government's Cloud First policy, there was a lot of talk about wholesale migrations with limited attention to the detail. But there have been reports of some cloud services proving to be more expensive than, and not offering all the benefits, expected.

"It's not 'cloud first', it's 'cloud where appropriate'. That gets everyone thinking 'what does appropriate mean?"

This has led to a shift towards the need for a more granular, hybrid model, with combinations of public and private cloud systems and a continued reliance on on-premise in some instances. It involves looking at what is required application by application,

service by service, and using cloud not as a panacea but in a way that contributes to a broader picture of digital delivery.

This relates closely to the need for flexibility, with organisations needing to increase their capacity for storing and processing data in some areas and possibly reducing it in others, and to move quickly into new operations. This demands a strong understanding of what various cloud services can deliver, and contracts that are sufficiently flexible to allow some scaling up and down, and not tie it into an operating model for too long.

It needs the right cloud for the right need. In some cases – such as basic data storage and collaboration tools – there are likely to be commodity offerings that are cost-effective and do the job to a satisfactory standard. More specialised demands are

likely to require niche offerings, maybe as software-as-a-service, that will be more expensive.

And then, of course, there is the legacy conundrum. Legacy architecture can make it difficult - indeed, inappropriate - to attempt a move to cloud. In such instances, suppliers should be carefully queried about their roadmap for such products in order to make fully informed decisions about their future. Perhaps an agreed delay to migration or a wholesale switch to a new product might be required.

The organisation has to find the right blend for itself and make sure it can integrate existing systems as required. This will generally require that they are based on open or industry standards and come with the ability to install application programme interfaces (APIs).

Back to legacy systems, some suppliers are still resisting cost effective access to APIs. But there is a trend towards their use becoming the norm and a strong case for writing the requirement into contracts moving forwards.

Perspective on cost

There also has to be evidence of the long term cost-effectiveness of any cloud service. If it works on variable pricing based on the capacity used it needs an estimate not just of the existing requirement, but how this is expected to change over time. An organisation anticipating an increase in demand for a service will need to consider how it is likely to affect the volume of data and the demand on a service. There will always be an element of speculation, but if it can make a reasonable assessment it will help in projecting costs over a period of years.

This could be influenced by the organisation's policy on capital versus operational expenditure. An emphasis on the former can lead to a set spending commitment over the long term, which could restrain how much the organisation can get from a cloud service. Providing more scope for opex could be better suited to a 'pay-as-you-go' SaaS model, which can allow for scaling the usage up and down, but could also be restrained by squeezes on revenues.

Another factor is to have a good grasp of the computing power on offer. An internal ICT team will be able to assess this for an on-premise system but it can be difficult to do so for a cloud service, and some research participants were sceptical about suppliers providing an accurate picture, especially if their service is running on a third party infrastructure. It needs careful questioning to establish whether the service will meet not just the regular operational demands but any surges in the need for extra processing capacity.

On top of this, moving to cloud can impose new technical demands on an in-house team. One participant pointed out that it could require monitoring and occasional adjustments of functions such as database throughput units to obtain the right performance, which had not been necessary when running everything on-site.

Beware of over provision

The flip side is in assessing the level of support needed. Suppliers can cover functions such as that mentioned above, but some will try to sell the maximum package with the highest price tag, and this could be more than will reasonably be required. It is another factor that can be difficult to assess up front.

These factors create challenges in managing the subscription models offered by cloud service providers. It needs a full understanding of how they work, what they provide and how this relates to what the organisation needs - and there is a strong case for a licencing specialist within the ICT team to look after licensing on a daily basis. This also supports the view that the move to cloud is supporting new in-house roles that have not previously existed.

It is also important to look at how the service integrates with others. There will be cases in which a SaaS deal is an inexpensive and appropriate option, but if it is hard to share the data with other systems it undermines its value. And if a database sits on an infrastructure-as-a-service platform, you have to think not just about how it integrates with the application for which it was originally designed, but any others that may need to draw on its data.

British Heart Foundation 'right sources' its technology

The British Heart Foundation has taken a 'cloud as appropriate' and 'right sourcing' approach to transforming its technology operations, says Amit Patel, director of technology design and engineering at the charity.

Whilst planning is not always easy in a world of constant technology change, finding what is right for your organisation is key – and it is not always the latest bandwagon if you have legacy applications to accommodate. Meanwhile, finding the right partners to work with will lighten the load and underpin your success.

https://www.ukauthority.com/articles/british-heart-foundation-right-sources-its-technology/

This complicates the outlook and could prompt some organisations to decide that it is better to retain a server estate with core databases on-premise. It could also extend to key applications that could be difficult to integrate with others. These practicalities are feeding into the development of hybrid models that combine public and private clouds with on-premise applications and data centres.

