

I'm going to speak to about half a dozen points on strategic information planning with an emphasis on financial matters. These are my own thoughts from working as CIO for 13 years. To start, let me apologise for the dryness of the topic. Much as I tried, I couldn't inject humour and stay within the 10 minutes, so please take solace in your drink.

1. The first point I'd like to touch on is scope.

Although there have been attempts to fix this, the bid process for capital funding is still skewed by its genesis as a device for funding physical infrastructure such as roads and bridges.

This has a number of implications, one of which is its tendency to structure bids around a project rather than an agenda. On some occasions, this is appropriate but the situation for many agencies is that machinery of government and eGovernment changes mean that a single project response is inappropriate. Indeed, in the larger agencies, the sophistication and complexity of their IM infrastructure means that their response must be agenda rather than project based. A key challenge for complex environments is the assembly of composite bids in a way which ensures that critical path and interdependencies are protected during the funding assessment process.

A good example is the agency which prepares a Strategic Information Plan. How do you secure

Government support for such a composite bid and what do you do if you only achieve partial funding? How do you present it in a way which makes sense and identifies all the dependent links? It is important to think through these issues ahead of bid submission.

2. The second point I'd like to dwell on is the CIO as financial manager.

It is not unusual to find in the larger agencies that the IM department not only has a significant operating budget but that it has one of the largest capital budgets. This means that its finances are complex and, in some agencies, that the level of financial maturity is insufficient for the purposes of IM. The most common instance of where this occurs is in respect to lifecycle costing.

Why do I mention this? Because I believe that funding success is not a one-off occurrence but is built on a reputation of financial competence. A key role of the CIO is to understand government financial processes and to be an exemplar of good financial practice. This is reflected in the importance given to financial management in methodologies such as ITIL and COBIT. The CFO can be an important ally in this regard, especially if he or she sees the IM department as a means to improve financial practice.

My argument here is that the CIO can improve funding success if the appropriate environment has been established. For example;

- Is there an agency-level project initiation and approval process?
- Is there a reporting schema which gives clients the feedback they require?
- Is there an appreciation of the lead time involved in securing funding and is project scheduling adjusted accordingly?
- Is there sufficient policy control over procurement and architecture to constrain project scope to agency directions?
- Are there contractual mechanisms in place which smooth the award of work and provide clear direction to vendors?

3. My third point concerns the tension or balance between business case and politics.

Most Australian Governments now have some type of process which vets large IM project bids before they reach Treasury. In the case of WA, agencies are required to complete an extensive proforma which seeks to establish;

1. That there is a business case which can be linked to a stated Government outcome or priority;

2. That the project aligns with the Government's eGovernment strategies and policies; and,
3. That the project has suitable methodologies in place (but with a particular emphasis on project management).

In theory, agencies must have these approved by the Office of eGovernment before bids can proceed to Treasury.

However, as with other governments, this does not guarantee funding: it simply establishes a minimum standard for IM bids. The process to reach this point is always political: it is more so beyond this point. Indeed, success beyond this point is usually only partially to do with the merit of a bid and mostly to do with perceived political interest.

This may appear self-evident but is often neglected in the mistaken belief that merit alone will suffice. Just as early and comprehensive planning is the difference between projects that succeed and those that fail, so is early and comprehensive lobbying the difference between those that are funded and those which aren't. Identification and cultivation of key opinion-shapers and stakeholders is fundamental.

It is important to remember that the decision on funding often comes down to a 15 minute discussion between a CEO and a Minister about a list of

competing bids which always exceed the available resource. This is complicated by the level of aggregation which occurs in Ministerial briefing papers. This makes it very difficult to sell the merits of a case on the basis of a document alone. Bid success is always enhanced if Minister and CEO (and those who influence them) have been well briefed beforehand and if briefing material is in a form you have vetted.

