

Business Case

Enterprise Resource Planning (ERP) Solution

Kia Tika Programme

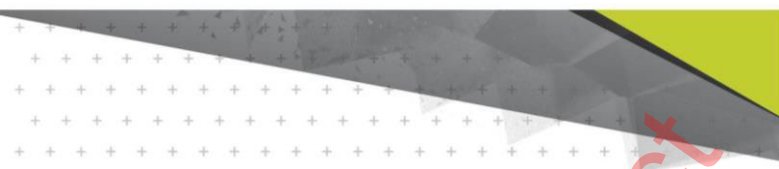
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Commercial in Confidence

Rukuhia te wāhi ngaro, hei maunga tātai whetū
Explore the unknown, pursue excellence



Document Control

Prepared for

- Audit & Risk Committee
- Executive Leadership Team
- Callaghan Innovation Board

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Consultation process across Finance, Procurement, People Enablement, Digital and Architecture



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Executive Summary

Summary of Document Purpose

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

The purpose of this Business Case is to:

1. Identify and recommend a preferred option to address the business problem (as detailed below);
2. Seek approval to finalise the arrangements for implementation of the Programme

The Business Case:

- confirms the need for investment and makes the case for change;
- determines the preferred option which optimises public value;
- details the procurement process;
- plans the necessary funding arrangements for the successful delivery of the Programme;
- plans the necessary management arrangements for successful delivery.

This Business Case follows the [Treasury Better Business Cases guidance](#); it is organised around the five case model, designed to systematically ascertain that the investment proposal:

- is supported by a compelling case for change – the 'strategic case'
- optimises value-for-money – the 'economic case'
- is commercially viable – the 'commercial case'
- is financially affordable – the 'financial case'
- is achievable – the 'management case'

Strategic Case

Across Callaghan Innovation's Corporate Systems there are a range of existing and emerging challenges that require resolution by way of immediate investment:

- The current *Finance System (FMIS)* is out of functional support, is three major versions behind, is needlessly complex and heavily customised. This presents a range of operational risks to the Finance function and inhibits Callaghan Innovation's ability to deliver to a range of critical compliance functions as a crown agency. An absence of committed investment will exacerbate business risk if not addressed immediately;

- There is no integrated *Human Resources System (HRIS)* for managing staff, with most of the work done with manual spreadsheets and a bespoke “arms length” Payroll system (characterised by numerous audit compliance issues), leading to error-prone and slow processing of employee information.
- There is no integrated *Procurement Management System (PMIS)*, manual spreadsheets are being used, leading to inconsistent procurement processes across business units and challenges with onboarding and managing suppliers;
- There is no consistent single *Asset Management system (AMIS)* in use across the whole enterprise, which results in a fragmented and incomplete view of Callaghan's strategic and operational asset lifecycle position. There is no meaningful ability to identify asset risks or consider future investment requirements for depreciated or legacy assets;
- Business processes across all of Callaghan's corporate functions (as listed above) do not follow a standardised approach, and subsequently technology has been customised heavily to meet business needs.

Solution Summary

This investment will deliver a Modern [Enterprise Resource Planning \(ERP\) solution](#) which will offer integration across Callaghan's “back office” corporate functions (Finance, Human Resources, Procurement & Asset Management). Standardised and simplified business processes will be implemented to align with the All of Government (AoG) Common Process Model to follow best practice.

Economic Case

In determining the preferred option, a number of options were considered. These were shortlisted to the following:

Option 1 - Do Nothing

A consequence would be only investing in improvements based on current operational capabilities and funding. This option is not viable as current system assets are nearly end of life in cases and require capital investment, and key business processes are lacking systems to efficiently operate. This option carries significant risk.

Option 2 - Minimum Viable Upgrades

This option would invest in the key areas one by one, on a project by project basis - focusing on the highest risk areas. Each project would be ramped up and down depending on timing and planning priorities - and each would go through an individual business case. The key focus would be to only invest in areas where there is major business risk and live with ‘good enough’ with manual processes and accept likely increased labour costs over time.

In Finance this option would see Section 9(2) upgraded to **Section 9(2)(b)(ii) - Commercial Information** - this is suited for organisations smaller than Callaghan Innovation. In People and Capability, processes using spreadsheets would likely continue as this function does not have any established technology other than the Section 9(2)(b)(i) - Commercial system.

Connecting up systems would continue to be bespoke and time consuming.



Preferred Option

Callaghan Innovation will partner with a single vendor on all Corporate Systems technologies. A Programme will be officially established to deliver a Modern Enterprise Resource Planning (ERP) solution which will offer integration across Callaghan Innovation's corporate functions (Finance, Human Resources, Procurement, and Asset Management).

Moving from an on-premise solution to a SaaS (Software as a Service) solution will significantly reduce operational costs including eliminating the need for costly upgrades with end of life technology.

The Programme will be delivered in modules incrementally, starting with the core finance system (due to the immediate and significant risk this carries to the organisation), and Human Resources (due to the integration required for the Finance module). Procurement and Asset Manager modules will follow thereafter (timeline and funding (via a separate Business Case) to be agreed following the initial implementation).

Wherever possible, Callaghan Innovation will adopt the All of Government Common Process Model to standardise its business practices across its core corporate functions. The new platform will be configured (not customised) to meet these standard business processes, with a user interface that radically improves the experience for users.

To lead the delivery, a delivery partner will be appointed. In addition to the initial implementation, the delivery partner will support the ERP solution ongoing in a BAU capacity. They will also lead the delivery of future modules (PMIS & AMIS) etc.

