



Government
of South Australia

TRS19D1109

Hon Stephen Mullighan MP
Member for Lee
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SEMAPHORE SA 5019

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Dear Mr Mullighan

APPLICATION UNDER THE *FREEDOM OF INFORMATION ACT 1991*

I refer to your application made under the *Freedom of Information Act 1991* (the Act), dated 9 May 2019.

Your application seeks access to:

"All minutes, briefings and correspondence titled 'SA Government End User Computing Program – Status Update' as described on the Objective document management system, between 12 July 2018 and 9 May 2019."

The prescribed legislative timeframe to determine this application has expired and is now deemed to have refused you access to documents relevant to your application. I refer to my letter dated 26 May 2019 where I sought additional time to make my determination.

The purpose of this letter is to advise you of my determination. An extensive search was conducted within this office. A total of 1 document was identified as answering the terms of your application.

I grant you access in part to 1 document, a copy of which is enclosed.

Document Released in Part

Document 1 is a briefing which was prepared by DTF for my consideration providing a status update in relation to the SA Government End User Computing Program.

The document is released in part as it contains an extract of information which was prepared for Cabinet and also contains information concerning a Cabinet decision. I therefore determine this exempt pursuant to clause 1(1)(c) to the Act.

This briefing includes information regarding DXC's pricing and other commercial matters that are not able to be disclosed in accordance with the End User Computing

Contract terms and conditions. I therefore determine this exempt pursuant to clause 7(1)(c).

Document 1 contains legal advice which is subject to legal professional privilege pursuant to clause 10(1).

Whilst there is a strong public interest in government accountability and transparency, it is not in the public interest to disclose information that would impact on the financial interests of the state. I therefore determine this information exempt pursuant to clause 15(a)(b).

Exemptions

Clause 1 – Cabinet Documents

(1) *A document is an exempt document—*

(c) if it is a document that is a copy of or part of, or contains an extract from, a document referred to in paragraph (a) or (b).

Clause 7 – Documents affecting business affairs concerning

(1) *A document is an exempt document—*

(c) if it contains matter—

(i) consisting of information (other than trade secrets or information referred to in paragraph (b)) concerning the business, professional, commercial or financial affairs of any agency or any other person; and

(ii) the disclosure of which—

(A) could reasonably be expected to have an adverse effect on those affairs or to prejudice the future supply of such information to the Government or to an agency; and

would, on balance, be contrary to the public interest.

Clause 10 – Documents subject to legal professional privilege

(1) A document is an exempt document if it contain matter that would be privileged from production in legal proceedings on the ground of legal professional privilege.

Clause 15 – Financial and property interests

A document is an exempt document if it contains matter the disclosure of which—

(a) could reasonably be expected to have a substantial adverse effect on the financial or property interests of the State or an agency.


(b) would, on balance, be contrary to the public interest.

Please note, in compliance with Premier and Cabinet Circular PC045 - *Disclosure Logs for Non-Personal Information Released through Freedom of Information* (PC045), the Department of Treasury and Finance is now required to publish a log of all non-personal information released under the Act.

In accordance with this Circular, any non-personal information determined for release as part of this application, may be published on the DTF website. A copy of PC045 can be found at the following address: <https://dpc.sa.gov.au/resources-and-publications/premier-and-cabinet-circulars>. Please visit the website for further information.

If you require any further information, please contact Vicky Cathro on 8226 9769.

Yours sincerely



Hon Rob Lucas MLC
Principal Officer

27 February 2021

Att.

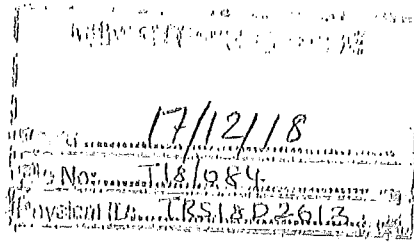
Schedule of Documents

TRS19D1109 - SA Government End User Computing Program - Status Update

Doc. No.	Date	Description of Document	# of pages	Determination Recommendation	Exemption Clause	Reason
1	13/12/2018	Briefing to Treasurer from DTF	5	Released in part	1(1)(c) - Copy, part or extract of document prepared for Cabinet or Cabinet committee	
					7(1)(c)(i)(ii)(A)(B) - Contains information concerning the business, professional, commercial or financial affairs of any agency or person & contrary to public interest	
					10(1) - Subject to legal professional privilege	
					15(a)(b) - Substantial adverse effect on State financial or property interests & contrary to public interest	

RELEASE IN PART

MINUTE



MINUTES forming ENCLOSURE

File DPC18/1220

Doc No B275413

To The Treasurer

SA GOVERNMENT END USER COMPUTING PROGRAM – STATUS UPDATE

Timing: ROUTINE — for approval

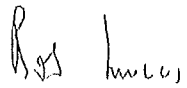
Recommendations/Issues: It is recommended that you:

- Note the outcomes of recent commercial negotiations with DXC Technology Pty Ltd (DXC) regarding the End User Computing contract;
- Note the intention to progressively wind-down the EUC program team in the Department of Treasury and Finance (DTF) by 31 January 2019 (on the basis that no further agencies will transition to the DXC contract);
- Note that the EUC Program team will continue to support both DPC and SA Health in developing transformation plans up to 31 January 2019; and
- Note that Government Services within DTF will continue to retain responsibility for commercial and contractual matters regarding the EUC contract, including resolution of the dispute regarding transformation.

