

**SOLVE  
SOMETHING  
IMPORTANT**

# Cloud FinOps

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## Service Definition Document

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# Cloud FinOps

## 1 WHAT THE SERVICE IS

Cloud billing is complex and it is easy for spending to spiral out of control. Even if you have control, it is sometimes difficult to be confident you are optimising your cloud usage and associated costs. The Leidos Cloud Financial Operations (FinOps) services include, and is not limited to, providing guidance, governance and predictability to your public cloud estate.

The Cloud FinOps service from Leidos is delivered based on the FinOps Foundation principles and best practices.

Leidos Cloud FinOps features and advantages are described in Table 1:

**Table 1: Features and Advantages**

| Feature Description                                    | Feature Advantage                                                                                                                                                                                                                                                                                                                        |
|--------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Cloud provider agnostic principles and practice        | Applies to any public cloud environment regardless of public cloud vendor.                                                                                                                                                                                                                                                               |
| Provide operational service governance and improvement | Focused scope allows faster delivery than complementary methodologies, such as Technology Business Management (TBM).                                                                                                                                                                                                                     |
| Well established service promoted by FinOps Foundation | Regulation by and guidance from FinOps Foundation provides controls and guardrails to the improvement activity. Cloud FinOps practice is based on practitioner feedback, regular practitioner communication and FinOps foundation framework revision.                                                                                    |
| Operates on real-time data                             | Cost data is delivered from the cloud account either using native tools, Leidos tools or third party tools. Everyone involved gets the data at the same time and can plan, check and act on the data to achieve the desired business objective which is captured as a key performance indicator.                                         |
| Collaborative                                          | Led by a FinOps champion/practitioner and comprised of a motivated team of staff who represent the business to address the challenge of adopting new practices and principles. For example, the activity involves developing stakeholder engagement and getting the message of FinOps activity out to areas of the business involved in. |
| Leidos Value Add services                              | The customer benefits from Leidos experience working on strategic cloud projects. FinOps transformation and Bespoke engagements enable the customer to benefit from services, including and not limited to, cyber security service improvement, database migration and application redesign.                                             |

| Feature Description | Feature Advantage                                                                                                                                                                                                                                     |
|---------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Integration         | Leidos Cloud FinOps can be consumed as a component of the Leidos Cloud management portfolio. Leidos Cloud FinOps integrates with Leidos Cloud management portfolio should the customer wish to adopt the overarching Leidos Cloud management service. |

Table 2 below describes the general strategic benefits and characteristics of the Cloud FinOps:

**Table 2: Strategic Benefit Summary**

| Strategic Benefit  | Characteristics                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |
|--------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Sustainability     | Managing and limiting uncontrolled cloud spend is beneficial financially and means the customer operates a more environmentally sustainable carbon reduction policy. Using more efficient compute instances means generating less heat and consequently less electrical consumption, with lower CO <sub>2</sub> released into the environment.                                                                                                                                                                          |
| Governance         | Adopting cloud FinOps best practice enables the FinOps team and project teams to have appropriate ownership, oversight and responsibility for cloud spend. For example, introducing object tagging makes analysis, classification and troubleshooting much easier for cost elements within the public cloud environment.                                                                                                                                                                                                |
| Security           | Real time proactive monitoring on cloud spend can trigger an early warning to a security alert. Cloud spend controls are monitoring telemetry from the cost centres running within the cloud spend. Cost anomaly detection can indicate an investigation point for security and may lead to early classification and action to limit the scope and extent of an internal or external attacker. In summary, cost management tools are dual use; highlighting savings optimisation opportunity and alerting to anomalous. |
| Project Management | Being able to share cost/utilisation data with the project manager or project portfolio manager means that the project staff are alerted to are empowered to forecast and predict utilisation, effort, task completion and project outcomes in real-time.                                                                                                                                                                                                                                                               |

