

Board Paper

Kia Tika - Enterprise Resource Planning (ERP) Solution

Date: 18 July 2023

From: Kirsty Bellringer, Chief Financial Officer
Stefan Korn, Chief Executive Officer

Reviewed by: Ryan Challis, Procurement Manager
Scott Higham-Lee, Digital Enablement Lead
Renee Sidaway, Finance Programme Manager

For: **Approval**

Purpose: This paper seeks formal Board approval to commit to the delivery of an Enterprise Resource Planning (ERP) solution for Callaghan Innovation. It outlines the financial treatment, benefits, governance model, delivery risks, and quality assurance commitments.

Recommendation

It is recommended that the Board

Section 9(2)(b)(ii) - Commercial Information

Executive Summary

The Kia Tika (ERP) programme has now completed its discovery phase with our preferred vendors and we have concluded commercial negotiations with our chosen ERP technology provider (Workday), delivery partner (Section 9(2)(b)(ii) - Commercial Information), and change management provider (Section 9(2)(b)(ii) - Commercial Information).

This paper seeks approval to undertake a full programme of work to deliver an ERP for Callaghan Innovation, noting the whole of life costs being committed.

The critical areas for the Board to consider, given the significant investment required of (Section 9(2)(b)(ii) - Commercial Information) is (i) how we have forecast the financial investment required, and (ii) how the investment will be funded given our financial position, and (iii) our commercial approach.

This paper details the approach to these matters.

Investment Cost Profile

Following the conclusion of the discovery phase, we are now able to provide confirmation of the programme costs for implementation, ongoing support, and licensing.

We have received cost estimates from vendors for implementation (including from our change management and data migration vendors), delivery partner costs and licensing. All delivery costs are informed following due diligence within the discovery phase of the Programme.

A 20% contingency has been applied to the overall implementation forecast over a 13 month delivery window, with a total cost profile of Section 9(2)(b)(i) - Commercial Full costs are detailed in Appendix 1.

Funding Source

Section 9(2)(b)(ii) - Commercial Information

Background

On 23 March 2023 the Board was provided with a paper to obtain approval to enter into commercial negotiations for the first phase of the Programme, following endorsement by the Audit and Risk Committee on 16 March 2023.

The next steps agreed were to:

- Enter into negotiations for Section 9(2)(b)(i) - Commercial to complete a discovery phase - **COMPLETED**
- Complete procurements for the Change Management specialists and Data Migration consultants - **COMPLETED**
- Commence and complete a discovery phase with Section 9(2)(b)(i) - Commercial - **COMPLETED**
- Enter into negotiations with the preferred vendors (Workday & Section 9(2)(b)(i) - Commercial for WOL investment (including delivery) - **COMPLETED**
- Seek Board approval for the final funding envelope required, and approval to proceed to delivery - **IN PROGRESS**

In addition to the paper presented on 23 March, on 21 June the Board were presented with a paper which provided a summary of the rationale behind selecting Workday, alongside details of the technology offering and its benefits.

Commercial Approach

The procurement process was successful in ensuring Callaghan Innovation maximised the value for money in the arrangements across all providers.

Section 9(2)(b)(ii) - Commercial Information

The final prices and a comparison against our 'do nothing' option are set out below.

Ongoing Costs Over 5 Years

\$000

Section 9(2)(b)(ii) - Commercial Information

Ongoing Costs Over 5 Years
\$000

Price Element	New ERP System Workday	Existing Systems <small>Section 9(2)(b)</small>
Section 9(2)(b)(ii) - Commercial Information		

In terms of ongoing costs associated with the ERP technology, and in comparison to current state (i.e. continuing to use Section 9(2)(b) and other finance and HR systems), implementing Workday would generate a cost saving of Section 9(2)(b)(ii) - Comm over the next 5 years.

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Programme Costs
\$000

Price Element	Projected cost
Section 9(2)(b)(ii) - Commercial Information	

Contract Terms and Conditions

Section 9(2)(b)(ii) - Commercial Information

Section 9(2)(b)(ii) - Commercial Information

We recommend a contract management plan is drafted during the implementation of Workday to help ensure the contracts are sufficiently managed and we receive the expected benefits from our contractual settings (for example, through the monitoring of SLAs).

Other assessments were conducted as part of the procurement process including security, due diligence, and digital architecture checks. Detailed information about the commercial approach and how we conducted the procurements can be found in the evaluation recommendation report.