4. Funding is always raised as an issue but, for my next point, I want to suggest that there's often more flexibility than is realised

In WA, the primary source of public service project funding is a capital draw on what is referred to as the Consolidated Fund. However, even in the most financially constrained agencies there are opportunities – perhaps not in the short term but in the medium – to access other sources.

Some things to consider:

- Are fees collected for a service for which the project and its ongoing support are an integral part? If so, is it possible to negotiate a cost model which allows recoup of IM support and development costs?
- Is capital managed at an agency level? If so, is it possible to borrow from capital provision in non-

IM parts of the agency where expenditure is lagging?

- Have you considered delaying or timing the start of projects to the end of the forward estimates. Treasury is always more amenable to this than current year bids.
- Can you build political momentum for a bid through its resubmission and an update on risk or benefit? Can you benchmark with like agencies?
- Can you swap out parts of your bid from capital to recurrent and/or spread the spend – for example, leasing your desktop?
- Can you share costs with partner agencies or aggregate commercially to secure economies of scale in license or other costs?
- Can you internally fund a feasibility study or proof of concept to enhance the strength of your business case?
- Is there a corporate reserve which can be accessed?

Again, the importance of a partnership with your CFO cannot be underestimated. His or her 'helicopter' view of an agency's finances can sometimes open up surprising options.

5. Then there's the Catch 22 around methodologies & governance

There is often a suggestion that the use of techno-jargon and a slavish reliance on methodology is counter productive. I think that this is sensible advice in the concept and feasibility stage but, as I suggested earlier in respect to financial competence, creating an impression of methodological competence is a necessary precondition for ongoing funding success. This is particularly so considering the perception about the rate of major IM project failure, something which receives particular attention in government.

How, for example, can a convincing business case be built if an agency has no culture of project management? How can a convincing case be built if there is no evidence as to the methodology behind the calculation of lifecycle costs?

The other point to consider in this regard is that, the larger the project, the more scrutiny it tends to attract. Adverse audit assessments – which usually go to methodological rigour – can prejudice subsequent bids.

6. A bit off the topic but I also wanted to quickly mention Accounting Reform.

Some of you may be aware that there is an international debate going on in the accounting and financial professions about how well accrual accounting really applies to government. This

intersects with the debate about how to reflect in balance sheets the extent to which many corporate entities - but particularly IM companies – are reliant on IP for their market valuation.

This debate underlines how traditional accounting treatments still struggle to fully and consistently represent some of the financial aspects of IM activity - concepts such as capitalisation, lifecycle costing, software valuation and depreciation. Some of these shortfalls are material to larger IM projects and need careful consideration in business case construction and costing. Often it will require options development to allow negotiation between best practice and lower cost, acceptable risk scenarios.

7. Final Thoughts

If this gives you the impression that, from my perspective, strategic information planning in the WA public service still has a way to go, then you'd be right. Fortunately, two things give me hope. The first is the emergence of bodies such as AGIMO and the OeG which are starting to get some traction with whole-of-government IM planning. More important, however, is the emergence of formal investment management methodologies. The lack of such a methodology and an understanding of why it is important is, in my view, the most important single cause of planning failure, be it IM or business. One of

the new methodologies, Val IT, comes out of the COBIT stable. To quote:

... Val IT™ focuses on the investment decision (are we doing the right things?) and the realisation of benefits (are we getting the benefits?), while CobiT® focuses on the execution (are we doing them the right way and are we getting them done well?).

Perhaps an even more effective investment management approach – and one tailored for government - is that run out of the Victorian Department of Treasury and Finance and mandated for all initiatives over a certain size. I won't dwell on it but would encourage your interest. Critically, it appears to solve the crucial question of how to secure and maintain business sponsor commitment, particularly during the crucial concept and feasibility stage.

I suspect that if the formalisation of an approach to investment management had preceded the formalisation of the more operational methodologies, information planning and management – indeed, all planning – would be in better shape.

Thank you and the best wishes to the Institute and its membership in 2008.