Again, it is a stiff challenge to accurately assess what is appropriate, and is leading some authorities to look for support in finding the right combinations.

Ever-evolving skillset

Acquiring the skills for cloud services does provide a big challenge. It is relatively straightforward to provide the training for staff in more basic functions, such as using the commodity productivity suites, but more difficult to find reliable sources of learning for getting the most out of platforms on which applications and datasets sit. This skillset is developing quickly, prompting one participant to comment that it is not worth buying a book on the subject as they are so quickly out of date. The solution is more likely to be in sources that are responding to the change and plucking lessons from

experience, such as reading blogs by people working in the field, getting involved in online forums and attending workshop and networking events.

It is an ongoing process that requires someone to devote a considerable amount of time to keeping up with developments; and this would require a decision on whether it is delegated in-house, contracted to a third party or written into an outsourcing deal.

Underlying all this is a need to think carefully about what the organisations needs from cloud systems, how it knits into the information architecture, and to make sure that the arrangements are sufficiently flexible to adapt to changes in service demands and in the marketplace. This applies as much to insourcing as outsourcing ICT operations.

"Prior to insourcing, understand what your plans are, what you will look after and what you will give to someone else. Understand demarcation points on what you want to do and don't want to do."

"Take your time, do the preparation. If you launch into it and the architecture is not right, it will be difficult to unpick - and you might have to rip and replace again."

7. Key questions

Priorities and perspectives

There is no definitive guide to smart sourcing, and some may feel there are more appropriate terms to describe the approach. But at its heart is the readiness to ask a series of questions to make the right choices and determine the optimum blend of outsourced, insourced and short-term contract services. It requires degrees of knowledge to frame them effectively and grasp the full implications of the answers, and it takes time to develop the expertise to do so effectively; but a questioning mindset is the foundation of the approach and will help to make it viable into the long term.

An important element of this is to treat it as a continual learning process. The research discussions brought out a strong emphasis on networking, looking for opportunities to share knowledge on technology and procurement with public sector colleagues. There are active communities in place for central and local government, often working at a regional level, and in other public services. There are

also online product owner forums for software suites and networks.

Taking part in these can provide plenty of insights and be an important step in understanding the intricacies of technology integration, contractual arrangements and skills management. There is unlikely to be a lightbulb moment but it can help digital and technology leaders to acquire the breadth of knowledge necessary to take the smart sourcing approach; and it can help members of their teams build up the specialist expertise to make their own contributions to making it work.

Laser focus on priorities

An important step is to ask what is important to the organisation and understanding the problems that need to be solved. There will not be a 'one size fits all' to provide the solutions: some could well be handled with a few development skills to integrate a couple of digital systems, or configuration on a low

Smart sourcing approach to manage service delivery

The public sector's approach to cloud is evolving from the early 'Cloud First' to one of smart sourcing to deliver the full benefits of cloud at a granular level, says Rhys Sharp, solution director at Rackspace

Traditional ICT, service design and delivery are moving closer together and building in-house skillsets to ensure that services are procured effectively. In response to this, Rackspace has introduced 'service blocks' which allows organisations to toggle services on and off as skills develop or a specialist skills gap opens up.

https://www.ukauthority.com/articles/smart-sourcing-approach-to-manage-service-delivery/

code platform if it is used; some may require a more complex integration or the replacement of a core system; others could be solved with a shift of key processes to the cloud.

There might be some tension between two solutions to two problems, which is where it is crucial to ask the questions again about the relative importance of issues and which becomes a priority.

It is also worth asking whether a long-term contract for a solution is necessary. In some cases it may be required to produce a short-term fix for an issue, which would make a one-year deal sufficient. Even

if the organisation does not foresee any changes in the situation in the near term, it is better to aim for short term deals to provide the flexibility to change. This should be the default approach, reserving the use of long-term contracts for the more strategic partnerships that are not tied to particular technologies, and where there is solid evidence of substantial savings and other benefits.

Another question is whether there are overlapping costs between existing systems, or with those that are included in a new deal, that can fulfil the same process. Any organisation would want to eradicate

these, although there can also be extra costs in breaking away from existing deals.

