



G-Cloud 15

IT Sourcing Services

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Contents

Transforming Business using the Cloud 3

IT Sourcing Services 5

 IT Sourcing Services Description 5

 1. Sourcing..... 6

 2. Approach 6

 3. IT Sourcing Key Activities 7

Transforming Business using the Cloud

We have worked with many Central and Local Government clients to support the implementation of their business objectives using cloud technology. Enabling business and enterprise transformation using cloud is a complex, strategic consideration facing many private and public sector organisations.

Cloud technology and services have the potential to reduce cost, remove technology bottlenecks, and facilitate rapid business innovation. As a result, for most organisations globally, adopting cloud technology has become a question of “when and how” rather than “if”.

Opportunities for enterprises generally include a combination of one or more of the following:

- Implementing private and/or hybrid clouds for infrastructure and applications
- Smarter use of public cloud infrastructure for optimising existing business functions
- Using cloud for implementing new business services or digital operations
- Reducing cost by moving to consumption-based pricing models that only charge for the actual IT capacity and services used.

Migration or adoption of cloud must be properly choreographed for success. We understand the realities and the business and technical risks that should be fully considered, understood and mitigated before such a move. Critical considerations include:

- **Alignment of business and technology objectives.** This is essential to fully realise the targeted benefits of any cloud transformation or any refinement of existing cloud services. There can be a tendency to adopt cloud systems to fit current ways of working, rather than adopt and standardise processes where possible. The trade-offs between business, customer and technology requirements must be considered to make informed design decisions
- **Availability and reliability of services.** The avoidance of operational downtime to mitigate in lost revenue, unnecessary operational cost or reputational damage that can disrupt a business’ operations
- **Decentralised support structures.** The need to tailor and revise the approach to operational security to cover the support structures employed by cloud service providers that will have a different risk profile for sensitive information
- **Data handling practices.** Data classification and data-handling practices that reflect the data flow within a cloud environment must be understood and tailored accordingly to protect customer data

- **Data privacy.** Compliance with GDPR to understand where and how information can be stored or processed. The cloud model enables data to bounce swiftly around the world by using available server capacity in various geographic locations, but this must be within the bounds of what is permissible. This is ever more of a concern as organisations review their front office, back office and out of office experiences
- **Future Technology Trends.** Cloud applications are the stated direction of travel for the major application vendors, but any upgrade path must also cater for the future technology needs of the organisation and seek to minimise technical debt where possible.

A careful assessment of an organisation's needs and different cloud service provider's controls is required, enabling concerns to be addressed and the correct path to the cloud is selected.

As a trusted advisor PwC provides the framework, and the wealth of private and public sector experience, to consider the combination of Business, customer experience and Technology activities outlined above. There is no single answer that covers each and every client organisation; we tailor our frameworks to client circumstances to support clients:

- As a partner through the complete lifecycle of strategy through to execution
- With point business issues encountered during implementation or running the business.

IT Sourcing Services

This section describes in more detail the service features and benefits included within this service definition document.

IT Sourcing Services Description

Our IT Sourcing offer helps clients understand how to provision their ICT capabilities to support their future business needs. This includes understanding:

- Their existing / desired ICT capabilities
- The impact of new (e.g. cloud and digital) technologies
- How these can be developed internally or sourced and then implemented.

IT Sourcing Services Features	IT Sourcing Services Benefits
• Business/IT strategy, retained organisation, and cloud/sourcing/ procurement strategy development • IT/Cloud operating model design and business case development • Supplier market and technology trends intelligence, location delivery options analysis • Supplier engagement, soft market sounding/testing and supplier landscape definition • Requirements/specifications and service level development • Financial modelling, business case development, bidder pricing modelling and evaluation • Bidder negotiations and evaluation strategy development and execution, contract formation • Transition planning, delivery of knowledge transfer, cloud/operating model design/implementation • Exit planning, management and negotiation, Contract review, re-negotiation and extension • Contract/supplier performance assessment (including transformation projects) and management function.	• Clarity over outcomes • Clear linkage between sourcing objectives and contracted outcomes • Contingent fee options to allow for self-funding sourcing initiatives • Standalone procurement programmes • End-to-end delivery of procurement programmes • Integrated sourcing/legal offering through PwC Sourcing and Legal services • Ability to support at any stage of the sourcing lifecycle • Integrated teams including technology, procurement, financial, people, programme management skills • Understanding of impact of cloud/digital on future IT functions.

Our view on the service features and benefits in this service definition document are below.

