



State Information Technology Agency

Presentation to the Portfolio Committee on Public Service & Administration



Agenda

- Background
- Strategic Imperatives
- Budget 2009/10



**OPERATIONAL
EFFICIENCY**



**IMPROVED
SERVICES**



**CUSTOMER &
STAKEHOLDER
SATISFACTION**



**FINANCIAL
SUSTAINABILITY**



- **WHERE DID IT ALL START?**

- Presidential Review – 1998.
- Merger in 1999 of Infoplan, Central Computer Services and SAPS' IT/IS/IM Services.

- **SITA'S OBJECTIVES** are derived from the SITA Act.

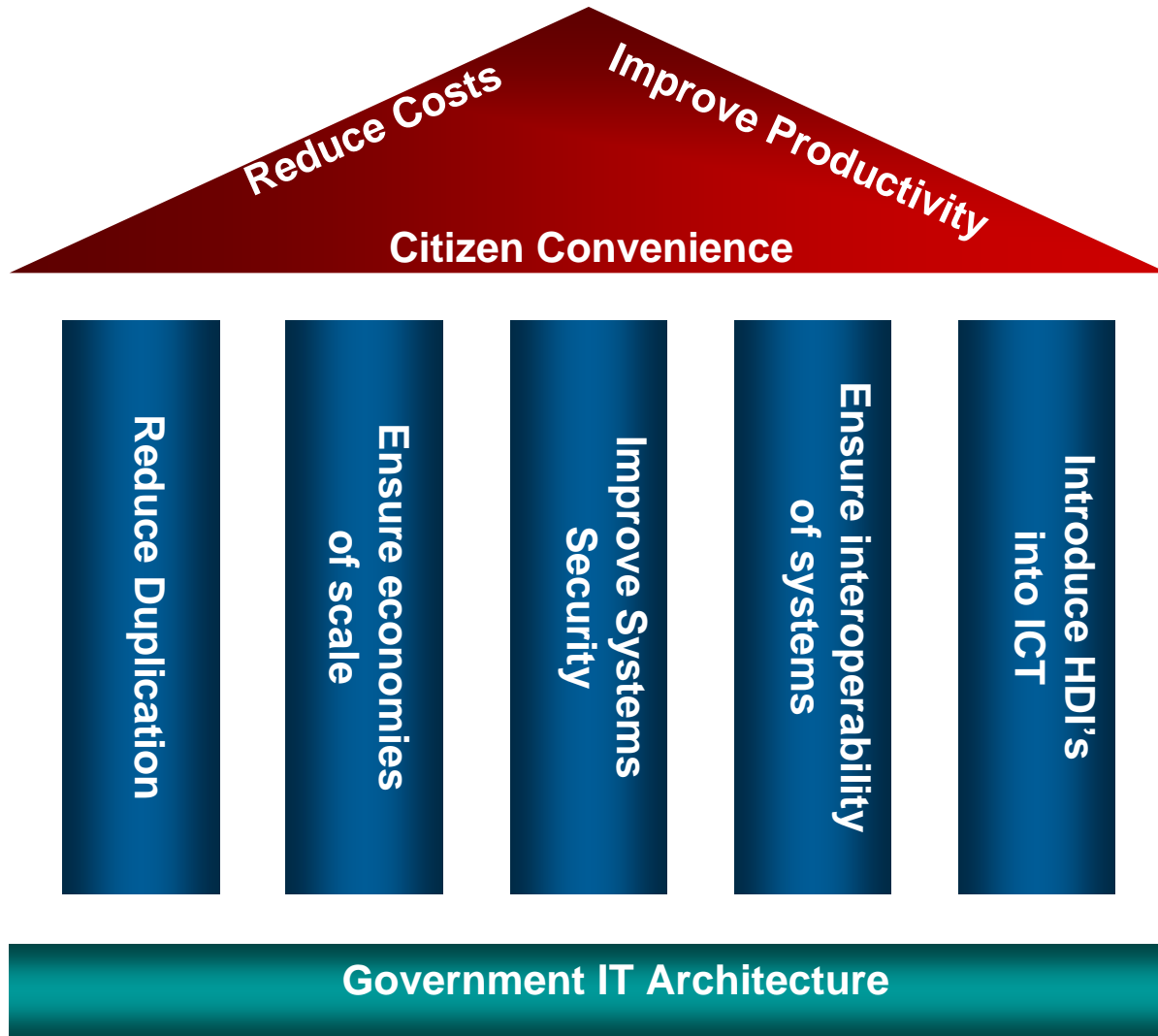
Section 6 of the Act enjoins SITA to:-

- Provide information technology;
- Provide information systems;
- Provide ICT related services in a maintained information systems security environment; and to
- act as an agent of the South African Government.

