Introduction

In July 2017, KPMG[1][2] were engaged by the University to review and report on the capability of Information Services (IS).

The review encompassed all of the University IT function, in IS as well as elsewhere in the University. IT outside of IS is referred to in the report as "shadow IT" or "devolved IT".

The resulting report (published in September 2017) included a paper outlining 'future resourcing options'. This paper was shared firstly with union representatives, then with IS staff on 25th June 2018. IS staff were warned not to share any part of the report or its contents outside of IS.

We request that an urgent consultation exercise be conducted with all staff and students before these proposals for outsourcing IS progress any further and certainly before any decision is made.

Scale of Outsourcing

The report outlines a number of options for outsourcing.

David Hill, Chief Digital Officer, while acknowledging that the ongoing uncertainty amongst IS staff due to the length of time that the outsourcing discussions had been ongoing was 'unfair', summarised the 'options' at an IS staff meeting in June 2018.

We were told that a tender would be going out to another auditing firm. Their task would be to take the KPMG report and make a recommendation on it which would then be put to the UEB as early as September 2018.

The options were:

1. **Do Nothing** - 'staying exactly as we are' - this he said he 'did not feel was a sensible option' if IS wants to 'meet the ambitions of the organisation'. The Union Action Group agrees doing nothing is untenable for any progress by the University.

2. **Re-design and Retain the Existing In-House Function** - 'Redesigning of what we've got' - he said he 'did not think that is enough.'. The Union Action Group disagrees. Proper investment in IT Services and staff and a management structure that is fit for purpose could bring the same or better benefits than the other options.

3. **Re-design and Partially Outsource Information Services** - 'Sort of where we are at the moment' - he said he thought that 'there's some merit in changing some of the structure and we're already starting to partner with outsourced providers in certain areas... We're all

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1 In a June 2018 report on audit standards across eight accounting firms, the FRC identified "failure to challenge management and show appropriate scepticism across their audits." It highlighted a decline in the quality of work undertaken by the Big Four, with KPMG performing the worst. There had, the FRC said, been an "unacceptable deterioration" in the quality of KPMG's work, and the FRC would scrutinise KPMG more closely as a result. Davies, Rob (18 June 2018). "KPMG singled out in critical report on audit industry". *Guardian*. Retrieved 19 June 2018.

2 https://www.independent.co.uk/news/business/news/kpmg-fines-ted-baker-audits-misconduct-frc-a8498966.html

already doing that. We've got contracts in place, it's about forming those partnerships and making sure that our teams are designed to be in the right configuration to make that work well, so I think there's some work to do and there's some real mileage in that.'. The Union Action Group does not believe that outsourcing internal jobs will result in better service for the reasons outlined below, especially since between 50% and 80% of IS staff may be outsourced according to the KPMG report.

4. **Outsource All Information Services to a Strategic Partner & Create A Retained Function** - 'Taking a much bigger approach to outsourcing the foundational IT' - he described this as 'a bigger departure from where we are at the moment' and said 'I think there is some mileage in that option as well.'. The Union Action Group disagrees and feels that an even bigger step change and large amounts of outsourcing would cause serious disruptions in the short term and would lead to a loss of experienced and dedicated workforce who have the best interests of the University at heart. Between 80% and 95% of staff would be outsourced according to the KPMG report.

5. **Business Process Outsourcing (BPO) to a Strategic Partner Retaining a Minimal Intelligent Client Footprint** - This was discounted by David Hill so will not be commented on here but would involve wholesale outsourcing of between 95% and 100% of FTE staff.

There has also been mention of another outsourcing option in IS All Staff meetings involving a University joined-owned company. This comes down to a similar platform of outsourcing (TUPE staff over) and essentially ends up similar to option 3 or 4 depending on the percentage of staff retained. The risks to staff retention and other issues with outsourcing would still apply.

Going the "Extra mile"

IT outsourcing in UK Higher Education Institutions is rare for a reason. IT staff in HE institutions often work and innovate beyond what is usually expected, and take pride in "going the extra mile". There is also a feeling across many IS staff members of being a Higher Education employee first and an IT Professional second. This also accounts for a lot of staff retention where comparable jobs may be paid more or receive more training in the wider IT job market.

