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**Information and Communications
Technology (ICT) Reinvestment Pool**

OFFICE OF FINANCIAL MANAGEMENT

Policy & Guidelines Paper

Preface

In the 2009-10 Budget the NSW Government announced the Better Services and Value Plan. The Plan consists of the following five initiatives:

1. maintain wages policy to moderate growth in employee costs
2. amalgamation of 160 agencies into 13 super-departments
3. strategic “value for money” reviews of whole-of-government expenditure
4. line-by-line audit of Agency expenditure
5. performance reviews of State Owned Corporations to assess and improve financial and Board performance.

The strategic review of ICT expenditure (“ICT Review”) across NSW Government Agencies and Public Trading Enterprises is the first of the “value for money” reviews across whole-of-government expenditure. The objective of the ICT Review is to make sustainable improvements in the efficiency of the Government’s ICT expenditure, leading to ongoing cost savings from 2010-11 onwards. This must be achieved without impairing service delivery to residents or business.

The ICT Review requires NSW Government Agencies and Public Trading Enterprises to find savings equivalent to 5 per cent of their baseline ICT expenditure (Phase 1) and an additional 10 per cent (Phase 2) over 4 years.

Fifty per cent of the cost savings delivered from the ICT Review are to be placed in the centrally held ICT Reinvestment Pool. The ICT Reinvestment Pool will be used to fund investment in strategic efficiency improving ICT capital projects. These savings will be captured through a reduction in agency budget allocations from 2010-11 over the forward years. The remaining 50 per cent of savings delivered from the ICT Review will be retained by agencies to assist them meet their efficiency dividend.

The purpose of this document is to provide guidance for eligible agencies on the ICT Reinvestment Pool application process and its operating principles.

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Note

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1. Executive Summary

The ICT Reinvestment Pool (“ICT Pool”) has been established to target investment in strategic efficiency improving ICT capital projects and accelerate implementation of the Corporate and Shared Services Strategy. The ICT Pool is funded from 50 per cent of the savings delivered from the ICT Review. It will commence operation from the 2010-11 Budget year and will have an operating lifespan of four years.

Eligible agencies will be required to submit an ICT Pool application via a preliminary business case, and a covering letter to the Secretary, NSW Treasury, from their Director General stating their intent to apply for ICT Pool funding and how they meet the eligibility criteria.

ICT Pool applications (preliminary business cases) will be assessed by NSW Treasury. Eligible agencies will be invited to submit a final business case (documenting the project in detail) at the invitation of NSW Treasury. Final business cases will be assessed by NSW Treasury and the ICT Reinvestment Pool Evaluation Committee (“Evaluation Committee”).

The Evaluation Committee will assess funding applications against the ICT Pool evaluation criteria (set out in this Policy Paper) and will recommend projects for funding to NSW Treasury. NSW Treasury will then make recommendations to the Cabinet Standing Committee on the Budget (“Budget Committee”) on projects to be funded from the ICT Pool based on the recommendations of the Evaluation Committee. Funding arrangements and allocations for approved ICT Pool projects will be conducted through the normal budget process administered by NSW Treasury.

Successful agencies will be required to report quarterly to NSW Treasury on the progress of all projects funded from the ICT Pool.

2. The ICT Reinvestment Pool

The ICT Pool will fund the capital costs of approved ICT capital projects. Approved ICT Pool funded projects are expected to generate sufficient savings to at least meet the ongoing operating, maintenance and replacement costs of the new asset (such as depreciation) from existing funding. Agencies applying for ICT Pool funding are required to identify the ongoing funding required to maintain and replace any new asset funded from the ICT Pool.

The ICT Pool will not replace the Consolidated Fund in terms of funding for ICT capital projects, but rather is a supplement to bring forward strategic efficiency improving ICT capital projects.

The objectives of the ICT Pool are to:

- support investment in new strategic efficiency improving ICT capital projects across NSW Government
- rationalise fragmented ICT resources and reduce inefficiencies from incompatible and outdated systems
- facilitate the rationalisation and consolidation of ICT resources on a cluster wide and/or multi-agency level
- create new capability that delivers improvements in the efficiency and effectiveness of an agency
- accelerate the implementation of the Corporate and Shared Services Strategy
- improve service delivery to NSW by promoting efficient and effective ICT systems.