We can take any technical in/outsourcing challenge from analysis through to implemented solution. We have a globally established IT Sourcing lifecycle that has been honed and tailored with and for the UK Public Sector. As well as offering point-solutions or complete handover of responsibility for an entire procurement/ transformation programme, we can provide these services through a variety of commercial routes including using fixed price and contingent fee options where payment for service is related to outcomes delivered.

1. Sourcing

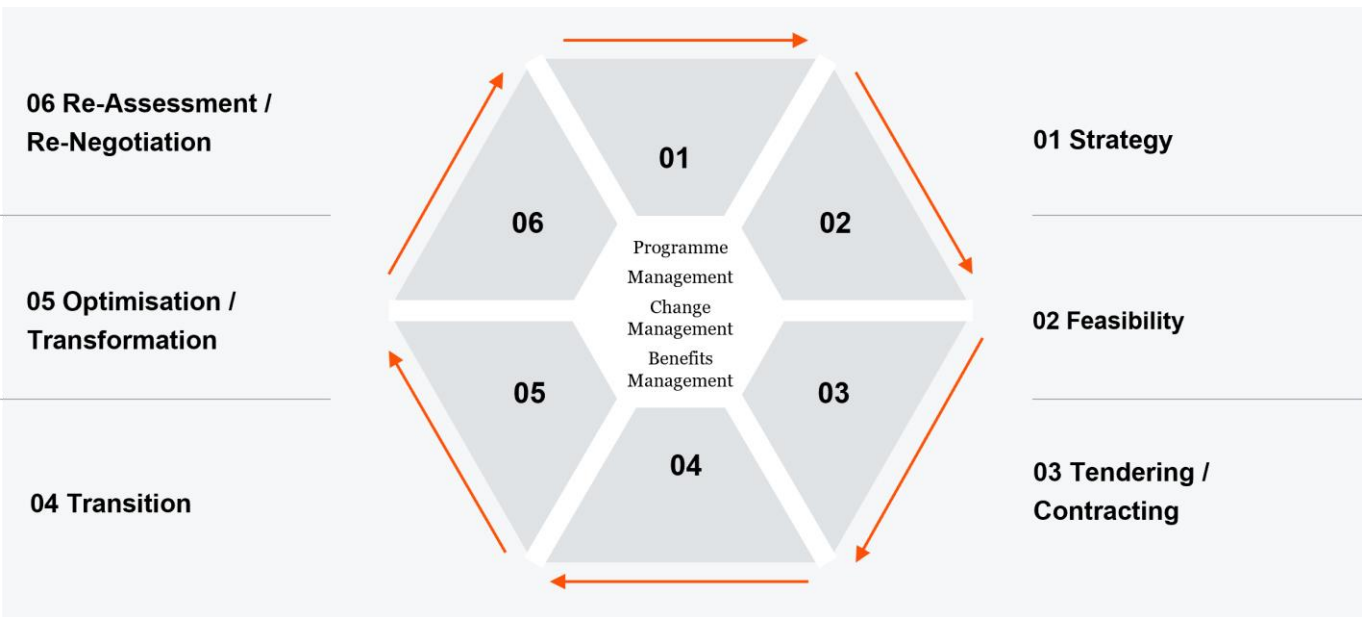
Effective IT sourcing enables organisations to **source, re-procure, transform or optimise** their IT services and infrastructure. PwC delivers insight **into current market offerings, future trends in IT sourcing** and assists clients in **defining and executing on their IT sourcing strategy**.

Clients typically seek to achieve one or more of the following benefits:

- **Enhanced IT services**, through leveraging new technologies or operating their existing IT estate more effectively
- **Reduced cost** of IT services to the business
- **Reduced risk** by accessing 'best in class' IT service delivery expertise from the market.

2. Approach

To deliver strategy through execution for cloud-based services and broader IT infrastructure our IT sourcing approach is built around the six components of the IT sourcing lifecycle.



2. IT Sourcing Key Activities

Strategy

- Define the **Sourcing objectives** to fully understand the business need, to be used as a basis for the sourcing roadmap, commercial strategy and initial business case
- Align the **IT and the Business Strategy** to ensure that the sourcing strategy and roadmap meet the business needs
- Assess the maturity of the **retained organisation** to understand whether and what type of changes are required to deliver the IT Strategy
- Review existing ICT capabilities and future desired ones, taking into account new technologies such as **Cloud**
- Develop the **Sourcing roadmap**, setting out the sequence of activities required to achieve the IT strategy in support of the Business strategy
- Develop the **commercial strategy** for the services to be sourced, to achieve the right balance for commercial lots / sourcing “bundles”. This includes demonstrating where to use cloud services/ brokers, how to leverage the benefits and develop the **initial business case** to start looking at strategic, commercial and financial implications of these options
- Advise and support on options and form of the future outsourcing **contract**, in alignment with the commercial strategy
- Identify **internal optimisation opportunities** for the success of the future operating model and deliver the full value of the upcoming sourcing activity.

