ICT

Consulting Spend Context

In relation to the ICT Consultancy Budget:

- The funding has been incorrectly classified in the budget as 522209 – Consultancy – Information Technology (please refer to Appendix 1 Definitions for External Resource Options).
- Despite this, the funds within 522209 – Consultancy – Information Technology are an accurate representation of Seqwaters approved ICT portfolio, is appropriately governed, aligns with the board endorsed Seqwater ICT Strategy and has been independently reviewed.

Incorrect Classification of Budget

In FY 14/15 the budgeted spend for 522209 – Consultancy – Information Technology predominately falls into the categories of contractors, and professional services contracts, not specifically consultancy as represented in the natural accounts. (refer to Appendix 1 Definitions for external resource)

Where consultancies are required within the ICT Budget they are reserved for activities such as strategy definition and the development of blueprints and roadmaps, and will feature in some of the projects but not to any significant extent.

Analysis of FY13/14 ICT Financial Actuals also shows incorrectly classified expenditure which does not align to the definition of consultancy as per Appendix 1. For example hosting costs may be more appropriate in 522348 - ICT-Software License, Support & Maint and hardware repair or installation may be more appropriate in 522341 - ICT-Hardware Support & Maint.

This means that making year on year comparisons to single natural accounts does not accurately represent the make-up of the budget. An overall view between natural accounts provides a more balanced view.

Appropriately Governed

The 14/15 ICT funds identified in the natural account 522209 – Consultancy – Information Technology is aligned to the ICT Strategy which was introduced to the Seqwater Board in April 2014 and subsequently endorsed by the Board in October 2014.

The funds identified as "consultancy" within the budget are made up of the aggregated cost estimates for a portfolio of approved Initiative Assessment Submissions (IAS) at Stage Gate-0. The costs estimation processes for justifying the portfolio of ICT initiatives is considered appropriate for a Gate-0 approval. The methodology for forecasting the ICT initiatives has been independently reviewed by KPMG[1]

This portfolio of IAS's is governed by the Business Systems Steering Committee (BSSC) established under the authority of the Executive Leadership Team (ELT) to oversee the ICT function.   The BSSC role includes capturing, evaluating and prioritising all new initiatives and has the pre-eminent role in

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[1] KPMG ICT Strategy Expenditure Readiness Assessment - Final Report - 31 July 2014 p7

influencing both ICT strategy and governance. The initiative portfolio, including the methodology supporting the budget has been independently reviewed by KPMG[2]

FY14 and FY15 Reconciliation

SPT – Information and Communications Technology	FY13/14A	FY14/15 Q1	FY14/15 Q1 revised
522207 – Consultancy – Others	11,700		
522209 – Consultancy – Information Technology	1,651,327	3,796,350	42,662
522214 – Consultancy – Process Improvement	38,429	20,000	
(proposed new natural account) Contractor - ICT Professional			3,357,721
(proposed new natural account) – ICT Professional Services			415,967
Grand Total	**$1,701,456**	**$3,816,350**	**$3,816,350**

Seqwater ICT believes that the consultancy spend has been mis-classified and has been historically mis-classified (according to the definitions provided in Appendix 1). SeqwaterICT believes the split in the FY15 Q1 revised column in the table above more correctly reflects the apportionment.

The Q1 FY14/15 figure of $3,816,350 is made up of

1) $2,920,973 of project related Opex

The key reason for the changes between 13/14 and 14/15 is that this figure is not comparable to the 13/14 Consultancy in that it represents Opex required for projects established through the governed process[3] identified above. These projects align to the Board endorsed ICT Strategy (October 2014). It aims to transition Seqwater ICT from a traditional technology focus to a more value added service broker, clarifying the role of ICT in the business and driving efficiencies by aligning ICT to the business.

Key Projects include

Project	Alignment	Brief description
Performance and Resilience	Compliance	Align ICT Services to business expectations and understand ICT delivery costs.
ICT Assets	Renewal, Compliance	Decommission legacy systems, improve efficiency of Asset life cycling
Electronic Document and Records Management (eDRMS)	Compliance	Enhance organisational commitment to, and knowledge of, good record-keeping practices, including training and education
Business Intelligence/Data Warehouse	Growth	Define a corporate data model and identify key source systems, Establish a supported data

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[2] KPMG ICT Strategy Expenditure Readiness Assessment - Final Report - 31 July 2014 p7
[3] KPMG ICT Strategy Expenditure Readiness Assessment - Final Report - 31 July 2014 *p7*

		Identify key data to be managed through the CIS and improvements in timeliness, quality and ability to support corporate reporting, Prioritise and roadmap.
Corporate Information System (CIS) – ERP	Compliance	

The projects delivered within the ICT Portfolio include the use of opex funded resources such as Project Managers, Solution Architects, Business Analysts and specific Vendor engagements. These we would typically engage as contractors, labour hire engagements or a deliverable through a vendor. These skills will be used to deliver these projects. Consultancies are only used where advise is required.

2) $895, 380 of Opex in the wider ICT Team that would align with what was categorised as consultancy in 14/15.

This figure is based on the planning figures for 14/15. Appendix 2 Supporting Documents Consultancy Contractor 1314 to 1415.xlsx shows the key changes in the budget between 13/14 and 14/15. The 14/15 figures were then used as the base for future years. In brief this figure includes funding for engagements related to activities required for the operation ICT systems, including contractors, vendors, and labour hire engagements. A key change include the removal of SAP Support ($380k)

Further information on all ICT can be found at Appendix 2 Supporting documents - ICT Project and Program Portfolio.