3. ICT Reinvestment Pool Governance

The ICT Pool will be administered by NSW Treasury through an Evaluation Committee. The Evaluation Committee consists of senior officers from NSW Treasury, the Department of Premier and Cabinet, the Department of Services, Technology and Administration and an independent adviser.

NSW Treasury will assess the soundness of the ICT Pool project applications against existing Budget policy and capital project evaluation requirements. The Evaluation Committee will ensure that ICT Pool funded projects are focussed towards strategic efficiency improving ICT capital projects that support broader NSW Government priorities, such as the Corporate and Shared Services Strategy, and the objectives of the ICT Review.

The Evaluation Committee will recommend projects for funding to NSW Treasury. NSW Treasury will then make recommendations to the Budget Committee on projects to be funded from the ICT Pool based on the recommendations of the Evaluation Committee.

See Section 7 for more information on evaluation and approval of ICT Pool applications.

4. ICT Pool Eligibility

NSW Treasury and the Evaluation Committee will consider ICT Pool applications for capital ICT projects where:

- agencies are within scope of the ICT Review
- agencies have delivered ICT savings to the ICT Pool through a reduction in their budget allocation, directly or through a principal agency (see Appendix A for the list of eligible agencies)
- projects support the objectives of the ICT Review (that is delivers sustainable savings) and /or accelerates implementation of the Corporate and Shared Services Strategy
- agencies provide an ICT capital project business case (preliminary and/or final) which complies with relevant Budget policy and assessment requirements (see Appendices B and C for more information on requirements)
- agencies provide a covering letter from the agency and/or cluster Director General stating the agency's and/or cluster's intent to apply for ICT Pool funding and how the agency and/or cluster meet the eligibility criteria
- projects have a capital cost to implement of \$250,000 or more
- agencies request funding over the forward estimates (up to and including) the 2013-14 financial year only.

5. ICT Pool Evaluation Criteria

NSW Treasury and the Evaluation Committee will assess ICT Pool project applications taking into account:

- projects that produce sustainable efficiencies and savings on a whole-of-government, cluster or multi-agency level
- projects that enhance, extend and/or create a new capability that improves the efficiency and effectiveness of an existing ICT activity e.g. replacing legacy software and hardware with high support and maintenance costs, server virtualisation, amalgamation of services at a cluster level
- the return on investment or the level of savings that could be realised from the implementation of the project
- project implementation approach
- project risk analysis
- the soundness of the proposed solution
- other criteria that the Evaluation Committee considers appropriate.

The ICT Pool (amongst other things) will not fund:

- feasibility studies
- monitoring and operating the current ICT environment
- maintaining, applying patches, installing service packs, providing break-fixes, minor enhancements
- investment in legacy information systems (except where an investment will deliver significant efficiencies or is a necessary step in achieving end-state consolidation or transition)
- replacement of capability (eg desktop refresh) that does not significantly enhance the current ICT capability
- purchase of additional capitalised assets to meet business demand (e.g. increase in the amount of storage capacity)
- failing ICT projects and facilities
- ICT activities that relate to initiatives already funded under other mechanisms
- ICT activities that have been previously rejected for funding through the Budget assessment process.

6. Application for ICT Pool Funding

NSW Government Agencies seeking funding from the ICT Pool will need to comply with the application and evaluation requirements specific to the ICT Pool, as well as the relevant Budget policy and evaluation guidelines.

Eligible agencies seeking funding from the ICT Pool must submit an ICT Pool application via a preliminary and/or final business case. They must also submit a covering letter to the Secretary, NSW Treasury, from their Director General stating the agency's and/or cluster's intent to apply for ICT Pool funding and how the agency and/or cluster meet the eligibility criteria.

All ICT Pool project applications (preliminary and/or final business cases) submitted for funding must comply with relevant NSW Treasury Budget Policy requirements including (but not limited to) the following:

TPP 08-05 *Guidelines for Capital Business Cases*. TPP 08-05 sets out the specific requirements for all business cases submitted to NSW Treasury.