Feasibility

- Develop, challenge and QA the **Business Case** so a clear and robust case is made which reaffirms benefits of the initiative and achieves continued support throughout
- Conduct **Due Diligence between current/future state** to identify potential gaps between current and target operating models and understand the full implications of the proposed change
- Assess the **readiness** of the **business** to adopt the change, including opportunities offered by alternatives like cloud delivery models, and how to shift from on to off-premise models
- Identify potential **sourcing change risks** including mitigating actions and put in place a robust risk management process

- **Develop the design principles** that will shape the future state, determine the design approach and agree design standards, methods and tools from a technical, commercial, financial and business perspective
- **Design the sourcing governance** to effectively manage decision making, control changes in requirements and achieve continued alignment with the IT Sourcing strategy across complex procurements
- **Design the Target Operating Model and retained organisation** to define how the organisation will operate and be structured when transition has taken place, including internal and external components. Reviewing the impact of Cloud on future operating model arrangements.

Tendering/Contracting

- **Design and execute market engagement**, working to identify and excite the potential market, further guiding the sourcing strategy and encouraging supplier innovation
- **Conduct supplier profiling** and refine the 'should cost' models and procurement routes as necessary based on market feedback and our supply-side experience
- Develop outcome-based Service Requirements and service levels for both transition and in-life stages of service delivery
- **Design and manage the data room during the procurement and transition phases**, to provide the current state information to support procurement and pricing
- **Develop tender documentation (RFx)**, ensuring that suppliers fully understand the requirements to encourage high quality bids from the right suppliers
- **Develop the negotiation strategy and approach**, setting key positions to improve negotiation outcomes
- **Develop the evaluation mechanism** to align with the design principles and provide the basis of decision making
- **Manage bidder negotiation and Q&A** to encourage the formation of a deal which achieves value for money and is the basis of a good supplier relationship
- **Conduct due diligence, supplier evaluation and contract formation** to ensure a robust process takes place which complies with regulations and produces the right outcome
- **Finalise the Business Case** to encapsulate all aspects of the procurement, acting as a vehicle to effect award of the contract.

Transition

- **Develop the transition approach/plan and provide Asset and staff transition advice** to minimise disruption when moving from one supplier to another, or from an in-house to an outsourcing model
- **Design and execute the transition function**, setting up and supporting the team who manage arguably the most complex aspect of any procurement
- **Support the retained organisation implementation including training activities**, working closely to align the scope of services with the required skills and capabilities, whether new, enhanced, or augmented by PwC people
- **Supervise the knowledge transfer process** so that the new supplier has the right information to hit the ground running and fulfil service requirements.

Optimisation / Transformation

- **Evaluate the new Sourcing model** to assess whether the current model is the best one to fulfil business needs, and what better options might exist
- **Assess and optimise the transformation projects** to evaluate if they are meeting the objectives of the new operating model and how they can be improved to deliver maximum value to the business
- **Conduct IT Sourcing health checks following transformation**, to ensure that change has “stuck” and is still delivering the value that it should
- **Assess supplier performance** during the contract lifetime, to understand whether value from contracts has been eroded over time and how to reverse that effect. Sets up the processes, techniques and MI for better supplier relationship management
- **Analyse and assess the wider portfolio (suppliers, services, applications, projects)** to give a holistic view of how the new Operating Model is performing against the targets set by the business.

Re-assessment / Re-negotiation

- **Conduct sourcing strategy, supplier and contractual environment review against business case objectives** to have continued alignment with the business strategy and achieve continued support for sourcing activities
- **Identify options for supplier contract cost reduction** to encourage continued value-for-money for the duration of supplier relationships

- **Conduct business satisfaction survey and identify service improvement initiatives** by challenging existing outcomes and supporting innovation forums with the best of what we see and do elsewhere
- **Support contract and service extension/reduction and re-negotiation**, including interventions at any stage of the contract lifecycle
- **Develop the exit plan, including negotiation support, and QA** to achieve the best commercial arrangement through exit.



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