



**UMZIMVUBU**  
— LOCAL MUNICIPALITY —

## ICT PORTFOLIO MANAGEMENT FRAMEWORK

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## **Background on ICT Portfolio Management**

ICT Portfolio Management (ICTPM) is a concept that is often misunderstood and therefore it is important to first explain the concept. The purpose of this section is to give some background on ICTPM and to surface a few interesting aspects of ICTPM as a starting point.

Portfolio Management is not a concept limited to ICT and actually originates from the world of economics and financial planning.

The financial portfolio, which each of us hold, comprises a categorised set of financial assets which we have put our money in, to generate capital or income returns. The Portfolio Management concept came from the management principle that any significant investment requires careful manoeuvre and monitoring to maximize its value and mitigate risks that threaten the delivery of the desired outcomes. For example - For a R100,000 amount that you hold, you want to spread them carefully into unit trusts, stocks and bonds to create quantum yield, yet to have constant income, in case the stocks fail you (subject to your appetite for risk).

In a similar manner, ICTPM treats ICT initiatives as Investments. It looks beyond the “cost/spending” aspects of initiatives into the “value/benefits” aspects of investments. An ICT Portfolio comprises a categorised set of projects that are driving spending activities, and correspondingly brings in business outcomes and benefits. It establishes clear links between cost and performance in meeting the desired outcomes of the business (Note that “value” refers to strategic outcomes and benefits).

To this understanding, we define ITPM as “An investment framework that enables the municipality to systematically categorise, evaluate, prioritise, select and manage their ICT investments, in alignment of investments against strategic objectives, and achieving optimal value”.

## **Purpose**

As per the ICT Governance and Management Framework the Municipality is committed to the governance of information and communication technologies within the Municipality and this includes managing portfolios.

The purpose of this document is to establish a framework according to which the performance of the overall portfolio of programmes can be managed. The portfolio of programmes should be managed taking into account programme and service performance as well as changing priorities and demands of the municipality.

ICT related goals are:

- Alignment of ICT and business strategy
- Realised benefits from ICT-enabled investments and service portfolio
- Delivery of programmes delivering benefits, on time, on budget and meet requirements and quality standards

## Portfolio Categorisation

A crucial concept of the ICTPM Framework is the portfolio categorisation. Its relevance is best explained with the earlier analogy used in the background section of this document.

Similar to how bonds, blue chips and high-tech equities are categorised in a typical financial investment portfolio to

achieve the outcome i.e. a particular % yield, ICT investments are categorised according to their influences on organisational outcomes.

“Growth” projects create new services or products, “Enhancement” projects increase efficiency and effectiveness, and while “Operational” projects provide core services for day-to-day operations.

These Portfolio categories helps the municipality to assess ICT investments with respect to their strategic outcomes.

Further, each Portfolio Category has what we call “Attributes”. This refers to characteristics such as Potential returns, time to realise benefits and risks involved. Different sets of characteristics are associated with each portfolio category.

This can be summarised as follows:

CATEGOR Y	DESCRIPTION	PROJECT ATTRIBUTES		
		POTENTIAL RETURNS	RISKS INVOLVE D	TIME TO REALISE BENEFITS
Growth	These projects involves transformation and new services	High	High	Long
Enhanceme nt	These projects improves on existing services with higher efficiency	Medium	Medium	Medium
Operational	These projects frequently takes a supporting role	Low	Low	Short

One should not take Portfolio Categorisation as merely classifying spending. It in fact provides the structure for the municipality to see what the projects bring to the table, and how their combined returns / risks enable the municipality to meet the long & short term goals.

Using the Portfolio and its categories, you ask pertinent questions at resource allocation:

- What benefits will I get, when do they realise?
- If we put all funds into projects for high growth, does it guarantee high returns?
- Apparently we know high gains categories bring high risks, the reminder from ICTPM is how much risks we are prepared to stomach.
- Does the Portfolio give more quick-wins or focus more on long-term bets?

Equipped with a quick glance view of the projects, these questions can be answered to achieve greater visibility of project values.