TPP 06-10 *Information and Communications Technology (ICT) Capital Investment Process*. TPP 06-10 provides guidelines in ICT planning, managing risk, improving governance and monitoring procedures of ICT capital projects.

TPP 04-01 *NSW Government Procurement Policy*. TPP 04-01 sets out the key principles on government procurement including value for money, efficiency and effectiveness, probity and equity, and effective competition.

See Appendix B and Appendix C for more information on NSW Treasury Budget Policy and Department of Premier Cabinet requirements for ICT capital projects.

7. Evaluation and Approval of ICT Pool applications

Agency ICT Pool project applications will be assessed by NSW Treasury and the Evaluation Committee using an agreed evaluation methodology.

NSW Treasury will assess the soundness of ICT Pool capital project business cases (preliminary and final) against existing Budget policy and capital project evaluation requirements. These policy and guideline requirements include:

- TPP 07-05 *NSW Government Guidelines for Economic Appraisal*
- TPP 07-06 *Economic Appraisal Principles and Procedures Simplified*
- TPP 04-01 *NSW Government Procurement Policy*
- TPP 08-02 *Total Asset Management (TAM) requirements for updating the NSW State Infrastructure Strategy (SIS)*
- TPP 07-04 *Commercial Policy Framework: Guidelines for Financial Appraisal*

NSW Treasury will also consult with the Government Chief Information Office as part of the business case evaluation process. The Government Chief Information Office will provide advice on the technical merits of ICT Pool business cases and their alignment with Government ICT priorities.

The Evaluation Committee will assess ICT Pool final business cases with a focus on strategic efficiency improving ICT capital projects that support broader NSW Government priorities, such as the Corporate and Shared Services Strategy, and the objectives of the ICT Review. All ICT Pool applications will be assessed against the Evaluation Criteria listed in Section 5.

The Evaluation Committee will recommend projects for funding to NSW Treasury. NSW Treasury will then make recommendations to the Budget Committee on projects to be funded from the ICT Pool based on the recommendations of the Evaluation Committee.

Funding arrangements and allocations for approved ICT Pool projects will be conducted through the normal Budget process administered by NSW Treasury. NSW Treasury will provide feedback to agencies on the assessment of ICT Pool applications (successful and unsuccessful).

8. Allocation of Funds

ICT capital projects funded from the ICT Pool will be incorporated into the budget allocations for that agency in that respective year, including forward year allocations.

All funding arrangements, allocations and payments for the ICT Pool will comply with legal requirements set out in the *Public Finance and Audit Act 1983 (NSW)* and the *Public Authorities Financial Arrangement Act 1987 (NSW)*.

9. Project Monitoring and Reporting Requirements

Successful agencies will be required to report quarterly to NSW Treasury on the progress of all projects funded from the ICT Pool. Projects will be monitored to ensure the accountability and commitment of agencies to implement projects effectively in accordance with the objectives of the ICT Review and ICT Pool.

Agencies with ICT Pool funded projects will also be required to report quarterly in accordance with Treasury Policy Paper TPP 06-10 *Information and Communications Technology (ICT) Capital Investment Process*. This includes submission of:

- a Procurement Strategy Report
- a Pre-Tender Estimate Report
- an annual Project Quality Assurance Report
- relevant reporting data required by the Major Capital Projects Reporting System (MCPRS).

Successful projects may be required to submit a Post-Tender Review Report to NSW Treasury if requested.

10. Treatment of Savings

NSW Government Agencies will be allowed to retain the realised savings from the implementation of ICT Pool funded projects. This excludes savings delivered from the ICT Review.