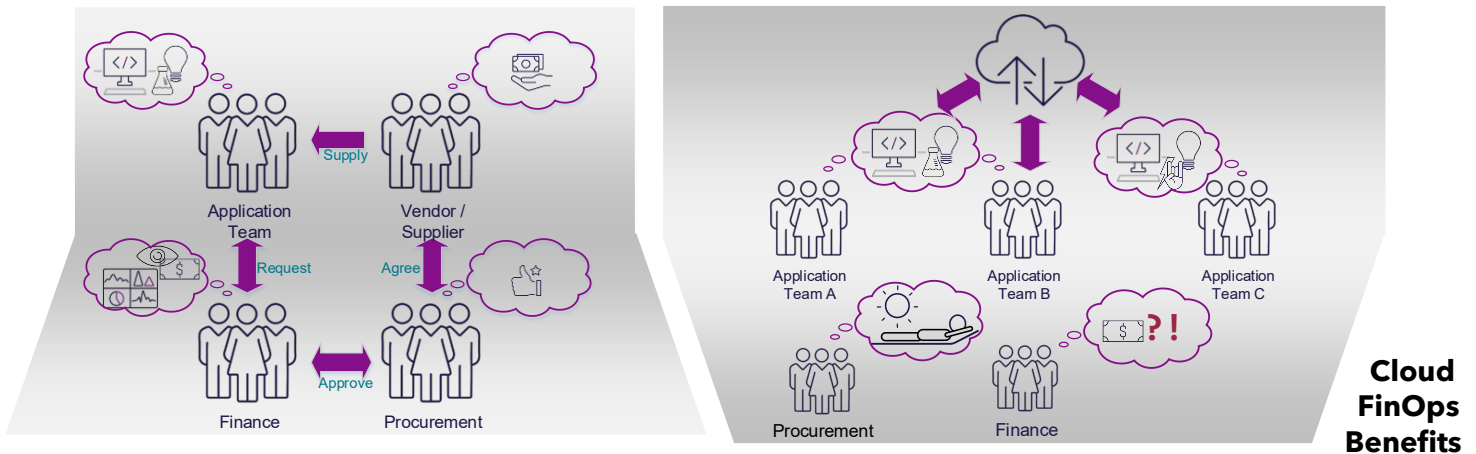
Hyper-scale public Cloud (e.g. AWS, Azure from Microsoft) allows businesses to build and deliver services in compressed timescales to provide outcomes with greater flexibility and at virtually unlimited scale, whilst taking advantage of the relentless innovation from the hyper-scale Cloud providers though the cascade of new services being released month after month. However, assigning budget and accountability to the development activity within the public cloud account is not an area of responsibility for the public hyper-scale cloud provider. As a result, Cloud FinOps has become established practice to identify, manage and control financial operations in cloud for the customer.

The Leidos Cloud FinOps service is collaborative, with the key areas of your business involved and committed to making a sustainable improvement to prevent uncontrolled and unnecessary growth in spend.

## Why Cloud FinOps is Necessary

Traditionally, a customer would purchase a product or service through the Finance department. As shown in Figure 1, the proposal would be written, approved, and implemented. The core business functions would be involved.

Public cloud disrupts this procurement model, as per right hand side of Figure 1. Instead, the purchase decision exists within the application team delivering the project, not with the Finance department or the rest of the business. In summary, in public cloud expenditure the service is billed by transaction and by default there is no clear responsibility, accountability or control for expenditure within the business.



**Figure 1: Simplified Traditional vs Public Cloud expenditure**

The following benefits shown in Table 3 includes discussion of the savings strategies that can be used to operate a more effective and predictable public cloud service. The Cloud FinOps benefit effects also extend to enhance overall provision and consumption of public cloud services.

The following savings strategy benefits of and savings characteristics, contribute towards customer goals to monitor, optimise and enhance the public cloud operations.