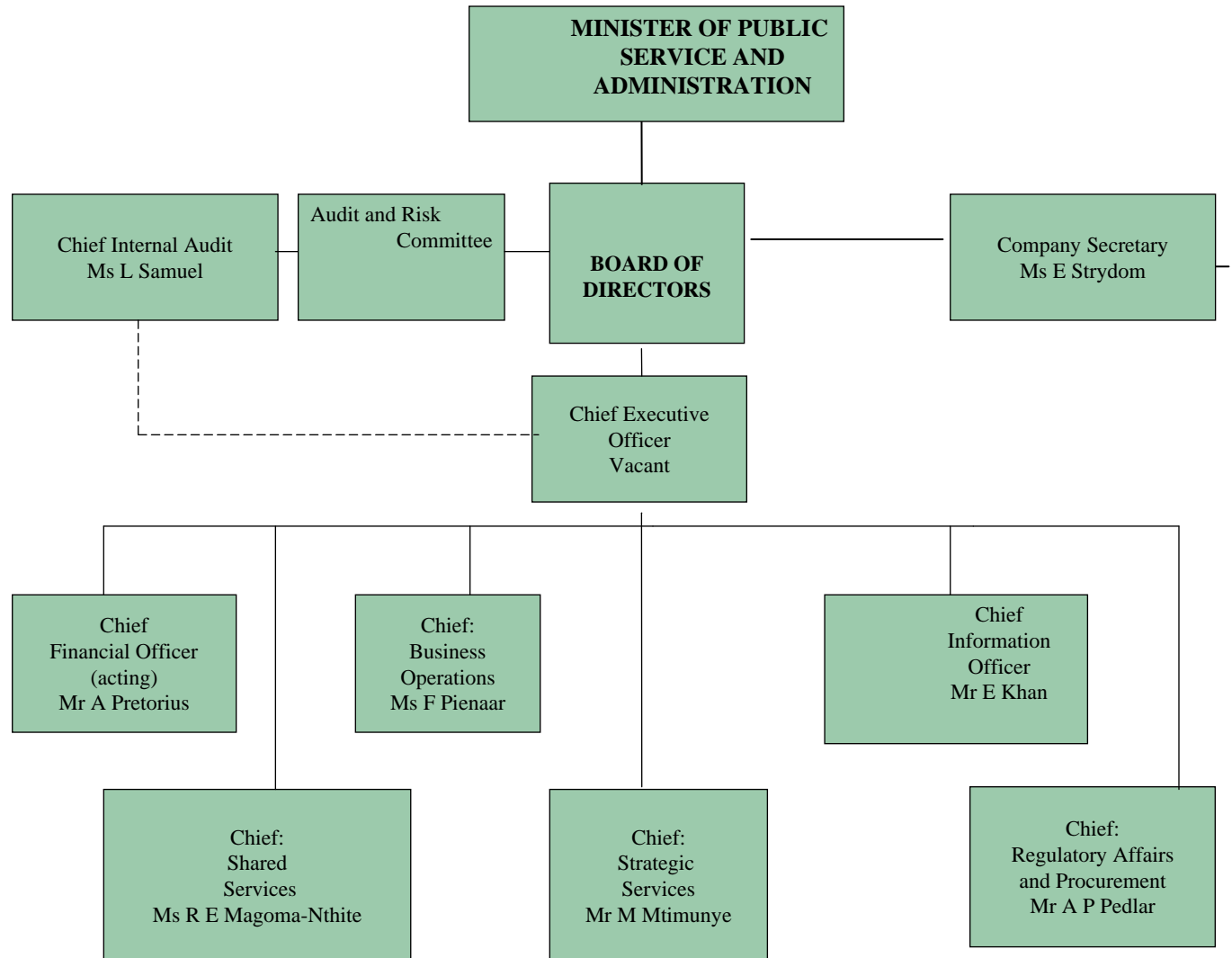
Strategic Focus

- There is an urgent need to go “**back to basics**” - Provide Mandated Services.
- SITA must build **operating capability** that supports the **ICT requirements of government.**
- SITA must be seen to be **contributing** to **improved service delivery.**

Guiding Principles



Organisational Structure



Service Portfolio

SITA provides a broad spectrum of IT services, which are structured under the following categories:

- Client Services
- Infrastructure Services
- Hosting & Data Centre
- Business Portfolio Management
- Service Management Centre
- Professional Services
- Procurement Services
- Service Management Centre
- Training; and
- Research and Development

Client feedback highlight performance Challenges

- Lack of a fully executed IT Service Management Framework (ITSM)
- Questionable quality and pricing of services;
- Perceived overcharging on the mandatory components of its services (“monopoly”);
- Challenging Service Level Agreements (SLA’s) regime/framework;
- Capacity constraints as with the rest of the industry (HR);
- Possible business continuity issues.
- The perceived lengthy procurement lifecycle
- Timely submission of correct and accurate invoices.