11. Critical Dates and Timelines

The ICT Pool Process will integrate with the existing NSW Budget Process as much as possible. The following table lists out the key dates and activities during the Budget year that will apply for operating lifespan of the ICT Pool:

August	<p>Information letter sent out to NSW Government Agencies informing them of the ICT Pool and application process and evaluation criteria.</p> <p>Invitation for agencies to submit:</p> <ul style="list-style-type: none"> - Preliminary business cases for capital funding. - Covering letter to the Secretary, NSW Treasury, from their Director General stating their intent to apply for ICT Pool funding and how they meet the eligibility criteria.
September	<p>Agency submission of preliminary and/or final business cases and Treasury assessment of submissions.</p> <p>Invitation to provide final business cases (where applicable) for ICT Pool funding through the first allocation letter sent to NSW Government Agencies.</p>
October-November	<p>Applications for ICT Pool capital project funding (final business cases) due.</p> <p>Evaluation of Business Cases by NSW Treasury.</p> <p>Consultation Period with the Department of Services, Technology and Administration (Government Chief Information Office).</p>
January-March	<p>ICT Pool project evaluation by the Evaluation Committee.</p> <ul style="list-style-type: none"> - Assessment of proposed ICT Pool capital projects. - Recommendations to NSW Treasury. - NSW Treasury Cabinet submission to the Budget Committee.
March	<p>Budget Committee consideration and approval.</p> <p>Funding allocated to approved projects from the ICT Pool.</p>
March-April	<p>Second allocation letter sent to NSW Government Agencies</p> <ul style="list-style-type: none"> - Confirms approved ICT capital projects funded from the ICT Pool.
June	<p>End of Budget Year</p> <ul style="list-style-type: none"> - Agency Budgets released.

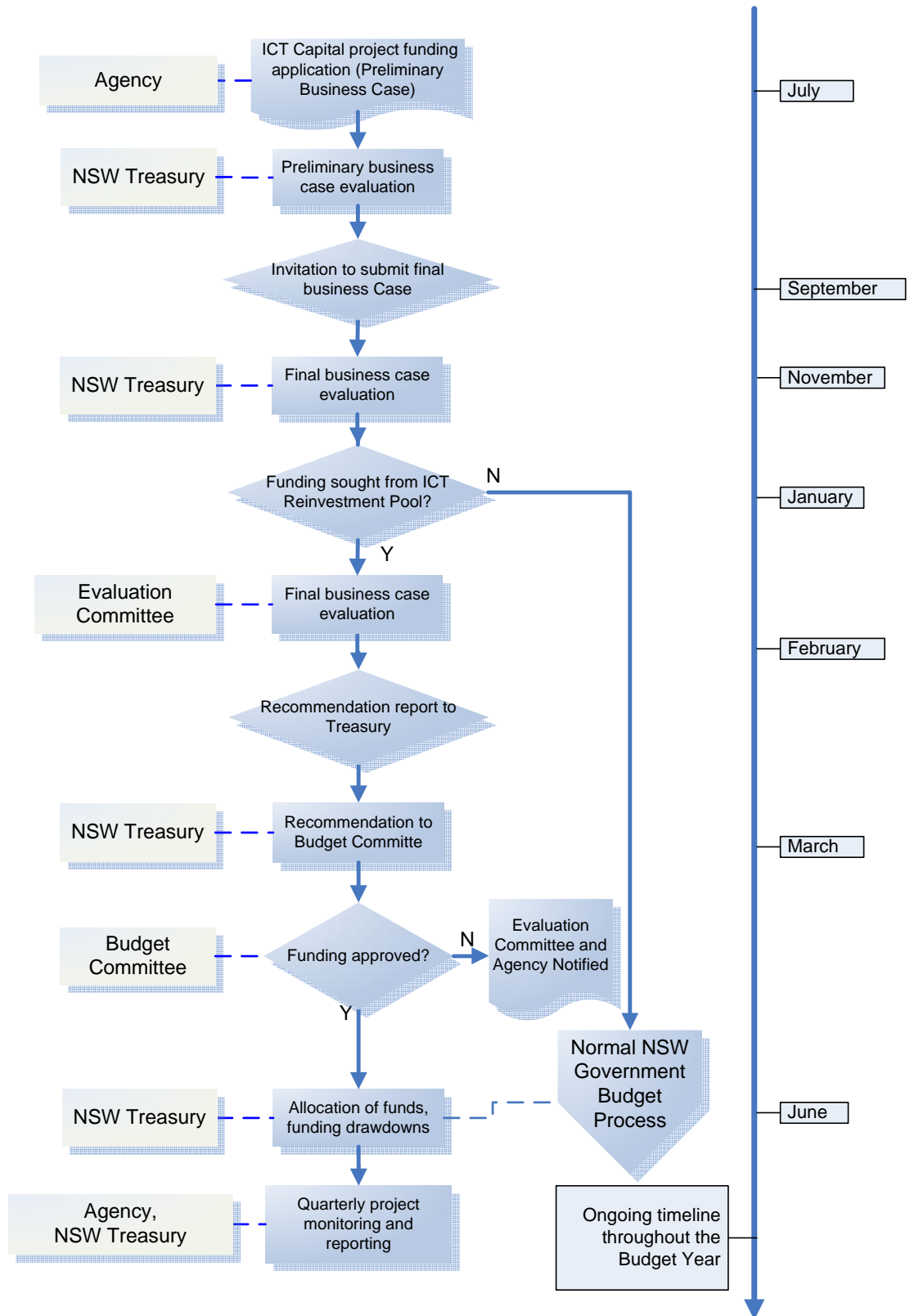
Note: Due to the establishment of the ICT Pool at the commencement of the 2010-11 financial year, ICT Pool project applications will need to be invited and assessed outside the agreed NSW Budget timeline during the first year of the ICT Pool's operation.