Funding Source

Section 9(2)(b)(ii) - Commercial Information

ERP Implementation Cost Profile and Funding

Section 9(2)(b)(ii) - Commercial Information

Programme Benefits

By implementing Workday we expect to realise around Section 9(2)(b)(ii) - Co per year in cost benefits (indicative). These cost benefits are expected to be realised over the five year investment period and will largely be achieved through the following three areas:

1. **Audit effort** Section 9(2)(b)(ii) - achieved through reduction in audit effort due to trusted systems, processes and data from year 2 onwards.
2. **Process** Section 9(2)(b)(ii) - Co per annum (FTE reduction) - achieved through improving business processes across functional areas from year 2 onwards.
3. **Technology** Section 9(2)(b)(ii) per annum (in licensing and enduring support costs of redundant systems) - achieved through consolidating current systems into one integrated ERP system.

Below is a summary of the key benefits expected to be realised over the life of the Programme, and to be ultimately transitioned into the business for on-going ownership. We will monitor and report on these through the life of the Programme.

Full detail on the benefits analysis can be found here: [ERP Benefits Planning](#), [Financial Cost Benefit Analysis](#), and [Commercial Analysis](#).

Audit Effort - Annual cost benefit: Section 9(2)(b)(ii)

Benefit: Reduce external audit effort due to trusted standard processes and built in internal controls:

Section 9(2)(b)(ii) - Commercial Information

Process - Annual cost benefit: Section 9(2)(b)(ii) - C

Benefit: Standardised, AoG business processes across all functional areas.

Section 9(2)(b)(ii) - Commercial Information

Technology - Annual cost benefit: Section 9(2)(b)(ii)

Benefit: Reduced operating costs (including no major capital upgrades required post delivery). The

table below shows current operating costs for existing systems and the projected operating costs post delivery.

Current Systems

FMIS Component - Current		
Item	Description	Annual \$

Section 9(2)(b)(ii) - Commercial Information



HRIS Component - Current		
Item	Description	Annual \$

Section 9(2)(b)(ii) - Commercial Information



Future Systems

FMIS & HRIS Component - Future State		
Item	Description	Annual \$

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Retained Systems - Future State

Item	Description	Annual \$
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Cyber Cost Avoidance Benefit

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An evergreen / cloud hosted solution has superior security protections and the risk of a serious cyber security event is significantly reduced as a consequence of this change.

Timeline

The programme will be delivered in 13 months (which includes a one month hypercare period). Delivery is scheduled to commence on 1 August 2023.

During the discovery phase, the Go-live date was agreed (July 2024 - exact date to be agreed in the planning phase). This Go-live date avoids performance cycle peak periods, the financial year peak period, regulatory peak periods, end of year shutdown / holiday periods, and other known potential conflicts, such as business planning.

The high level roadmap is as follows, detail will be agreed during the planning phase:



The programme will be broken down into four main phases, plus hypercare:

1. Plan

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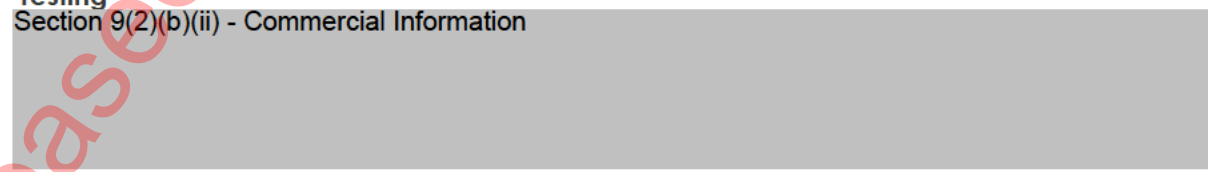
2. Architect and Configure

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3. Testing

Section 9(2)(b)(ii) - Commercial Information



4. Deployment and Go-live

Section 9(2)(b)(ii) - Commercial Information



Section 9(2)(b)(ii) - Commercial Information

5. Hypercare

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Across all phases is a need for high quality **Change Management**. This activity will run in parallel, including the delivery of refreshed business processes as closely aligned as possible to the All of Government Common Process model and industry best practice.