Noted

- Approve that the State continue with the transformation phase under the EUC contract for DPC and SA Health (Option 1).

Approved/Not Approved


Hon Rob Lucas MLC
Treasurer


17/12/2018

Background:

- On 8 February 2017, an agreement was established with DXC Technology Pty Ltd (DXC) to contract out supply and support of much of the computer hardware devices used by SA Government agencies. The EUC program was initially established in DPC to manage the transition of agencies to the new contract.

- Tranche 1 agencies (DPC and SA Health) transitioned to the EUC contract on 27 November 2017. As part of the transition, 69 public service staff took up permanent positions with DXC.
- High level modelling estimated that, for DPC and SA Health alone, the contract would deliver financial benefits of around \$37 million over seven years through reduced operational costs and increased productivity.
- There were also purported economic benefits to the State including; establishment of a DXC office in the CBD, Science, Technology, Engineering, Arts and Maths (STEAM) investment in schools and universities and an additional 400 new jobs in South Australia over the life of the contract.

clause 1(1)(c)

- . The project went from an expectation of delivering financial benefits, to instead requiring additional resources of \$48 million over seven years. This additional funding was provided to SA Health and DPC in 2017.
- As at June 2018, 159 new jobs had been created by DXC, however 132 Adelaide-based jobs were unexpectedly off-shored (with DXC citing a business decision by one of its customers), resulting in only 27 net jobs having been created to date. These are in addition to the State Government employees that transferred on 27 November 2017.
- The transition component of the program for Tranche 1 is now complete and the operational teams from both DPC and SA Health are transacting the day-to-day activities directly with DXC.
- The final phase of Tranche 1 is transformation, which involves the migration to Windows 10, along with delivery of a consistent, modern platform for the management of user devices and applications. Transformation requires the software applications used by DPC and SA Health to be capable of operating effectively in a Windows 10 environment. Where this is not the case, application remediation must be undertaken at the State's cost.
- DPC and SA Health are the only agencies contractually required to transition to DXC. As such, the EUC contract does not specify a timeframe that any future tranches must occur. However, it provides that the supply of services to other agencies will only commence when the critical milestones for Tranche 1 (including transformation) are successfully completed.

Discussion:

- On 21 August 2018, a Minute was provided to the Treasurer's Office detailing the matters referred to in the background section and identifying three options regarding the future of the EUC contract as follows:
 1. Continue with the transformation phase for DPC and SA Health, noting that there is a risk of significant additional cost for SA Health to support application remediation activities;
 2. Retain services from DXC but not proceed with the transformation phase. This would temporarily avoid increased application remediation costs for SA Health, however result in higher ongoing prices for the remainder of the contract term (i.e. device support pricing reduces upon completion of the transformation phase); or

3. Exit the contract, which would entail termination fees for the State.

EUC Contract Status & Negotiation Outcomes

- To support final confirmation of the benefits/risks and estimated financial implications of the various options, the State has undertaken a contract 'reset' negotiation with DXC. These negotiations have been undertaken in consultation with DPC and SA Health, and with the support of an external commercial advisor (Mr Gaby Jaksa).
- It was clearly articulated at the commencement of negotiations that the current agreement is not considered to provide value for money to the State. It was also made clear that no further mandated agency transitions (i.e. franchises) are planned. The negotiations were undertaken in a collaborative manner and have resulted in a number of identified service shortcomings being resolved. The State and DXC commercial teams are now undertaking a contract variation exercise to capture the agreed outcomes.
- In relation to the State's concerns regarding value for money, DXC did not put anything forward during the reset negotiation which delivers an improved financial outcome for the State. It is evident that further negotiations would be unlikely to change the overall value for money proposition.
- The final key commercial matter to be resolved regarding the EUC contract is the dispute regarding the definition of transformation and the associated milestone deliverables. The State is firmly holding its position that the transformation milestone 3 "Transformation Complete" has not been achieved by DXC. This in turn means that DXC cannot claim the milestone 3 payment, which equates to \$4.7m.
- A document has been provided to DXC highlighting where the State considers transformation activities/deliverables remain outstanding, which is supported by independent commercial advice. Some positive progress has been made in relation to DXC acknowledging the State's interpretation of certain contractual obligations regarding the transformation deliverables, however there are still a number of matters to be agreed.
- Despite the improved service definitions addressed as part of the reset process, the agreement as a whole does not deliver value for money to the State. It should be noted, however, that from a service delivery perspective DXC's performance is considered to be acceptable.
- Separate to the contractual issues, the operational progress of transformation is proving challenging and appears likely to involve further additional cost to the State.
- As indicated above, DPC and SA Health are responsible for ensuring that their respective applications can operate in a Windows 10 environment. Given the wide range of complex applications used in SA Health, including EPAS, significant application remediation exercises must be undertaken before transformation can be progressed. Part of the additional budget supplementation previously provided to SA Health included approximately \$5 million (based on its own estimate at the time) to enable this remediation.