**Table 3: Savings Strategy and Characteristics**

| Savings Strategy                                                                                                                          | Savings Characteristics                                                                                                                                                                                                                                                                                                                                                                                                                              |
|-------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Cost avoidance: exemplified by good design or as part of lessons learned, stored in a body of knowledge, improved habits, or other means. | By avoiding cost, the customer avoids waste, and it never gets added as an item to the monthly bill. Target for this savings strategy is 100% cost avoidance.                                                                                                                                                                                                                                                                                        |
| Waste reduction                                                                                                                           | The inform phase of the Cloud FinOps cycle allows telemetry to be received from the cloud resources, a waste candidate to be identified, a change to be enacted on an existing service(s) and a waste reduction to be made, which shall either reduce the variation in the public cloud spend for that month or will lead to an overall long-term reduction in expenditure. Waste reduction target should be 10% to 40% of annual cloud expenditure. |

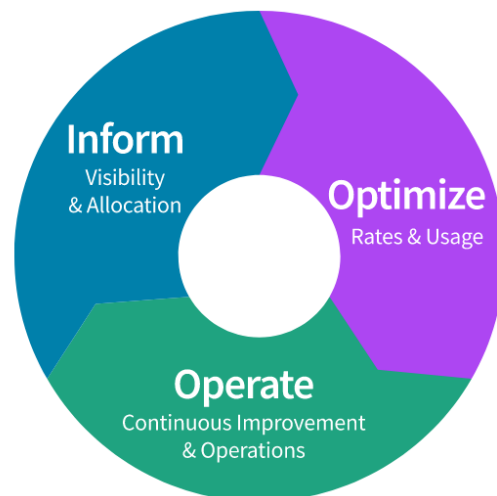
| Savings Strategy                                                                                                                                                                                | Savings Characteristics                                                                                                                                                                                                                                                                                    |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Cost cover: using a cloud provider cost cover service for example Reserved Instance, Committed Usage, etc.                                                                                      | Savings of 5% to 70% of overall annual cloud expenditure by making a financial investment for a one year or three-year period.                                                                                                                                                                             |
| Improvement plan: Created by findings of the FinOps team and machine learning tools which may include and not be limited to, rightsizing, water-lining, application review and security review. | Contributes to Cost avoidance, Waste reduction and revenue generation, the improvement plan shows where action can be taken within the optimisation phase to improve functioning of the customer solution.                                                                                                 |
| Key Performance Indicators                                                                                                                                                                      | Customer will be encouraged to identify one or more key performance indicators e.g. unit cost, which will act as a measurable driver to the project and technology teams.                                                                                                                                  |
| Cost Forecasting using historical cost data either via native tooling, Leidos tooling or third-party software tooling.                                                                          | Allows for trend visibility showing which element is growing or shrinking in forecast expenditure. By proactively indicating a forecast, the customer FinOps team can monitor or correct activity outcome accordingly.                                                                                     |
| Alerting; provided by native automation, Leidos tooling or third-party software tooling.                                                                                                        | Alert thresholds are configured, e.g. 50% of monthly budget. The FinOps team is emailed indicating the date/time of the threshold breach to allow the team to be informed and to take action. This reduces unexpected spend instances occurring and contributes to a probability of expenditure reduction. |

### Service components

Leidos deliver FinOps Service in three incremental phases in the cycle comprising;

- ▶ Inform phase - visibility of expenditure, estimated spend, monthly recurring cost, proactive alerting, cost anomaly detection;
- ▶ Optimise phase - Operational service improvement within the public cloud account. This activity includes re-engineering, water-lining or rightsizing;
- ▶ Operate phase - involves changing habits, lines of communication between business areas and frequently adjusting to innovation by the public cloud provider.

The lifecycle activity, as shown in Figure 2 continues through the operation of the customer public cloud implementation. Repeated iteration is necessary to achieve business goals and keep up with changes in the services offered by the public cloud provider.