Governance - Setting up for Successful Delivery

Section 9(2)(b)(ii) - Commercial Information

Role	Name	Job Title
Programme Sponsor	Kirsty Bellringer	Chief Financial Officer
Senior Supplier	Jen Cherrington	Chief Innovation Enablement Officer

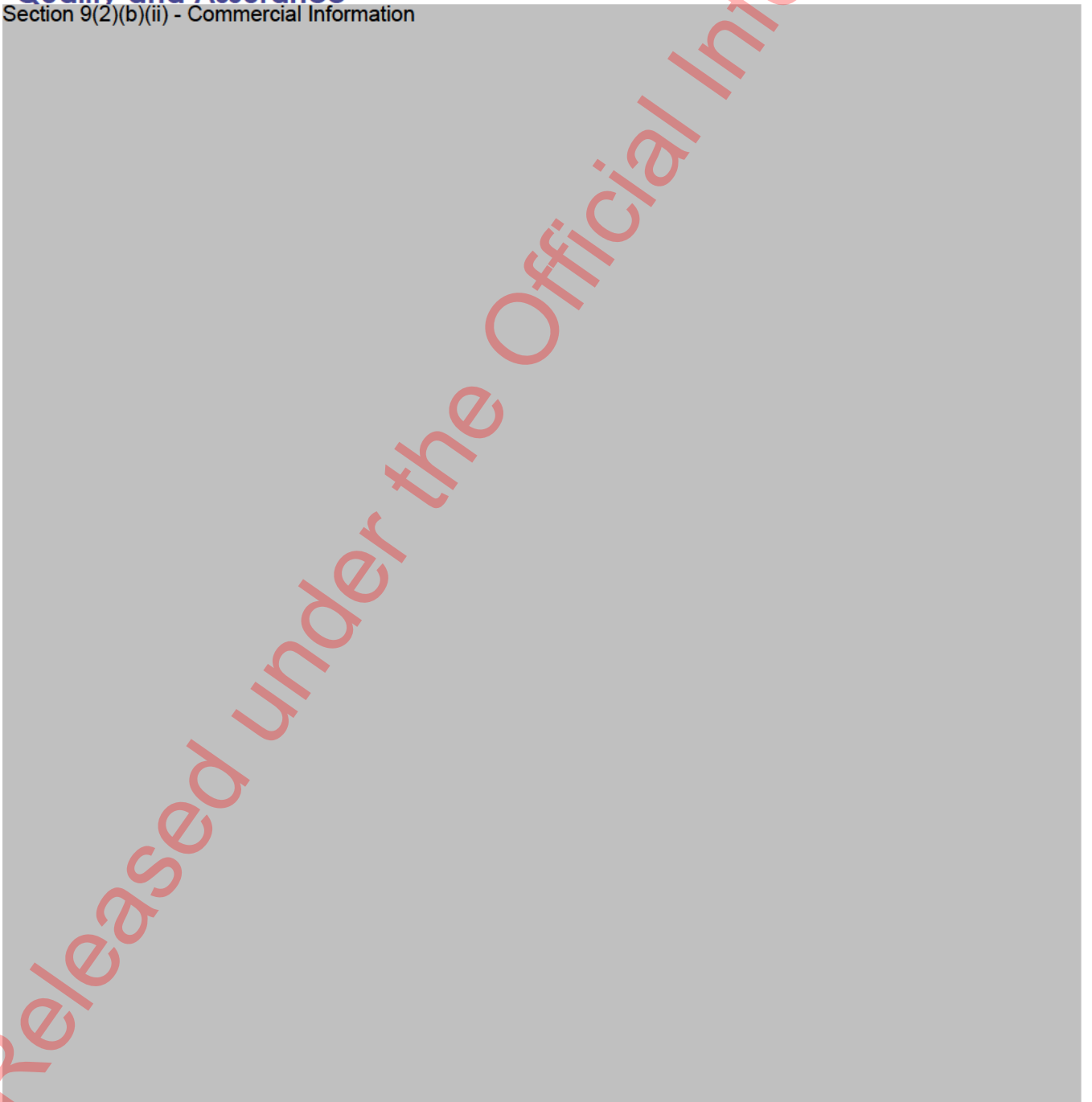
Senior User(s)	Dee Naidoo Katie McNally Scott Higham-Lee	Group Financial Controller People Enablement Capability Lead Digital Enablement Capability Lead
Customer Rep	Andrew Kay	Group Manager Integrated Biotechnologies

Additional attendees:

Name	Job Title
Stefan Korn	Chief Executive Officer
Mark Gregan	Programme Integration Lead
Renee Sidaway	Programme Manager

Quality and Assurance

Section 9(2)(b)(ii) - Commercial Information



Section 9(2)(b)(ii) - Commercial Information

Execution / Delivery Risks

Risks will be managed using Callaghan's Enterprise Risk Policy and Enterprise Risk Management Framework. The current Project Risk Register contains all risks identified within the Programme to date. Information on the status of the risk is also included. Risks are routinely assessed and mitigations reviewed as part of project governance.

Section 9(2)(b)(ii) - Commercial Information

Shared Tenancy Considerations

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Next Steps

Following approval from the Board, contracts with named providers will be executed and the Programme will proceed into delivery phase.