Cost/Impacts of Option 3 – Exit the EUC Contract

clause 10(1)

- [REDACTED]. Government Services, in consultation with the Crown Solicitor's Office, have validated the termination options and estimate the potential exit fees to be around [REDACTED].

- It should be noted, however, that litigation specialists would need to be engaged to assess the legal risks associated with the termination options in order to understand all of the potential implications for the State.
- In addition to exit fees, SA Health and DPC would incur transitional costs to re-establish in-house capability to support their computer hardware devices.
- In this scenario, consideration would need to occur regarding how much of the \$48 million in additional funding that was provided to SA Health and DPC to support the contract could be used to offset the above costs. It is noted however that (as per below) both agencies will need to fund the necessary work to upgrade to a Windows 10 environment in any event.

Cost/Impacts of Option 2 – Not Proceed with the Transformation Phase

clause 7(1)(c)

- Based on financial modelling (as at 29 June 2018) the additional costs to Government of not transforming are estimated at \$8.4 million over the remaining term of the EUC contract (i.e. due to higher ongoing prices that will be charged by DXC).
- In addition to the higher contract costs, both SA Health and DPC will eventually need to remediate their applications to operate in a Windows 10 environment, irrespective of the EUC contract (i.e. when Microsoft ceases support of prior Windows versions). Therefore, the costs associated with remediation (i.e. the pre-requisite to transformation) will still be incurred, albeit over a potentially longer timeframe
- Due to the decision not to proceed with any further tranches, there will also be a [REDACTED] increase in support costs for DPC and SA Health under this option, as the State will not meet the minimum [REDACTED] device commitment in the EUC contract (however this cost has already been allowed for in a DTF contingency).

Cost/Impacts of Option 1 – Continue with Transformation for DPC and SA Health

clause 15(a)(b)

- SA Health has informally advised that it will face difficulty in remediating its applications, and that its initial \$5 million estimate may be materially understated (i.e. there continues to be a risk that further funding will be required). At this stage there does not appear to be any significant issues/additional costs to be addressed in order for DPC to progress with transformation.
- Government Services considers that SA Health can effectively remediate its applications to support transformation through a considered approach linked to its scheduled device refresh cycle, however ultimately the approach adopted is a decision for SA Health.
- SA Health should proceed as far as they can with remediation up to the \$5 million in funding already allocated. Should the remediation activities not proceed effectively or SA Health require significant additional funds to complete this work, a review can be undertaken on whether there is value in spending more or not. Like all agencies facing a similar situation, this would be a business decision for SA Health, and the expectation would be that it manages the project effectively within existing resources.

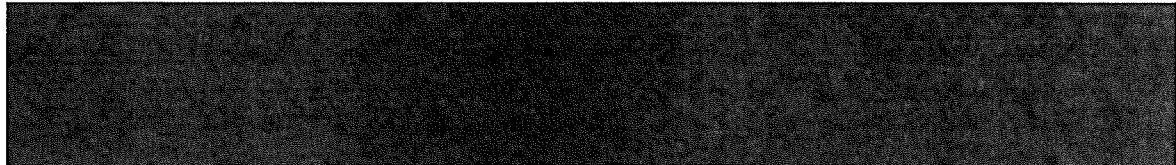
◦ [REDACTED]

clause 7(1)(c)

- As per Option 2, there will also be a [redacted] increase in support costs for DPC and SA Health, as the State will not meet the minimum [redacted] device commitment in the EUC contract (this cost has been allowed for in a DTF contingency).

Recommendation

- On balance, considering the above analysis, the risks and associated costs of progressing with Option 1, i.e. proceed with the planned transformation activities for SA Health and DPC, are considered lower than the risks and costs of the alternative options.



clause 7(1)(c)

clause 15(a)(b)

- Assuming Option 1 is progressed, it is further intended that:
 - The EUC program is wound-down effective 31 January 2019, given there will be no further agency transitions and the program deliverables relating to DPC and SA Health are almost complete (noting that the execution of transformation was never in scope for the program);
 - Government Services, with support of the external commercial advisor, will continue negotiations with DXC in relation to transformation to ensure the State receives the defined services and value for money is achieved; and
 - The EUC program team work with SA Health and DPC to develop transformation plans and timeframes as contemplated under the DXC contract by 31 January 2019 (if possible). This will complement the negotiations and set responsibilities and dates for when transformation can be completed.
- Should there be any specific requirements to provide ongoing support to SA Health and/or DPC post 31 January 2019, there is flexibility to extend this date if warranted. It is not considered, however, that the closure of the EUC program will have any negative impact on execution of the transformation activities or create increased risk.

Mark Carey
 A/EXECUTIVE DIRECTOR
 GOVERNMENT SERVICES

13/12/2018

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<p>Supported / Not Supported</p> <p>David Reynolds CHIEF EXECUTIVE Department of Treasury and Finance Date: 14/12/18</p>
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