Similarly, the costs of decoupling from legacy systems can be high, and there is a need to understand what it requires of the supplier, and how the existing contract can influence the costs. There are questions to be asked about whether the data migration can be handled through a straightforward 'lift and shift', or if it demands a more complex and costly process. It helps to have a good relationship with a supplier to produce clear answers, and to provide a clear view of the options available. This should feed into decisions on whether to go ahead and how to handle a move to a new system.

Stepping back for perspective

This is where it is important to be ready to step back from a planned change if it becomes clear that there are high unexpected costs or that there could be serious challenges in the new data integrations. One of the most telling comments in the discussions was that smart sourcing involves being smart enough to see when a plan will not work and be ready to drop the idea. Asking the series of questions, understanding all of the details and obtaining a full picture will make it possible to do this before making major commitments.

Understanding the market options is also important. There are highly competitive markets in some digital services, particularly the more commoditised systems, where it is easy to walk away from one supplier into a good deal with another. But there are others, particularly for line of business systems, with few options and pricing structures that leave little room for improvement. There are signs of this changing with the development of versatile enterprise platforms that can take on the functions of some specialist systems. But it is a gradual evolution which is yet to convince many authorities that it is right for their needs.

It reflects questions about timing. There might be future opportunities to move some services into an alternative supplier or in-house, but doing so too early could create more problems than it solves. Again, it needs a full picture to evaluate the realistic options.

"It's about knowing the scope of what you're going to change. You're probably not going to do all your core infrastructure changes at the same time as your line of business systems. It's about knowing what to change and when."

Another big question is where to draw the line between outsourcing and retaining in-house control of key functions. Every organisation will have its own factors that influence the answer, and it may be difficult to do so definitively, but a common view in the discussions was that the strategic priorities and the ICT architecture knowledge that supports them have to remain within the authority's control.

"I would never outsource that. It really depends on the perceived issues, risks and what we are trying to achieve."

"It's about being aware of your strengths, weaknesses and risk areas in existing services. You need to complement any outsourcing with strengthening things in-house."

Summing up the questions

- **What is important to the organisation? And what is not?**

- **What are the details of the problems that need to be solved?**

- **Is it necessary to engage in a long term contract for a solution?**

- **Are there overlaps between the costs and functions of existing and new systems?**

- **What are the costs of decoupling from legacy systems?**

- **What other options does the market offer?**

- **Is it the right time to change the service provision?**

- **Where is the appropriate line between outsourcing and in-house control of functions?**

8. Expect the unexpected

In a world of rapid technology evolution one thing is certain: change

As with outsourcing, adopting an approach with the label of 'smart sourcing' will not be a panacea for strengthening an ICT estate and providing better digital services. But it can encourage a shift in the mindset and the ability to keep asking the right questions to make the approach work.

Its public sector advocates need to start a dialogue inside their organisations, making key officials in the relevant teams aware of the factors around ICT procurement, skills and cloud services. They need encouragement to strengthen their understanding of how these relate to their responsibilities, and to begin asking the questions that should influence decisions on spending and developing in-house skills. All of the senior officials, and many in the middle ranks, should be aware of the approach and the need to create the right balance in ICT provision.

It is also crucial to recognise that the ground will continue to change. Advances in technology and new thinking about service delivery will open up new opportunities, but as new options arise there can always be indirect, adverse effects on other parts of the system. It needs an eye on the opportunities tempered by the readiness to ask awkward questions - and show a degree of scepticism - before making any significant commitments.

The right blend of services will always be subject to change, and smart sourcing is an ongoing process rather than one that is delivered every few years. It is about understanding the desired objectives of the organisation and the components of its digital estate, developing the right architecture, building in-house technology capabilities and developing new skills in supplier management. It is demanding and requires an increase in expertise, but it could make a valuable contribution to effective and sustainable public services going into the new decade.

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9. Catch up on UKA Live discussions

1. From outsourced to in-house: take back control with smart sourcing:

- Owen Powell, ICT director, Central & North West London NHS Trust
- Geoff Connell, head of IMT, Norfolk County Council / Past President Socitm
- Simon Clifford, director of digital and data, The Police ICT Company
- Rhys Sharp, solution director, Rackspace
- Helen Olsen Bedford, publisher, UKAuthority

https://www.ukauthority.com/articles/from-outsourced-to-in-house-take-back-control-with-smart-sourcing/

2. Outsource, insource or smart source?

- Amit Patel, director of technology design and engineering, British Heart Foundation
- Tony Summers, chief executive, Socitm Advisory
- Rhys Sharp, solution director, Rackspace
- Helen Olsen Bedford, publisher, UKAuthority

https://www.ukauthority.com/articles/outsource-insource-or-smart-source/

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