Outside contractors working to an SLA (Service Level Agreement) cannot be expected to have the same level of commitment to the University and usually charge for anything outside SLA wording.

Outsourcing does not offer the incentives and flexibility required by a large HE institution, where the demands are far more varied than in most commercial organisations.

The rarity of outsourcing is such that it was attempted at Manchester University but rejected[3] before implementation, and the only example of outsourcing in Higher Education provided by David Hill was in Australia.

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3 https://www.theregister.co.uk/2016/02/01/university_of_manchesters_it_director_resigns/

In the public sector there also have been serious issues with contracts, partners and damage both budgetarily and reputationally, such as Carillion failings then involving QMC Cleaner issues and much more[4].

Also in the public sector are examples of in-house success. Newcastle city council's modernisation of its IT and related services in the 2000s demonstrates that an in-house solution, which draws on the expertise of its own workforce, does not only result in vastly improved services but is also cost effective[5].

IS Innovation and Intellectual Capital

The nature of university IT is very different to that of most commercial organisations. For University staff and students, IT is much more than filestore, email and print, it is a flexible tool for knowledge discovery and collaboration both within the University and externally. For example Information Services presently cater to a large array of research, including a High Performance Computing (HPC) platform and specialist server and application platforms with specific expertise and are flexible with researcher requirements.

Shared services and collaboration with academic partners

It is doubtful that the University would be able to continue to fully participate in shared services, such as Jisc which currently provides Janet academic network and internet access and out of University hours helpline provided by NorMAN at Northumbria University. It is likely collaboration with these and other academic institutions under an outsourced model would become difficult as key staff might leave to go to institutions where they can make fuller use of their expertise, which reduces the University's ability to fully participate since it is highly unlikely the outside contractors would be able to share services with the above-mentioned institutions. The full repercussions of this outsourcing for such shared services need to be thought through seriously.

Emerging Recruitment and Retention Problems

The Chief Digital Officer acknowledged that the ongoing uncertainty amongst IS staff due to the length of time that the outsourcing discussions have been ongoing is 'unfair'. Requiring staff not to speak about the issue outside of IS and the mixed messages that IS management have been giving to IS staff since the report was published have caused low morale and fear amongst staff. Uncertainty over the future of IS, the frequent changes of managers and having customer facing areas of IS staff not be replaced all lead to staff looking for employment elsewhere.

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4 https://nottstv.com/qmc-city-hospital-fully-leave-cleaning-contractors-carillion-start-april/

5 https://www.redpepper.org.uk/public-service-reform-but-not-as/

Security and Risk Assessment

There needs to be a risk assessment relating to the business case for outsourcing and along with rigorous strategic planning. If a risk assessment was carried out before the Infosys contracts were awarded, this clearly seems to have been insufficient.

The University's increasing reliance on outside contractors is already exposing us to potentially unacceptable data security risks, especially when contractors have not got the level of security training and oversight UoN staff have.

Current Outsourcing Work

An example of existing outsourced work is the contract with Infosys. This is the company responsible for the technical development and implementation of Campus Solutions. There have been serious delays in the implementation. Issues around what is included in the contract and what is outside the scope has contributed to the delay.

Infosys was announced as outsourcing partner, supporter and developer of Campus Solutions on the 6th of November 2017. The Go Live of Campus Solutions has slipped from 2017 to January 2018, to July 2018 then was delayed again, as of writing, to a phased implementation from November 2018 with the financial element pushed to July 2019. Due to these delays the existing Saturn student records platform was brought into service unexpectedly and at very short notice by IS staff for the 2018 start of session.

Even the parts of Campus Solutions that are active (e.g. admissions) seem to have caused serious problems. There is anecdotal evidence of 50+ PGT applications not processed in the School of Medicine, PGR applications stuck in the system without action for 2-3 months in the School of Politics and IR, or other instances where an applicant reported a non-functioning button on the system and the application was processed manually, but the button was not fixed. A full impact assessment of the consequences of delays and inefficiencies of Campus Solution is strongly recommended before any further outsourcing is approved by the University.