**Figure 2 - Cloud FinOps Lifecycle**

## Maturity stages

For each stage of the Service (inform, optimise, operate) we need to understand the customer maturity. Each organisation is at a different level of maturity on their FinOps journey. To identify the level of maturity within your organisation, Leidos works with you to complete a questionnaire and the outcome of the questionnaire is the baseline for the service and identifies areas of improvement. This maturity is measured and we assign a maturity level of 'Swim', 'Crawl', 'Walk' or 'Run'.

The service, describes the swim / crawl / walk / run evolution and results are reviewed through workshops then updated for the next cycle.

### Swim stage

This 'pre-crawl' stage indicates the enterprise is not practicing Cloud FinOps. The enterprise may be doing ad-hoc cost optimisation/monthly cost optimisation or may have elementary budget controls. Characteristics of this stage are:

- Uncontrolled growth and expenditure;
- Reactive to cloud consumption;
- No ability to estimate costs;
- Costs are not aligned with customer goal/outcome;
- Lack of collaboration between technical and business teams.



### Crawl stage

The crawl stage is the foundational Cloud FinOps activity. The enterprise is aware of the FinOps model, creates collaboration across the four key areas of the business. The crawl stage introduces costs coverage elements such as reserved instances, rightsizing. This stage is characterised by:

- Proactive cloud cost management;
- Simple budgets and threshold alerts are in place;
- Channels of communication open between the four key areas of the business;
- Collaboration on Cloud FinOps are encouraged by regular structured weekly meetings;
- Teams are empowered and mandated to take action because cost management is adopted as a performance metric.



### Walk stage

The enterprise reaches the intermediate stage. All activity in the crawl stage has been achieved. Cost controls and cost blending are implemented, Showback / Chargeback is used, gamification of projects. Culturally the enterprise embraces Cloud FinOps. This stage is characterised by:

- Project Managers, Financial controllers and Developers suggesting further business activity optimisations and collaborating with a centralised Cloud FinOps team;
- Extensive use of cost covering and cost reduction;
- All projects and SaaS have had at least one well architected review;
- Services implement load balancers for Spot instances.



## Run stage

The organisation is measuring changes to established key performance indicators, the organisation can forecast the expenditure on the public cloud costs, the organisation sees cloud FinOps as a key driver to business revenue generation, the organisation can accurately forecast Infrastructure as a service (IaaS), Platform as a service (PaaS), and Software as a service (SaaS) elements at 6+ months. The financial cloud spend may use brokerage services at this point, where a specialist company manages the dynamic growth and reduction on behalf of the enterprise.



## FinOps Operate Phase

During the Cloud FinOps Operate phase, business process is improved by the delivery features and delivery benefits. Cloud FinOps delivery starts with:

- ▶ Innovation
- ▶ Evolution lifecycle, which is intrinsically linked to an iteration lifecycle;
- ▶ Leading to agility which combine to produce;
- ▶ FinOps Delivery.

A mature Cloud FinOps practice not only optimises for revenue and cost, it protects, secures, and demonstrates how, where, when and why cloud investment sustainability decisions are being made.

We deliver consultancy relating to any phase of our Cloud FinOps service remotely or on-site throughout the UK, or from any of the Leidos offices. Leidos deploys staff from a wide pool of onshore resources covering all technology and business process service lines, as required.

## Leidos Cloud FinOps Engagement

Leidos offers three types of engagement as part of a FinOps service. Including:

- ▶ Simple Engagement;
- ▶ FinOps Transformation;
- ▶ Bespoke Engagement.

Leidos have developed and tested Cloud FinOps activity based on work within Leidos public cloud projects. Whichever option the customer selects, the Leidos FinOps service will deliver improved cost control and pertinent advice to reduce the customer cloud spend.