## Benefits of ICTPM

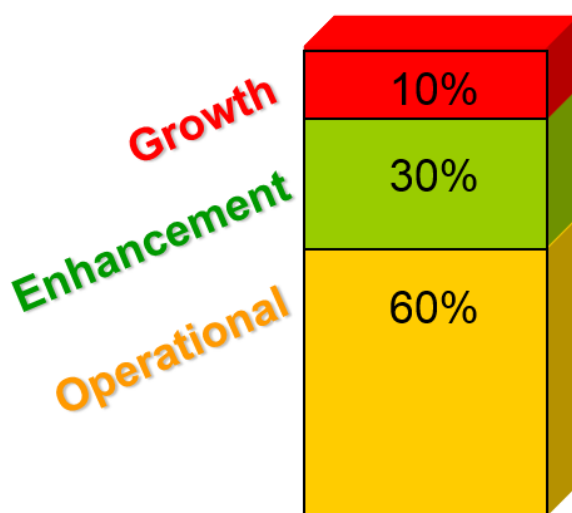
ICTPM will assist the municipality to:

- Apportion the ICT budget based on its strategic focus, among the Portfolio Categories
- Select new projects according to the outcome delivered in the portfolio
- Most importantly, it enables the municipality to prioritise projects based on a set of defined, objective assessment of the projects spending and benefits. To carry out this prioritisation the municipality analyses the Portfolio in two views: by Spending and by Benefits

## The “Spending View”

The view by spending shows consolidated ICT spending across the Portfolio.

An example of this view is as follows:



When interpreting this view one needs to start with a visual visual inspection of the cost distribution among the 3 portfolio categories (Growth, Enhancement, and Operational). It points to how much goes into running its operation, or into creating cost efficiency or creating new services etc.

Where the distribution deviates from the priorities earlier set according to the strategic thrusts, it warrants looking in greater detail for the reasons to the under-spending or overspending. For example, if there is a “thick slice of yellow” (i.e. Operational investments), are there duplicative costs that need not have been incurred? Have particular costs been attributed to the right owner, or are there cost management discipline among project owners that ought to be enforced?

So in a nutshell, the municipality is able to:

- Conduct proactive checks for over- or under-spending across categories, so as to meet the municipality’s strategic outcomes
- Make prompt decision on discretionary and non-discretionary spending
- Identify trends that require better attribution of project costs

## The “Benefits View”

While the “Spending View” is useful, it is equally important, if not more, to acquire a sense of the performance of the portfolio of projects so as to manage them appropriately. To do this, we need the “Benefits View” – it views the Portfolio by Project Benefits.

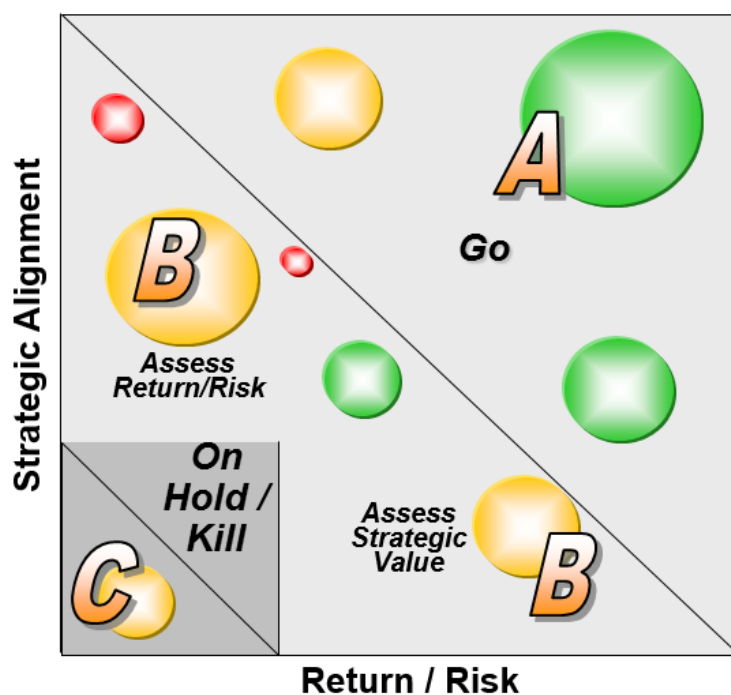
When we ask the question “Is a project delivering benefits as expected?” we in fact have an end in mind: we want to take an appropriate action upon assessing whether the project delivers the expected benefits.

