E159/03/11

3 February 2011

To Heads of Departments / Offices[1]

Circular 2/11: Additional Arrangements for ICT Expenditure in the Civil and Public Service

A Dhuine Uasail,

1. I am directed by the Minister for Finance to advise of additional requirements for IT and telecommunications expenditure on projects, systems and infrastructures (hereinafter "ICT") in the public sector, as part of continuing initiatives intended to reduce risk and achieve better value-for-money. This Circular has immediate effect and supplements the requirements of **Department of Finance Circular 2/09: Arrangements for ICT Expenditure in the Civil and Public Service.**

2. **Circular 2/09**

2.1 **Departments should make the necessary arrangements to apprise all bodies and authorities under their remit of the requirements of both Circular 2/09 and this Circular and ensure that they comply with these requirements.**

2.2 Approval will not be granted for any project or proposal in the absence of a formal Start-of-Year submission by the Accounting Officer to ICT Vote Control Section at the Department of Finance. In this regard, one-off submissions will not be assessed in the absence of a formal Start-of-Year submission.

2.3 Start-of-Year submissions to ICT Vote Control Section must be in line with the requirements of Circular 2/09 and must be submitted in sufficient time to allow for adequate discussion and/or clarification. Organisations must not make expenditure commitments in the absence of approval from ICT Vote Control.

2.4 All requests for approval, including those from organisations under the aegis of a Department (or organisations for whom the Accounting Officer is in the Department), must be submitted through the nominated ICT Liaison officer of the parent Department. The ICT Liaison officer must confirm that a request is in line with Department and Government policy and must not submit incomplete or draft documentation.

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[1] In this Circular, the term "Department" encompasses Departments and Offices.

2.5   Organisations remain responsible for the accuracy and completeness of requests-for-tender or other documents issued following approval of a proposal by ICT Vote Control and must fully comply with procurement rules and regulations. In addition, organisations are reminded that they remain directly accountable for all ICT-related expenditures incurred by them.

2.6   Any changes in the prerequisites or formats for submitting proposals will be notified via http://www.ict.gov.ie.

3.   Total Cost of Ownership
Costs of proposals should be assessed on as close to a total cost of ownership (TCO) model as possible and at a minimum include the following costs where applicable: licensing; arising hardware upgrades/renewals/replacements; ICT and user training; support; maintenance; and, external expertise. These should be calculated over the lifetime of the contract proposed or five years if not for a specified term. Costs should not be evaluated on the basis of initial outlay costs only.

4.   Telecommunications
4.1   Expenditure on telecommunications (including data, fixed voice, mobile, video, VoIP, and digital radio) requires the specific approval of the Department of Finance. Such approval will only be granted where the proposed expenditure is underpinned by a valid current procurement approach that has been agreed with the Government Networks Unit of the Department of Finance. In this regard, the centrally provided framework agreements, contracts, or templated RFTs must be used unless the Government Networks Unit provides a derogation. More details can be found at http://www.ict.gov.ie/

4.2   In general, requests for approval of proposals that may result in significant telecommunications-related or network-related expenditure is subject to agreement with Government Networks Unit on an approach before being submitted to ICT Vote Control.

4.3   Contracts of indefinite duration will not be accepted as the basis for expenditure on telecommunications. Where such a contract exists, it must be brought to the attention of ICT Vote Control and a procurement exercise must be undertaken using the central arrangements in a timeframe agreed with ICT Vote Control.

4.4   Any use of or expenditure on telecommunications consultants or advisors for any task requires the specific approval of the Department of Finance. Any proposal to utilise external telecommunication resources must detail clearly all other options considered, including discussions held with Government Networks Unit, and the justification for the proposal.

5.   Frameworks and other Central Arrangements

5.1   Organisations are reminded of the requirement to use central arrangements, including procurement frameworks, as directed by section 2.2 of Circular 2/09. Where these cannot be complied with, any related expenditure requires the specific approval of the Department of Finance.

5.2   Organisations **must** comply with any and all relevant terms and conditions in using the central arrangements and frameworks and must comply with any direction of the Contract Manager for the particular arrangement or framework, including the necessity to seek specific approval from ICT Vote Control.

5.3   Details of frameworks and other central arrangements can be found at http://www.ict.gov.ie/.

6.   Support and Maintenance

6.1   Software and hardware vendors typically offer annual support and maintenance for their products at a fixed percentage of the original cost of the product. In general, organisations have the option to purchase or not depending on their requirements. In the case of software, support and maintenance are often bundled and cannot be acquired separately. The annual cost can be substantial, and in some cases can increase significantly after a number of years. Therefore, support and maintenance can amount to a substantial part of the total-cost-of-ownership. Consequently, measures are needed to minimise this and ensure best value for money.

6.2   Organisations should put in place an appropriate software asset management process and develop a software asset management plan. If external assistance is required in this regard, the Software Asset Management Services framework, detailed at http://www.ict.gov.ie/, should be used.

6.3   **New Products**

(i)   Organisations procuring new software or hardware are required to assess in detail the specific licence types being requested or proposed, conduct detailed consideration of alternative cheaper licence types, and determine whether support and/or maintenance is actually required. In doing so, organisations are required to undertake a requirements analysis taking into consideration risks versus TCO and value for money. This analysis and the resulting recommendation must be documented. If it is determined that support is required, alternative support options must also be considered including the use of packages of support, third-party support, etc. where these exist.

(ii)   The cost of support arrangements should be sought as a separate item from maintenance in all procurement exercises and, in general, should be no more than a single figure percentage of the cost of the product. At a minimum, support should include access to all patches and fixes, including all security updates, as well as support resolution through a call-logging type facility.

(iii)   In deciding on a procurement, organisations must take into account not just the initial outlay but the TCO for the particular product to determine a more realistic view of the expenditure being committed. Particular attention must be paid to determining the cost of support over the lifetime of the product and its likely costs in later years.

6.4 **Renewals**

    (i)   Organisations renewing existing support and maintenance agreements are required to undertake a similar analysis as at 6.3 (i) above in advance of any further renewals.

    (ii)   The option of porting an existing software solution to an alternative software solution, where this exists, or to an alternative hardware configuration, must be explored and documented in the above analysis.

    (iii)   Existing licence estates should be reviewed to determine if best value is being achieved.

6.5 Organisations should also analyse their hardware estates to determine if existing hardware configurations, for example machines/processors/cores or other, achieve maximum value taking into account all costs, including those relating to licensing of installed software, and whether different configurations including replacement would achieve better value.

7. <u>Dissemination and Implementation</u>

Each Department and Office is required to bring this Circular to the attention of all bodies and sectors under its aegis and to ensure that arrangements are put in place so as to confirm and monitor its implementation.

8. <u>Enquiries</u>

Enquiries concerning this Circular should be made to:
ICT Control, Department of Finance, Lansdowne House, Lansdowne Road, Dublin 4;
Telephone: 01 6767571 or DDI: (01) 6045102 / 6045103
eMail: ictcontrol@finance.gov.ie.

Enquiries regarding Telecommunications should be made to:
Government Networks, Department of Finance, Lansdowne House, Lansdowne Road, Dublin 4;
Telephone: 01 6767571 or DDI: (01) 604 5018
eMail: gn@gov.ie.

Mise le meas,

Tim Duggan
Assistant Secretary