Key dates following approvals are:

- **July 2023** - Execute all delivery contracts;
- **August 2023** - Commence delivery;
- **September 2023** - Provide update to Board on progress (and twice monthly thereafter)

Related Papers

- [KTP 00 Board Paper 210623](#)
- [Copy of 2.6 Enterprise Resource Planning Solution Approval - UPDATED](#)
- [Enterprise Resource Planning \(ERP\) Tool 2023 - Evaluation Recommendation Report](#)
- 18 July 2023 Board Paper - Callaghan Innovation Financial Management Strategy

Appendix 1 - 5 year cost analysis

ERP Implementation Costs (core ERP platform and FMIS and HRIS modules)

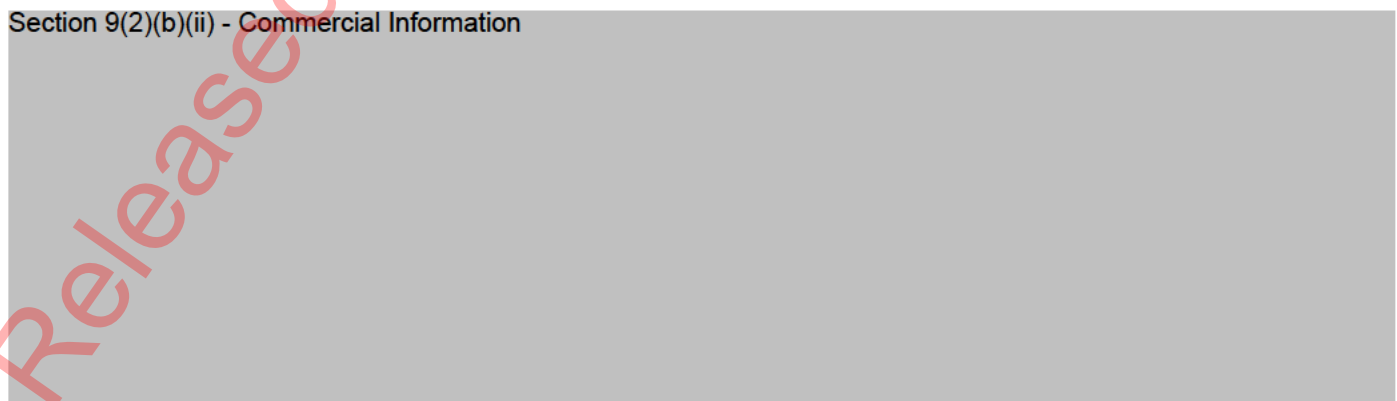
Cost Description \$	Detail	FY22/23	FY23/24	FY24/25	13 Month Implementation Including Hypercare OPEX
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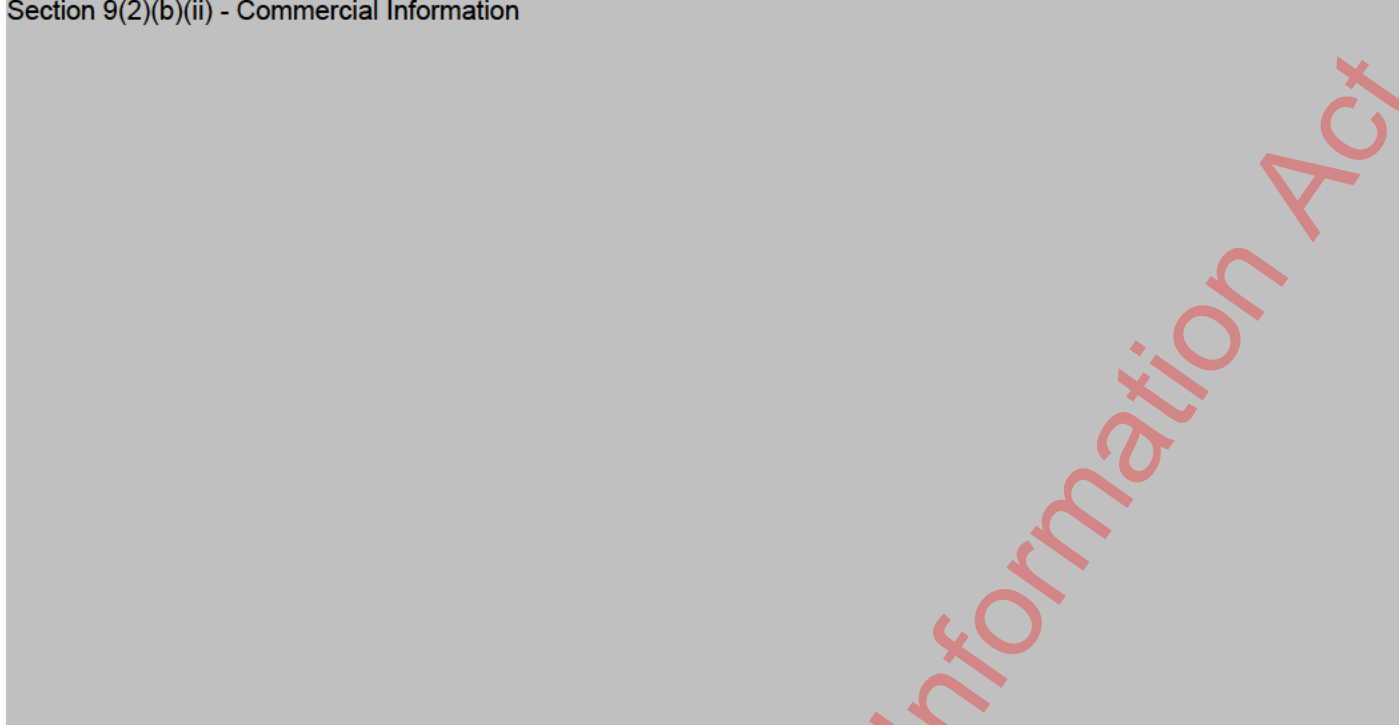
Section 9(2)(b)(ii) - Commercial Information



