

PUB (MPI) 2-17

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| Volume and Chapter: | PUB (MPI) 1-31, PUB (MPI) 1-27 (2017 GRA) | Page No.: | |
| Topic: | Expenses | | |
| Sub Topic: | | | |
| Issue: | IT Expenses | | |

Preamble to IR (If Any):

The number of consultants FTE forecast this year for 2016/17, 2017/18 and 2018/19 have declined, but it appears that the costs attributed to consultants for 2017/18 and 2018/19 have increased. The forecasted average cost per consultant appears to have increased from \$145,000 per consultant last year (Forecast Consultant Cost/Consultant FTE) to now over \$176,000 per consultant budgeted this year, an increase of over 21% over the prior year.

Question:

- a) Please provide a comparison of the forecast Internal and external budgets of FTE and Personnel cost provided last year in PUB (MPI) 1-27 (a) & (b) with the actual and forecast FTE (Internal & External) and Personnel costs for the years 2016/17 through 2018/19 and explain the differences.
- b) Please supplement the schedule and provide the total number of IT Staff and Consultants FTE and actual Personnel costs (Internal and Consultant) and the average cost per FTE for each of the years 2011/12 through 2019/20.

Rationale for Question:

To understand the trend in the use of external consultants versus internal IT resources.

RESPONSE:

- a) Upon review of this IR response MPI identified, and has now corrected, an error in Figure 4 IT Personnel – Consultant Costs. Fiscal Years 2017/18 through 2019/20 have been restated for both the 2018 GRA and 2017 GRA forecasts, to demonstrate variances. The previous forecast understated costs by sampling a subset of consultants that did not represent the full consultant workforce. This approach also drove variability in year of over year results. The restated forecasts are now based on the three year historical average of the total consultant costs, and reflect both the decrease in consultant FTE's through the forecast period, and the rate escalators present in the vendor service agreements.

Figure 7 – Average Cost per FTE has also been restated, and shows some variation in the average cost per consultant FTE over the forecast period, that is consistent with historical costs.

Please note that MPI has also restated Figure 2 – IT Personnel Costs in PUB (MPI) 1-31.

Please see Figures 1 to 4 for a comparison between 2018 GRA vs. 2017 GRA forecasts of Information Technology (IT) Personnel full-time equivalent (FTE) and Costs for both Internal and Consultants, respectively.

Forecast costs for IT Consultants is trending down (Figure 4) consistent with the trend in Consultant FTE (Figure 2). IT consultants are best suited and therefore preferred for meeting specialized needs over defined periods of time, and variation in actual average cost is reasonable as the complexity of service changes.

Please note that a cell reference error in the PUB (MPI) 1-27 from the 2017 GRA resulted in an understatement of the average cost per internal FTE. The 2017 GRA numbers in Figure 3 have been adjusted to reflect this correction.

Figure 1: IT Personnel - Internal (FTE)

| Line No. | Fiscal Year | 2018 GRA Forecast | 2017 GRA Forecast | Variance 2018 vs 2017 |
|----------|-------------|-------------------|-------------------|-----------------------|
| 1 | 2016/17 | 235.7 | 235.7 | 0.0 |
| 2 | 2017/18 | 248.2 | 248.7 | (0.5) |
| 3 | 2018/19 | 253.2 | 250.7 | 2.5 |
| 4 | 2019/20 | 249.2 | n/a | - |

Figure 2: IT Personnel - Consultants (FTE)

| Line No. | Fiscal Year | 2018 GRA Forecast | 2017 GRA Forecast | Variance 2018 vs 2017 |
|----------|-------------|-------------------|-------------------|-----------------------|
| 1 | 2016/17 | 107.0 | 116.0 | (9.0) |
| 2 | 2017/18 | 92.0 | 107.0 | (15.0) |
| 3 | 2018/19 | 81.0 | 91.0 | (10.0) |
| 4 | 2019/20 | 80.0 | n/a | - |

Figure 3: IT Personnel - Internal Costs

| Line No. | Fiscal Year | 2018 GRA Forecast | 2017 GRA* Forecast | Variance 2018 vs 2017 | % Change |
|----------|--------------------------------------|-------------------|--------------------|-----------------------|----------|
| 1 | <i>(C\$000s, except where noted)</i> | | | | |
| 2 | 2016/17 | 20,189 | 20,454 | (265) | -1.30% |
| 3 | 2017/18 | 22,199 | 22,447 | (248) | -1.10% |
| 4 | 2018/19 | 23,584 | 23,341 | 243 | 1.04% |
| 5 | 2019/20 | 24,655 | n/a | - | - |

**Please note the figures provided in PUB 1-27 (2017 GRA Forecast) for 2016/17 through to 2018/19 were understated. The correct estimates have been provided in the above table*

Figure 4: IT Personnel - Consultant Costs

| Line No. | Fiscal Year | 2018 GRA Forecast | 2017 GRA Forecast | Variance 2018 vs 2017 | % Change |
|----------|--------------------------------------|-------------------|-------------------|-----------------------|----------|
| | <i>(C\$000s, except where noted)</i> | | | | |
| 1 | 2016/17 | 23,965 | 25,246 | (1,281) | -5.07% |
| 2 | 2017/18 | 20,217 | 23,287 | (3,070) | -13.19% |
| 3 | 2018/19 | 18,334 | 19,805 | (1,471) | -7.43% |
| 4 | 2019/20 | 18,651 | n/a | - | - |

b) Please see Figures 5 to 7 for historical IT Personnel FTE and Costs for Internal and Consultants, respectively and average cost per FTE.

Figure 5: IT Personnel - (FTE)

| Line No. | Fiscal Year | Internal | Consultants |
|----------|-------------|----------|-------------|
| 1 | 2011/12 | 215.0 | 98.0 |
| 2 | 2012/13 | 227.0 | 129.0 |
| 3 | 2013/14 | 212.0 | 120.0 |
| 4 | 2014/15 | 210.0 | 110.0 |
| 5 | 2015/16 | 223.0 | 114.0 |

Figure 6: IT Personnel - Costs

| Line No. | Fiscal Year | Internal | Consultants |
|----------|--------------------------------------|----------|-------------|
| 1 | <i>(C\$000s, except where noted)</i> | | |
| 2 | 2011/12 | 17,663 | 17,219 |
| 3 | 2012/13 | 19,043 | 29,468 |
| 4 | 2013/14 | 19,380 | 35,527 |
| 5 | 2014/15 | 17,588 | 23,158 |
| 6 | 2015/16 | 18,632 | 25,396 |

Figure 7: Average Cost per FTE

| Line No. | Fiscal Year | Internal | Consultants |
|----------|--------------------------------------|----------|-------------|
| | <i>(C\$000s, except where noted)</i> | | |
| 1 | 2011/12 | 82.55 | 175.70 |
| 2 | 2012/13 | 79.71 | 228.43 |
| 3 | 2013/14 | 80.56 | 296.06* |
| 4 | 2014/15 | 82.56 | 210.53 |
| 5 | 2015/16 | 86.22 | 224.74 |
| 6 | 2016/17 | 85.65 | 223.97 |
| 7 | 2017/18 F | 89.44 | 219.75 |
| 8 | 2018/19 F | 93.15 | 226.34 |
| 9 | 2019/20 F | 98.94 | 233.13 |

* Increase in average consultant fee for 2013/14 is due to one time transition/migration cost of IBM data center operations