SITA Contribution to Government Programme of Action

- Providing ICT connectivity and remote support by leveraging off the next generation network that SITA has built.
- Creation of an ICT Blueprint that guides the deployment of ICT's to Local Government and Thusong Centres,
- Deploying a shared services platform that will be used to support ICT's deployed within these communities.
- Establishing an Open Source Programme Office that will create an Open Source Laboratory, and a roadmap for the Open Source in Government.
- Contributing to the development of a catalytic next generation e-government prototype.
- Developing the framework for a new ERP system in government (IFMS)
- Developing a Government Wide Enterprise Architecture Framework.
- Developing a framework for adopting a Service Orientated Architecture within Government. This will facilitate Value for Money ICT Procurement.

Strategic Imperatives

- Client Relationship Building (Customer Centricity)
- Optimize Information Communication Technology (ICT) Infrastructure and Services
- Modernize Public Service Operations
- Develop Our People
- Achieve operational excellence
- Reduce costs
- Extend our service footprint;
- Improve financial sustainability

Key Initiative : Strategic Imperative 1

“Optimize Information Communication Technology (ICT) Infrastructure and Services “

- ❖ Develop a detailed Service Catalogue that clearly defines each of SITA's service offerings.
- ❖ Increase utilisation to improve cost efficiency
- ❖ Develop new value added offerings e.g VOIP, LAN & desktop support, DRP
- ❖ Develop and implement Security Framework
- ❖ Implement Green Strategy

Key Initiative : Strategic Imperative 2

“Modernize Public Service“

- ❖ Optimise and automate departmental core processes
- ❖ Digitise paper documents [Electronic Document and Records Management]
- ❖ e-Payments - Improve payment processing, invoicing and administration to reduce cash transactions
- ❖ e-Government – enable electronic transactional capability for citizens
- ❖ m-Government – provide and implement a government wide mobility strategy
- ❖ Government Wide Collaboration
- ❖ IF₂MS

Key Initiative : Strategic Imperative 3

“Develop our people “

- ❖ Develop Integrated Talent Management Strategy
- ❖ Focus on embedding our organisational values to ensure they are instilled in the way we work
- ❖ Develop leadership and employee interventions to enhance the organisations capabilities
- ❖ Determine and define a strategy for closing specific technical skills gap and generic management and leadership skills
- ❖ Improve and professionalize the existing management processes and governance

Key Initiative : Strategic Imperative 4

“Achieve Operational Excellence “

- ❖ Implement an IT Service Management framework
- ❖ Implement an enterprise and operational governance structure for IT
- ❖ Develop and implement planning and business processes to deliver clear and transparent mechanisms for tracking progress and performance against strategic objectives

Key Initiative : Strategic Imperative 5

“Reduce Cost “

- ❖ Create a shared services model to centralise, standardise and consolidate the delivery of all service offerings.
- ❖ Adopt a standard operating environment that can aid in lowering the total cost of ownership.
- ❖ Develop and Implement an IT Asset management strategy
- ❖ Define and implement a Voice over IP (VOIP) strategy
- ❖ Develop options to minimise duplication by consolidating and standardising non-core business infrastructure and applications (Including hardware, software, third-party contracts including WAN links)

15 ❖ We have given government back R225 million in the past year.

Key Initiative : Strategic Imperative 5 - continued

“Reduce Cost “

❖ License Management –

❖ Implement Procurement specific interventions that are specified below:

- Improve processes that improve the turnaround times for procurement
- Electronic portal for the purchase of ICT commodities.
- Simplify the bidding process by the use of templates.
- Enter into single/multi/ year government wide contracts with major software suppliers and single enterprise licenses for vendors that dominate the space.
- Extend hardware and software procurement models to incorporate mass storage, backup, telecommunications and other IT devices and peripherals.
- Entrench software and hardware renewal as a government wide initiative as opposed to a departmental function.
- Establish a streamlined procurement process and use volume purchasing and site licenses to establish attractive prices on standardised hardware and software.
- Develop cost effective and flexible procurement practices such as Strategic Sourcing; Performance based contracts that will allow government to obtain greater value for its ICT expenditure.