Key points on implementation cost profile (excludes inflation impacts):

Section 9(2)(b)(ii) - Commercial Information





Detailed assumptions submitted by vendors can be found [here](#)

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Ongoing ERP (FMIS and HRIS) Costs (Future State Estimate)

Includes overlap of costs that are likely to be required during the implementation period.

Cost Description	Detail (\$000's)	FY 23/24 OPEX	FY 24/25 OPEX	FY 25/26 OPEX	FY 26/27 OPEX	FY 27/28 OPEX	Total 5Y Cost
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Section 9(2)(b)(ii) - Commercial Information

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Section 9(2)(b)(ii) - Commercial Information

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Section 9(2)(b)(ii) - Commercial Information

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Appendix 3 - Risks and Controls

This table summarises the primary risks identified with this programme, rated against our standard risk evaluation framework and listed with preventative controls for each.

It is noted that the risks are assessed routinely as part of project management and assigned priority and impact against the Callaghan Innovation Enterprise Risk Framework.

Risk	Likelihood	Consequence	Rating	Preventative Controls
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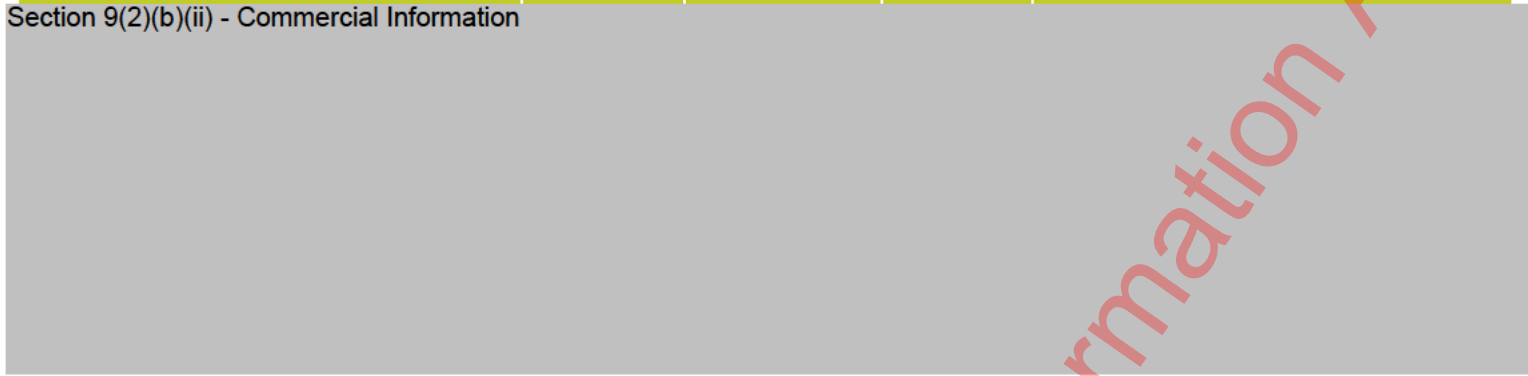
Risk	Likelihood	Consequence	Rating	Preventative Controls
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Section 9(2)(b)(ii) - Commercial Information

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Section 9(2)(b)(ii) - Commercial Information



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