FY16 Justification

FY16 budget justification is governed by the same process identified in the above sections and which is supported by the independent review by KPMG referenced earlier.

Again Consultancy has been incorrectly categorised. Reclassification of this expenditure will take place as business cases for FY 16 are developed.

The FY16 Consultancy figure presently identified by planning is $5,748,180

This is made up of

1) $4,852,800 of project related Opex that would align with what was categorised as consultancy in 14/15.

See Appendix 2 Reference Documents ICT Initiatives portfolio – budgeting.xlsx (green highlighted fields in the totals show the relevant figures) as it provides details of the Opex related to these projects. Reasons for the difference between 14/15 and 15/16 are:

a) Some are multi-year projects and their start date has moved, increasing 15/16 forecast
b) Many projects are starting to move past Stage 0 and project documentation is firming up forecasts
c) 14/15 had a -$1m budget adjustment applied to it, whilst 15/16 does not.

2) $895, 380 of Opex in the wider ICT Team would align with what was categorised as consultancy in 14/15.

This figure is based on the planning figures for 14/15 and has been carried forward into future forecasts for planning purposes. This figure will adjust as the 15/16 budget is finalised. Appendix 2 Supporting Documents Consultancy Contractor 1314 to 1415.xlsx shows the key changes in the budget between 13/14 and 14/15 which was then used as the base for future years.

Further information on all ICT can be found at Appendix 2 Supporting documents - ICT Project and Program Portfolio.

Post FY16 Forecast

Post FY16 budget justification is governed by the same process identified in the above sections and which is supported by the independent review by KPMG referenced earlier.

As with prior years, but to enable a consistent comparison in this review exercise, Consultancy has been incorrectly categorised post FY16, reclassification of this budget will take place as business cases are developed.

The FY17 Consultancy figure presently identified by planning is $4,583,380

This is made up of

1) $3,688,000 of Project Related Opex that would align with what was categorised as consultancy in 14/15.

See Appendix 2 Reference Documents ICT Initiatives portfolio – budgeting.xlsx (green highlighted fields in the totals show the relevant figures) as it provides details of the Opex related to these projects. It is likely that this forecast will adjust over the next 12 month in line with Reasons a,b and c identified in the Section FY15 Justification above.

2) $895, 380 of Opex in the wider ICT Team that would align with what was categorised as consultancy in 14/15.

This figure is based on the planning figures for 14/15 and has been carried forward into future forecasts for planning purposes. This figure will adjust as the 16/17 budget is finalised. Appendix 2 Supporting Documents Consultancy Contractor 1314 to 1415.xlsx shows the key changes in the budget between 13/14 and 14/15 which was then used as the base for future years.

Further information on all ICT can be found at Appendix 2 Supporting documents - ICT Project and Program Portfolio.

Whilst there has been incorrect coding and definitional issues this should not lead to a reduction overall in Seqwater's approved costs. That is, if Seqwater's IT consulting costs are reduced due to the mis-coding / definitional issues, a commensurate increase should be provided for in the appropriate Seqwater IT cost item.

Appendix 1

Definitions for external resource options

In Seqwater, we currently have three (3) discrete classifications for external resource hire

Consultancies have the following characteristics, *all* of which must be present for a person to be classified as a consultant:

The work is not directly supervised by Seqwater;

Independent research/investigation is conducted, and

Expert advice with written recommendation/s is provided.

Examples of Consultancy Services include:

Providing expert advice on technical and professional matters;

Carrying out research projects, attitudinal surveys, feasibility studies and fact finding investigations where recommendations are made;

Developing and designing a benchmarking framework/process and standards, and

Providing advice in the development of policy and strategic planning issues.

Note: Just because a supplier of services may refer to themselves as a "consultant", it does not mean that they will be defined as such for the Queensland Government's purposes.

Contractors are categorised as either professional services or non-professional services. Professional services contractors implement an existing process to deliver a known product or outcome. Non-professional service contractors include trade service providers (e.g. plumbers, carpenters, electricians and painters, etc.), cleaning.

Labour Hire engagements occur through a Labour Hire or Recruitment Agency and have the following characteristics, any of which must be present for a person to engage via the Labour Hire process:

Cover a staff vacancy;

Assisting with a special project with a limited timeframe; or

Additional staff required for busy period/volume increases.

In addition, Seqwater has the option to exercise a *Professional Services Contract*, defined as:

The work is specified and oversighted by Seqwater;

Expert services on technical and professional matters are provided to agreed quality, cost and timeframe, in most cases capped time and materials paid on milestones which have defined and agreed;

Seqwater internal resources may be required to participate/assist and as such, roles, responsibilities and a consolidated plan for the engagement should be set out in a Statement of Work.

Appendix 2

Reference Documents

File name	Description
ICT Strategy Expenditure Readiness Assessment - Final Report - 31 July 2014.pdf	Independent review of Seqwater ICT conducted by KPMG prior to lodgement of Regulatory Submission.
ICT Regulatory Submission Final v1	Seqwater ICT response to CH2M Hill (November 2014)Queensland Competition Authority Seqwater Operating and Capital Expenditure Review Assessment of Prudency and Efficiency
ICT Project and Program Portfolio	Details of the FY14/15, 15/16 and 16/17 program of work.
ICT Initiatives portfolio - budgeting	Shows alignment of ICT Projects over 14/15 through to 16/17
Consultancy Contractor 1314 to 1415	Shows key differences between 13/14 Consultancy and 14/15 Consultancy