The two aspects in ICTPM are:

- The degree of alignment to the strategies
- The returns and risks balance.

To this end, the “Benefits View” highlights those projects that warrant careful consideration before funds are allocated, or further committed. It differentiates such projects from those that performed well and deserved a go ahead.

An example of this view is as follows:



The regions flagged by A-B-C show how such projects are identified on the Value view.

Projects in region A deserve GO AHEAD as they closely align with municipality’s strategies, and achieve high returns over risks.

Those in region B warrant a SECOND LOOK. As they are either weak in strategic alignment or returns over risks, the municipality will have to drill into the reasons for choosing to embark, or to continue to fund such projects.

Projects in region C obviously should not proceed as they neither align with the municipality’s strategies nor deliver substantial returns on top of the risks. Unless the municipality has an overriding reason to keep it, such a project should be seriously considered to be withdrawn or terminated. Note that it is

really not a taboo to find projects in this region, as reviews of the Portfolio are carried out against the prevailing set of municipal strategies. A project could well be a worthy investment at a particular point in time, but rendered irrelevant when the municipality changes its strategies over the years.

## **Summary**

By following a strong ICTPM the municipality will be able to determine how much and where to invest the given ICT budget – whether one should go into pursuing the strategic objectives, or “keeping the lights on”.

It minimizes piecemeal decisions on projects made based on bottom-up approach. Where it is common that IT departments frequently are unable to provide a consolidated view of the ICT costs, ICTPM provides visibility of ICT Spending and further enables transparency and focus into the amounts invested on meeting stipulated strategies.

In almost all cases, ITPM improves communication between ICT and non-ICT Stakeholders. It bridges gaps during decision making, especially when ICT stakeholders lack business understanding, while non-ICT stakeholders lack technical understanding.

It will provide a common platform for communication, to see projects in terms of their Values, not merely their costs.

## **COMMENCEMENT OF THE POLICY**

- The policy will come into effect on the date signed by ICT Governance Champion

## **INTERPRETATION OF THE POLICY**

- All words contained in this policy shall have the ordinary meaning attached thereto, unless the definition or context indicates otherwise
- Any dispute on interpretation of this policy shall be declared in writing by any party concerned.
- The Municipal Manager shall give a final interpretation of this policy in case of written dispute.
- If the party concerned is not satisfied with the interpretation, a dispute may then be pursued with the South African Local Government Bargaining Council.

## **PERMANENT/TEMPORAL WAIVER OR SUSPENSION OF THE POLICY**

- This policy may be partly or wholly waived or suspended by Umzimvubu Council may under circumstances of emergency temporarily waive this policy subject to reporting of such waiver or suspension to Council

## **COMPLIANCE AND ENFORCEMENT**

- Senior management is required to ensure that internal audit mechanisms exist to monitor and measure compliance with this policy.
- Failure to comply with this policy may result in disciplinary action, which may include termination of employment.
- Any conduct that interferes with the normal and proper operation of the municipality's IT systems, which adversely affects the ability of other users to use those IT systems, or which is harmful or offensive to other users, shall constitute violation of approved IT policies.
- The municipality management reserves the right to revoke the privileges of any user at any time.

## **AMENDMENT AND/OR ABOLITION OF THIS POLICY**

- This policy may be amended or repealed by Umzimvubu Council as it may deem necessary.

## **Document Owner and Approval**

The Municipality is the owner of this document. The Executive Management of the Municipality is responsible for ensuring that this policy document is reviewed regularly to ensure that it remains relevant to the organisation.

This document was approved by the Executive Management and is issued on a version controlled basis under the signature of the ICT Governance Champion.