



DPC/G3.2

ACROSS GOVERNMENT POLICY

Cloud services financial guideline

Background

Cloud services present many opportunities, including the potential to reduce electronic storage and internal ICT capital investment requirements.

For any business transformation project, standard considerations and processes apply. These include project planning, technical specifications, budget, risk, etc.

For cloud services, there are additional considerations. This series of Cloud Services Guidelines articulates those considerations. Consider these Guidelines alongside your normal processes.

This guideline focuses on financial concerns that are relevant when considering or moving to a cloud computing model.

Guidance

As part of the decision-making process for moving services to the Cloud, business owners must consider the impact this will have on their agency's budget. While it is generally understood that moving to the Cloud may imply less capital expenditure (Capex), and more ongoing (or operating) expense (Opex), it is imperative that the effect is properly understood.

Ideally, planning for such a transition would allow the agency's finance unit to assess the financial and budget implications, and whether engagement with the Department of Treasury and Finance (DTF) is necessary.

All agencies have well defined budgeting processes, and no initiative can proceed until it first has the necessary approved resources.

It should be noted that DTF also has Agency Account Managers who are in regular contact with agency finance sections, and their advice on these issues should be readily available. Agency finance sections should be consulted during the planning stages of any new cloud service.

Additional information on Financial Authorisations and the Accounting Policy Framework can be found below.

DTF Advice

Prior to proceeding with a new initiative, agencies must conduct a proper evaluation process and ensure relevant financial authority exists.

Treasurer's Instruction 17 (TI 17) [Evaluation of and approvals to proceed with public sector initiatives](#), and the associated Guidelines outline the evaluation process requirements, and provide advice on the construction of investment proposals and business cases to support sound investment decisions. TI 17, as well as TI 8 [Financial Authorisations](#) outline the applicable authority required to proceed with a project, go to tender, and enter into contracts with the market.

All [Treasurer's Instructions](#) can be accessed via the DTF website.

All new initiatives must be supported by an approved budget allocation prior to proceeding. Where suitable budget doesn't exist and an agency requires additional resources to undertake a project, this can only occur via Cabinet approval through the annual State Budget process, or via an individual Cabinet Submission.

DTF communicates the timeframes and arrangements for a forthcoming State Budget process to agencies typically in the December/January period each year.

The [Cabinet Office](#) webpage provides guidance on the process and templates to use when constructing a Cabinet Submission.

Accounting Considerations

Through the evaluation process, consideration also needs to be given to appropriate accounting treatment, particularly whether proposed expenditure is operating or investing in nature.

The [Accounting Policy Framework](#) issued by DTF provides guidance on appropriate accounting treatments, obviously in addition to Australian Accounting Standards which must be generally applied.

There are general DTF run processes that provide, in certain circumstances, the opportunity to reclassify existing expenditure budget between investing and operating, and vice-versa, for pre-existing projects/programs.

For particular advice around financial issues, or assistance with the development of business cases it is suggested that agencies contact their applicable DTF Account Manager in the first instance.

- Agencies must consider the impact of using a cloud solution on its finances – usually there is a reduced capital expenditure, and there may be an increased operating expenditure
- Management must decide if there is a significant enough change from capital expenditure to operating expenditure to warrant engaging DTF on the matter
- Agencies must ensure they continue to use stringent project management processes even when a decision is made to adopt a cloud solution – presumably the analysis of the initial problem (and therefore the adoption of such processes) will precede such a decision.

The Federal Government publication, [Financial Considerations for Government Use of Cloud Computing](#), discusses some other financial matters that agencies should consider.

References, Links & Additional Information

- [Accounting Policy Framework \(DTF\)](#)
- [Cabinet Office Process](#)
- [Financial considerations for Government use of cloud computing](#)
- [Treasurer's Instruction 8 – Financial Authorisations](#)
- [Treasurer's Instruction 17 – Evaluation of and approvals to proceed with public sector initiatives](#)

Links to other guidelines and papers, including those relevant to financial considerations can be found in the [Cloud Services Information Sheet](#).

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