## Simple Engagement

This engagement type is designed for the customer who has a need to make an impact on their environment quickly and with limited medium long-term goals. This is an excellent option where the customer wishes to identify some of the activities performed by a Cloud FinOps initiative, receive advice, has a desire to enhance Cloud FinOps messaging and wishes to revisit the public cloud monthly bill outlay on a quarterly or semi-annual basis. Typically, this engagement involves from three to 12 consultancy days over a 40-day period and focuses on a single account within a single public cloud provider environment.

The process involves education workshops, and presentation of analysis and recommendations. This engagement is most suitable for IaaS environments with small teams and steady state expenditure < \$20,000 per month per account.

## FinOps Transformation

This engagement type suits a customer with a need to accelerate, innovate and transform their public cloud use. The customer is currently experiencing regular variation of 20% in the monthly billing cycles. This is

option expands and extends the goals to include includes positive cost avoidance, waste reduction and reduction in uncertainty regarding variation of the monthly cloud bill.

Sufficient time is given to examine a complex environment, establish collaboration, deliver increased value through additional workshops with more frequent and prolonged attention to the cloud consumption and making changes to avoid cost, reduce waste and drive improvement with the FinOps activity. Deeper analysis drives more detailed recommendations

Leidos expects a minimum of 20 days of consultancy over a minimum elapsed period of 70 days, expanding dependant on the scope of the exercise. This is designed for IaaS environments with small teams and steady state expenditure > \$20,000 per master payer account and less than <\$150,000 per master payer account.

### **Bespoke Engagement**

The majority of Cloud FinOps engagements can be established and resolved using either simple or transformation engagement. However, some customers have more complex needs which Leidos can address. Leidos offers a tailored service that develops bespoke scopes of investigation, deliverables and outputs required to achieve the customer Cloud FinOps objectives. The bespoke engagement benefits from our unique skills to integrate cyber security, application development and solution architecture.

## **2 ANY ONBOARDING AND OFFBOARDING SUPPORT YOU PROVIDE**

Where relevant, Leidos will adopt a consultative approach with customers to define and validate their requirements in order to determine how best to engage with the services. The onboarding and offboarding process is dependent on the specific requirements of the solution, and the delivery methodology agreed upon.

## **3 PRICING**

Please refer to the associated Pricing Document relevant for this Service

## **4 TERMS AND CONDITIONS**

Please refer to the associated Terms and Conditions Document relevant for our Service Offerings

## **5 FURTHER INFORMATION**

Please send your requirement to [publicsector@uk.leidos.com](mailto:publicsector@uk.leidos.com). Alternatively, if you wish to discuss your requirements in more detail, please send us the following information and we will be happy to contact you:

1. Your organisation name
2. The name of this service
3. Your name and contact details
4. A brief description of your business situation
5. Your preferred timescales for starting the work.

## ABOUT LEIDOS

Leidos is a leading partner to the UK government and the Scottish government as well as having key client partners in transportation and energy. Leidos employs 1300 people across the UK supporting technology and business process transformation programmes for clients such as the Home Office, the Ministry of Defence, the Metropolitan Police Service and NATS.

The success of this work in the UK and beyond shows that we are a trusted partner in the region and that our people can deliver innovative solutions to solve the most challenging problems.

## LEVERAGING OUR CORE CAPABILITIES

Our technical core capabilities define the areas in which technical excellence is critical, not only for our business, but in the work we do daily to help customers achieve the important missions on the frontlines of their industry. Explore our core capabilities [here](#)



Digital Modernisation



Cyber Operations



Mission Software Systems



Integrated Systems



Mission Operations



## INCLUSION AND DIVERSITY IN LEIDOS UNITED KINGDOM

Leidos is committed to creating a diverse and inclusive workplace, where every colleague has the opportunity to contribute, share their unique ideas and talents, and be supported in their career. Explore Inclusion and Diversity in the UK [here](#)

## SOCIAL VALUE

We're committed to supporting sustainability initiatives, tackling workforce inequality and STEM education by enriching the communities to our operations. Learn more about Social Value in the UK [here](#)