12. Stakeholders and Responsibilities

The following table outlines the key responsibilities and accountabilities of the key stakeholders:

Stakeholders	Responsibilities
NSW Government Agencies	<ul style="list-style-type: none"> - Submit an ICT Pool project application via a preliminary and/or final business case, and covering letter to the Secretary, NSW Treasury, from their Director General stating their intent to apply for ICT Pool funding and how they meet the eligibility criteria. - Submit a final business case at the invitation of NSW Treasury (where applicable). - Implement approved ICT Pool funded projects. - Report (quarterly) on approved ICT Pool projects.
NSW Treasury	<ul style="list-style-type: none"> - Administration of the ICT Pool process. - Business case assessment (preliminary and final) in accordance with existing procedures. - Make recommendations to the Budget Committee on projects to be funded from the ICT Pool based on the recommendations of the Evaluation Committee. - Allocation of funding from the ICT Pool to agencies for approved ICT Pool projects. - ICT Pool project monitoring and reporting.
ICT Reinvestment Pool Evaluation Committee, comprising: <ul style="list-style-type: none"> ▪ NSW Treasury Expenditure Review Directorate ▪ Department of Premier and Cabinet ▪ Department of Services, Technology and Administration ▪ Independent adviser 	<ul style="list-style-type: none"> - Assessment of ICT Pool project applications (i.e. final business cases). - Provide recommendations on projects to be funded from the ICT Pool to NSW Treasury.
Budget Committee	<ul style="list-style-type: none"> - Approval of projects funded to be funded from the ICT Pool.

13. Process Flow Chart



Appendix A: NSW Government Agencies within scope of the ICT Pool

Casino, Liquor and Gaming Control Authority	NSW Food Authority
Communities NSW	NSW Ombudsman
Department of Education and Training	NSW Police Force
Department of Environment, Climate Change and Water	NSW Rural Fire Service
Department of Human Services	NSW Treasury
Department of Industry and Investment	NSW Trustee and Guardian
Department of Justice and Attorney General	Office of the Board of Studies
Department of Planning	Office of the Director of Public Prosecutions
Department of Premier and Cabinet	Police Integrity Commission
Department of Services, Technology and Administration	Public Transport Ticketing Corporation
Home Care Service of NSW	Rail Corporation New South Wales
NSW Land and Housing Corporation	Roads and Traffic Authority of NSW
Independent Transport Safety and Reliability Regulator	State Emergency Service
Land and Property Management Authority	State Property Authority
Legal Aid Commission of NSW	State Transit Authority of NSW
NSW BusinessLink Pty Ltd	Sydney Ferries
NSW Crime Commission	Sydney Olympic Park Authority
NSW Electoral Commission	Sydney Opera House
NSW Fire Brigades	Taronga Conservation Society Australia
	Teacher Housing Authority
	Transport Infrastructure Development Corporation
	Transport NSW

Appendix B: NSW Treasury Budget Policy Requirements

Agencies seeking funding from the ICT Pool must comply with the following Budget Policies and evaluation requirements set out below:

TPP 08-05 Guidelines for Capital Business Cases

TPP 08-05 sets out the specific requirements for all business cases submitted to NSW Treasury. The guidelines promote a consistent approach across all public sector agencies in preparing a business case for proposed capital projects. Specifically the guidelines provide:

- guidance on preparing capital business cases
- references to existing NSW Government policy papers, guidelines and circulars
- key principles for preparing a business case
- templates for preparing business cases
- thresholds for ICT business cases
- Gateway Review requirements.

