



The Department for Work and Pensions Value for Money Case Study

DWP has over 130,000 employees. At the start of the engagement in 2004 the Department was spending around £1.2 billion a year on IT operations with a significant proportion of this spend on outsourced IT services with external service providers. Serco's team managed a programme of work resulting in the successful delivery of almost £2b of benefit to the Department.

Client Challenges

The Department's Executive Team faced the following major challenges:

- the government had given the Department large cost and headcount reduction targets, with a history of increasing costs and headcount the IT function had to make a significant contribution to these savings;
- the Department's businesses were undergoing transformations and were looking to rapidly deploy new applications across the estate. The IT infrastructure, however, was fragmented and did not support rapid delivery;
- the service quality did not meet business expectations and there were a number of high profile and severity service failures. Although the Service Providers were not performing well, the contracts could not place accountability for meeting expected service levels clearly with them and did not contain adequate tensions to encourage the Service Providers to prevent these failures.

How we helped the Client

We supported the CIO's internal team with a small external team of specialists with a broad range of private sector experience to address the above challenges through realigning the outsourcing contracts and responsibilities and transforming the Department's IT infrastructure:

- **Obtaining executive support**

We assessed the Department's spend on IT services and supported the CIO to develop a compelling business case for migrating to a model of buying industry standard services. This case stated an improvement in IT service quality and reduced IT operational costs.

- **Structuring the requirements**

We worked with the internal team to agree an IT Services Framework (based on industry standard services) that would meet the business needs. The framework defined the following services:

- *Desktop* – including PCs, files, print, emails and messaging;
- *Network* – data and voice services;
- *Hosting* – Application hosting (including availability);
- *Applications Maintenance* – fix on fail and preventative maintenance;
- *Applications Development* – delivery of new application functionality;
- *Service Integration and Management* – management of services provided by a multi-supplier service model to deliver the IT services in a controlled way that the businesses requested.

- **Renegotiating existing contracts**

We led the negotiations (in conjunction with the Department's IT operations, Finance and Commercial teams) with the Service Providers to realign the existing contracts to meet the Service Framework requirements, to agree a transformation programme to enable the respective organisations to step up to their responsibilities and provide significant benefits for both sets of organisations.

- **Managing the Department's implementation responsibilities**

We mobilised a programme to complement the Service Providers' transformation programmes to ensure that the Departments obligations were met and to ensure that the Department was efficiently organised to make optimal use of the Services and improved procurement processes. Key areas of implementation activity included:

- Oversight of the suppliers' transformation programme and its interfaces to the client;
- A change programme to realign the IT Service delivery capabilities to support the changed responsibilities (including the introduction of ITIL processes);
- A change programme to upgrade internal IS Applications Development processes to CMMi Level 3 standard;
- Embedding of a new IT services procurement process to optimise the benefits to the Department;
- Enhancement of internal financial processes including recharging models and invoice validation activities;

- **Handing over capability to the internal team**

Wherever the programme team undertook operational activities to support the programme, and these activities added value on an ongoing basis, we initiated transition activities to hand relevant capabilities over to the internal operational teams prior to the programme closing down.

Achievements to Date

The Implementation activities are now complete and the Department is on track to reduce its IT operational spend by almost £2 billion over a five year period. Financial benefit

milestones have all been met and unit and absolute costs have already dropped significantly. Internal headcount is reducing and is on target to meet expectations. Other delivered benefits include:

- Standardisation of all IT services
- Output based contracts with introduction of service based towers with utility pricing mechanisms
- Service Provider teams have been retrained and equipped with better tools to provide improved services and the businesses are enjoying significantly improved service levels
- Full refresh of the IT estate, including:
 - 140,000 desktops with the associated local office services
 - Single converged IPT network
 - Consolidation of all data centres
 - Consolidation of all server farms
 - Best practice process delivery (ITIL,CMMi)
 - Reshaped organisations to align to new contracts
- Vastly improved business continuity arrangements
- Improved supplier performance and relationships
- Massive change programme successfully delivered with minimal business disruption

The Department's internal teams have been retrained to ensure that the benefits of the new outsourced relationships are maximised.

Reassuringly, the efficiencies are also enabling the Service Providers to improve their profitability creating an opportunity for prolonged benefits for all parties.

To embed the principles and tensions of the new outsourced relationships, we also managed a significant change in the internal management of IT. Budgets were centralised prior to the introduction of business services and associated recharging. Formal contract compliance checks against the Department's responsibilities were introduced, and improved contract governance arrangements contracts established. These all formed a key part of the transition from the highly skilled interim/consultancy team that led the engagement to those within the Department that continue to manage the estate.

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