Key Initiative : Strategic Imperative 6

“Extend Our Service Footprint “

- ❖ Develop and implement strategies to extend service offerings to existing customers
- ❖ Develop and implement a strategy to extend the existing SITA offerings to local government, using the shared services model

Key Initiative : Strategic Imperative 7

“Improve Financial Sustainability “

- ❖ Develop and maintain long term funding strategies.
- ❖ Develop and maintain effective working capital management strategies.
- ❖ Develop and implement an integrated, consistent and robust planning cycle regime.
- ❖ Map services regarding Revenue/Market Share/Profitability
- ❖ Develop, Implement and Maintain competitive costing and sustainable pricing strategies (commercial models).
- ❖ Develop strategies to protect existing revenue streams
- ❖ Asset Management

Key Initiative : Strategic Imperative 8

“Build Client Relationships“

- ❖ Develop and implement a service portfolio database
- ❖ Implement CRM
- ❖ Embed a Customer Experience Management approach to the way we do business

Budget 2009/10

- Revenue: R4,551 billion
- Gross Margin: 22%
- Surplus after tax: R238,9 million
- Debtors days: 65
- Manage creditor days: 65
- Capital expenditure: R 583,3m
- Operating expenditure: 16.98% of Revenue

BUDGETED STATEMENT OF FINANCIAL PERFORMANCE

	2009/10 BUDGET
	R' 000
Gross Revenue	4,551,000
Less: Cost of sales	<u>3,549,780</u>
Gross Surplus	1,001,220
Operating Expenses	<u>772,775</u>
Operating Surplus	228,445
Other Income	<u>103,471</u>
Surplus before tax	331,917
Tax	<u>92,937</u>
Net Surplus/ (loss)	<u>238,980</u>

Budget 2009/10 – Statement of Financial Position

	2009/10 BUDGET R' 000
ASSETS	
CURRENT ASSETS	1,746,592
Cash and cash equivalents	891,958
Trade and other receivables	818,452
Work In Progress	19,182
Taxation owed	-
Prepayments	17,000
NON-CURRENT ASSETS	1,282,825
Property, plant & equipment	1,244,825
Deferred tax assets	38,000
TOTAL ASSETS	3,029,417
Nett Assets	1,786,119
Equity contributed	1
Non-distributable reserves	625,333
Accumulated surplus	1,160,785
NON-CURRENT LIABILITIES	90,200
Interest bearing borrowings	5,200
Post-retirement medical liability	85,000
CURRENT LIABILITIES	1,153,098
Trade and other payables	715,461
Current portion of interest bearing borrowings	5,200
Provisions	89,500
Income received in advance	250,000
Current tax liability	92,937
Total net assets and liabilities	3,029,417

Budget 2009/10 – Cash flow Statement

	2009/10 BUDGET
	R' 000
Surplus before tax	331,917
Non-cash adjustments	311,291
Working Capital	(14,650)
Cash generated in operations	628,558
Normal taxation	(111,053)
Other Income	75,840
Cash from operating activities	593,345
Cash flows from investing activities	(583,287)
Cash flow from financing activities	(5,200)
Increase/(decrease) in cash and cash equivalents	4,858
Cash and cash equivalents beginning of year	887,100
Cash and cash equivalents end of year	891,958

Budget 2009/10

BUDGETED STATEMENT OF FINANCIAL PERFORMANCE

	2007/08 ACTUAL	2008/09 FORECAST	2009/10 BUDGET	2010/11 ESTIMATE	2011/12 ESTIMATE
	R' 000	R' 000	R' 000	R' 000	R' 000
Gross Revenue	3,607,613	3,808,434	4,551,000	5,051,610	5,556,771
Less: Cost of sales	2,690,289	3,184,899	3,549,780	3,940,256	4,334,281
Gross Surplus	917,324	623,535	1,001,220	1,111,354	1,222,490
Operating Expenses	607,441	722,943	772,775	833,516	916,867
Operating Surplus	309,883	-99,408	228,445	277,839	305,622
Other Income	118,091	178,902	103,471	111,749	120,689
Surplus before tax	427,974	79,494	331,917	389,588	426,311
Tax	128,774	36,340	92,937	109,085	119,367
Net Surplus/ (loss)	299,200	43,154	238,980	280,503	306,944
Assumptions					
Gross surplus as a percentage of revenue	25.4%	16.4%	22.0%	22.0%	22.0%
Opex %	16.8%	19.0%	16.98%	16.50%	16.50%
Revenue Growth	7.5%	5.6%	19.5%	11.0%	10.0%