TPP 06-10 Information and Communications Technology (ICT) Capital Investment Process

TPP 06-10 provides requirements for ICT planning, managing risk, improving governance and monitoring procedures of ICT capital projects. Specifically the guideline provides:

- the role and relationship of service delivery, Total Asset Management and ICT strategic planning
- the key principles for preparing ICT strategic plans
- ICT procurement policy
- the governance scheme for ICT investment
- Gateway Review requirements
- agency reporting obligations and requirements
- delivery phase reports required by NSW Treasury.

TPP 04-01 NSW Government Procurement Policy

TPP 04-01 sets out the key principles on government procurement including value for money, efficiency and effectiveness, probity and equity, and effective competition.

TPP 04-01 also sets out the requirements for Gateway Reviews, thresholds and the agency's responsibility to comply with Gateway Review requirements as part of the capital projects funding process.

Appendix C: NSW Treasury and DPC Policy Papers, Circulars and other references

Treasury Policy Papers

TPP 08-05 *Guidelines for Capital Business Cases*

http://www.treasury.nsw.gov.au/_data/assets/pdf_file/0020/12953/tpp08-5.pdf

TPP 08-02 *Total Asset Management (TAM) requirements for updating the NSW State Infrastructure Strategy (SIS)*

http://www.treasury.nsw.gov.au/_data/assets/pdf_file/0018/11565/tpp08-2.pdf

TPP 07-05 *NSW Government Guidelines for Economic Appraisal*

http://www.treasury.nsw.gov.au/_data/assets/pdf_file/0016/7414/tpp07-5.pdf

TPP 07-06 *Economic Appraisal Principles and Procedures Simplified*

http://www.treasury.nsw.gov.au/_data/assets/pdf_file/0018/7416/tpp07-6.pdf

TPP 07-04 *Commercial Policy Framework: Guidelines for Financial Appraisal*

http://www.treasury.nsw.gov.au/_data/assets/pdf_file/0014/7412/tpp07-4.pdf

TPP 06-10 *Information and Communications Technology Capital Investment Process*

http://www.treasury.nsw.gov.au/_data/assets/pdf_file/0005/10778/tpp06-10.pdf

TPP 04-01 *NSW Government Procurement Policy*

http://www.treasury.nsw.gov.au/_data/assets/pdf_file/0004/3955/tpp04-1.pdf

Treasury Circulars

TC 06/02 *Treasury Review of Financial Impact Statements*

http://www.treasury.nsw.gov.au/_data/assets/pdf_file/0017/5813/nswtc06-02.pdf

TC 08/07 *Revised Project Size/Risk Thresholds for the Submission of Business Cases and Gateway Reports*

http://www.treasury.nsw.gov.au/_data/assets/pdf_file/0017/11564/tc08-7.pdf

Premier and Cabinet Circulars

C2000-34 *Extension of approval process for expenditure on ICT and consultancies related to corporate services*

[http://www.dpc.nsw.gov.au/publications/memos_and_circulars/circulars/2009/c2009-](http://www.dpc.nsw.gov.au/publications/memos_and_circulars/circulars/2009/c2009-34)

[34_extension_of_approval_process_for_expenditure_on_ict_and_consultancies_related_to_corporate_services](http://www.dpc.nsw.gov.au/publications/memos_and_circulars/circulars/2009/c2009-34)

Legislation

Public Finance and Audit Act 1983 (NSW)

<http://www.legislation.nsw.gov.au/maintop/view/inforce/act+152+1983+cd+0+N>

Public Authorities (Financial Arrangements) Act 1987(NSW)

<http://www.legislation.nsw.gov.au/maintop/view/inforce/act+33+1987+cd+0+>