The company responsible for the original contracted development work on Project Transform, Ciber, filed for bankruptcy in April 2017, leaving an incomplete development which has achieved notoriety amongst UoN developers for the poor quality of the code. By July 2018, at least one staff member of a new company, Innervate[6], was known to be working in KMC on Project Transform. Infosys has subcontracted to Innervate for these staff.

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6 https://www.duedil.com/company/gb/02623681/innervate-technology-solutions-limited

Innervate's directors are the former directors of Ciber UK[7] which is the UK consultancy arm, while the non-UK parts of Ciber were acquired by HTC Global[8] in May 2017 for 93 million US dollars.

In addition there were 19 University staff originally specified to be TUPEd over to Infosys. Of those 19, 9 left before transferring and of the 10 TUPEd over 3 more have left. Since less than half remain a large amount of expertise and knowledge has been lost. It would be expected that a similar retention level might occur if IS is outsourced.

As a result of these developments, we are now tied into several complex direct and indirect contracts that are entirely outside of our control.

Conclusion

Is there an appetite among University senior management for outsourcing? **76% of respondents interviewed as part of the KPMG review felt it was important to *develop and retain our own* IT skills.**

Is there a compelling business case for outsourcing?

TUPE terms and conditions and pension costs would need to be considered and **would be likely to make the option expensive.**

The **loss of control** over the inner workings of the Companies that we entrust our IT functions to cannot be a good thing. We have already seen with Ciber UK that a Company can re-emerge from bankruptcy and still continue to offer services to the same clients under a different guise, thus escaping any responsibility for previous failures. Other organisations have chosen to successfully insource large projects and retain control rather than outsource, such as with Newcastle city council mentioned previously[9]. In the last 20 years in the UK the overwhelming experience is that outsourcing in the public sector has resulted in an increase in costs alongside a reduction in the level of service.

There is a **high business risk** that involves not just the 254 Full Time Employees that would be at risk of leaving due to the TUPE process. All staff and students that rely on IT systems will be negatively affected by the knowledge drain, lack of "going the extra mile" and lack of innovation - this will cause further serious business issues. Currently Campus Solutions impacts students and administrative staff but in the future academics, postgraduates and APM business functions would be heavily affected if similar implementation problems arise.

The danger of **reputational damage** to the University must not be underestimated. The only other UK university to attempt this was Manchester and the attempt failed, resulting in the IT Director's

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7 https://beta.companieshouse.gov.uk/company/02623681

8 https://timesofindia.indiatimes.com/business/india-business/it-firm-htc-global-buys-us-based-ciber-for-usd-93-million/articleshow/59272092.cms

9 https://www.redpepper.org.uk/public-service-reform-but-not-as/

resignation and negative press coverage[10]. Other organisations did major outsourcing to Carillion - which when it failed impacted the local QMC hospital cleaning and Estates functions which was later insourced[11]. Insourcing after already outsourcing is also problematic - such as when TSB insourced their website and had a week of downtime and a huge loss of reputation[12].

The final conclusion of the Union Action Group is that the retention of control, staff knowledge, and internal improvements to IS ability and management would avoid any of the potential pitfalls of outsourcing such as reputation damage due to higher risks to the University. We request that an urgent consultation exercise be conducted with all staff and students before these proposals for outsourcing IT progress any further and certainly before any decision is made.

Appendix

Current staff numbers in IS

Source: email dated 12/6/2018 to unison representative from David Hill, IS Chief Digital Officer

SCHOOL COMPARISON: INFORMATION SERVICES by Contracts	Headcount*	Contracts	FTE	Fixed Term Contracts
Architecture	7	7	7.00	0
CIO Office	16	16	15.21	0
Digital Research	6	6	5.80	1 (1 FTE)
IT Change Delivery	70	70	67.98	6 (6 FTE)
IT Service Delivery (Global)	155	155	150.96	11 (11 FTE)
Information Services TOTAL	254	254	246.95	18 (18 FTE)

Note: "The IT admin resources are included in the CIO Office headcount figures and will be included in the review."

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10 https://www.theregister.co.uk/2016/02/01/university_of_manchesters_it_director_resigns/

11 https://nottstv.com/qmc-city-hospital-fully-leave-cleaning-contractors-carillion-start-april/

12 https://www.computerweekly.com/news/252439859/TSB-IT-meltdown-has-the-makings-of-an-epic