Budget 2009/10 continued

BUDGETED STATEMENT OF FINANCIAL POSITION

	2007/08 ACTUAL R' 000	2008/09 FORECAST R' 000	2009/10 BUDGET R' 000	2010/11 ESTIMATE R' 000	2011/12 ESTIMATE R' 000
ASSETS					
CURRENT ASSETS					
	1,926,671	1,657,675	1,746,592	1,840,936	1,945,351
Cash and cash equivalents	1,101,257	887,100	891,958	893,234	905,579
Trade and other receivables	801,626	737,137	818,452	908,602	998,562
Work In Progress	15,853	17,438	19,182	21,100	23,210
Taxation owed	0	0	0	0	0
Prepayments	7,935	16,000	17,000	18,000	18,000
NON-CURRENT ASSETS					
	633,896	994,669	1,282,825	1,560,937	1,856,956
Property, plant & equipment	594,133	956,669	1,244,825	1,524,937	1,824,956
Deferred tax assets	39,763	38,000	38,000	36,000	32,000
TOTAL ASSETS	2,560,567	2,652,344	3,029,417	3,401,874	3,802,307
Nett Assets					
	1,365,963	1,547,139	1,786,119	2,066,622	2,373,566
Equity contributed	1	1	1	1	1
Non-distributable reserves	625,333	625,333	625,333	625,333	625,333
Accumulated surplus	740,629	921,805	1,160,785	1,441,288	1,748,232
NON-CURRENT LIABILITIES					
	108,813	92,900	90,200	87,500	87,500
Interest bearing borrowings	15,600	10,400	5,200	0	0
Post-retirement medical liability	93,213	82,500	85,000	87,500	87,500
CURRENT LIABILITIES					
	1,085,791	1,012,305	1,153,098	1,247,752	1,341,241
Trade and other payables	656,213	660,047	715,461	786,807	867,481
Current portion of interest bearing borrowings	5,200	5,200	5,200	5,200	0
Provisions	73,500	0	89,500	96,660	104,393
Income received in advance	276,637	236,005	250,000	250,000	250,000
Current tax liability	74,241	111,053	92,937	109,085	119,367
Total net assets and liabilities	2,560,567	2,652,344	3,029,417	3,401,874	3,802,307

Budget 2009/10 continued

BUDGETED CASH FLOW STATEMENT

	2007/08 ACTUAL	2008/09 FORECAST	2009/10 BUDGET	2010/11 ESTIMATE	2011/12 ESTIMATE
	R' 000	R' 000	R' 000	R' 000	R' 000
Surplus before tax	427,974	292,229	331,917	389,588	426,311
Non-cash adjustments	86,948	(108,955)	311,291	239,640	248,655
Working Capital	(211,079)	18,041	(14,650)	(21,722)	(11,397)
Cash generated in operations	303,843	201,315	628,558	607,506	663,570
Normal taxation	(108,825)	(128,774)	(111,053)	(92,937)	(109,085)
Other Income	76,153	95,571	75,840	81,907	88,460
Cash from operating activities	271,171	168,112	593,345	596,477	642,945
Cash flows from investing activities	(261,442)	(377,069)	(583,287)	(590,000)	(625,400)
Cash flow from financing activities	(5,200)	(5,200)	(5,200)	(5,200)	(5,200)
Increase/(decrease) in cash and cash equivalents	4,529	(214,157)	4,858	1,277	12,345
Cash and cash equivalents beginning of year	1,096,728	1,101,257	887,100	891,958	893,234
Cash and cash equivalents end of year	1,101,257	887,100	891,958	893,234	905,579

CAPEX BUDGET 2009/10

	TOTAL
Computer Programs	129,198,799
Computer Equipment	24,864,614
Buildings and Infrastructure	156,795,992
Office Furniture and Equipment	669,600
Vehicles	60,000
Network Equipment	168,185,874
Land	12,420,000
Mainframe Programmes	12,083,000
Mainframe Equipment	79,317,000
	583,594,879

CHALLENGES

- SLA management and BA management process
- Debtors book
- Skills
- Image – We are trying yet gaining minimal recognition
- Local Economic Development imperatives in the Provinces and Local Government
- Non-involvement in FOSSAD or Key Forums where our value can be added.

HELP REQUIRED

- Negotiating and signing SLA's and BA's
- Collecting outstanding debt
- Skills development
- Managing perceptions
- Encourage Local Economic Development in the Provinces and Local Government
- Involve SITA with FOSSAD and Key Forums



Question & Answer session

Thank you