Commercial Case

This business case addresses the procurement approaches for four separate vendors that are required to support this project, as set out below.

Vendor	Procurement Process
ERP Technology Vendor	Closed RFP to two providers that have been identified as meeting Callaghan's high-level technical and strategic requirements.
Delivery Partner	Bundled with RFP for ERP technology vendor. Recommendations for candidates requested from ERP technology vendors. Subject to separate evaluation process.
Data Migration Partner	Closed RFP to at least three providers on the DIA Marketplace arrangement under the 'Data Migration Services' subcategory.
Change Management Partner	Closed RFP to at least three providers on the DIA Marketplace arrangement under the 'Change Management' subcategory.

All procurement approaches comply with the Government Procurement Rules and Callaghan Innovation's Procurement Policy. Vendors will be selected on a public value basis and with consideration for elements such as technical competency, use of local resources, diversity, and workforce wellbeing.

Financial Case



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

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

Once the Programme is fully mobilised, and a technology and delivery partner are contracted, a detailed plan will be established. It is entirely possible that the investment profile will change as a result of detailed planning, and so both a contingency has been applied alongside appropriate governance controls to ensure that the investment is being managed appropriately, and if costs are confirmed higher further approval from the Audit & Risk Committee and Board will be sought.

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

Funding Source

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

- [Redacted]
- [Redacted]
- [Redacted]

[Redacted]

[Redacted]

Funding Scenario Analysis (000's)	FY23	FY24	Total
Section 9(2)(b)(ii) - Commercial Information	[Redacted]	[Redacted]	[Redacted]



Funding Scenario Analysis (000's)	FY23	FY24	Total
Section 9(2)(b)(ii) - Commercial Information			
Section 9(2)(b)(ii) - Commercial Information			

System Costs (licencing & support)

As the procurement for the ERP is currently in progress licencing costs have not been confirmed. The table below gives an indication of the whole of life licencing costs, based on a five year investment. These costs assume that all current Finance and HR systems (apart from payroll - Section 9(2)(b)) can be replaced by one single ERP solution. Support partner estimates are based on current support costs, however will be updated once a delivery partner has been appointed.

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

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Management Case

¹ Baseline funding means refers to in year operational funding
² Baseline funding refers to in year operational funding



Following approval of this investment proposal, a formal Programme will be established to deliver the outcomes.

The Programme will be delivered through two core streams of work:

- **Technology**
 - Technology implementation (including: design, build, test & deployment (including data migration))
- **Change**
 - Change implementation (including: business process design & execution)

Planning for this investment proposal is based on a 12 month implementation. A full detailed schedule will be developed and approved following Board approval.

The Programme will follow Callaghan Innovation's:

- Project Delivery Framework
- Change Management Framework
- Benefits Framework
- Risk Management Framework

A Steering Group will govern the Programme by representing the interests of the involved business divisions and the customers (the internal users). It will provide overall direction and management of the Programme.

A Quality Assurance Plan will be developed, and the Programme will be subject to regular reviews from Internal Audit as part of the Quality Assurance process.



Strategic Case

The Strategic Case summarises the strategic context for this investment proposal and makes the robust case for change.

The key drivers for this investment are to replace the existing Finance system (which is currently in extended support), and deliver integration and standardisation across Callaghan's Corporate functions. This investment will deliver:

1. A Modern Enterprise Resource Planning (ERP) solution which will offer integration across Callaghan's corporate functions (Finance, Human Resources, Procurement & Asset Management).
2. Standardised and simplified corporate business processes to improve efficiencies across the business.

Organisational Overview

Callaghan Innovation (CI) is New Zealand's innovation agency. Callaghan activates innovation and helps businesses grow faster for a better New Zealand.

Callaghan partners with ambitious businesses of all sizes, providing a range of innovation and research and development (R&D) services to suit each stage of growth.

Callaghan's people – including more than 200 of New Zealand's leading scientists and engineers – empower innovators by connecting people, opportunities and networks, and providing tailored technical solutions, skills and capability development Programmes, and grants co-funding.

Callaghan also enhances the operation of New Zealand's innovation ecosystem, working closely with government partners, Crown Research Institutes, and other organisations that help increase business investment in R&D and innovation.

Callaghan operates across New Zealand from four urban offices and a regional partner network in a further 14 locations.

The Case for Change

Engagement

During the development of this investment proposal, key internal resources and external parties were engaged.

Internal Stakeholders

The key stakeholders who have an interest in the expected outcomes or can influence the investment proposal have been identified and engaged. These stakeholders support this investment proposal, and are listed below:

Group Name	Name	Responsibilities
Leadership	Stefan Korn	Final decisions
Audit & Risk Committee	Elena Trout Shaun Hendy Kirsty Bellringer	Provide assurance and assistance to the Board
Architecture Review Board	Jen Cherrington Scott Higham-Lee Rob Schrey	Technology-based design / Architecture decisions-recommendations to Business Owners



	Dan Shannon Mark Buffey	
Kia Tika Steering Group	Kirsty Bellringer Dee Naidoo Jen Cherrington Andrew Kay Bree Mackay Scott Higham-Lee Renee Sidaway	Provide overall direction and management of the Programme
CFO People Enablement Digital Security Architecture Business Enablement Innovation Expertise	Kirsty Bellringer & Team Bree Mackay & Team Scott Higham-Lee & Team Jenna Whitman & Team Robert Schrey Cynthia Lendrum & Team Ivo Gorny & Alan Caughley	Business Groups / users impacted by system and process replacement
Dependant Projects	New Grants System - Graeme Shellard	Implementing new Grants system (dependency)

External Engagement

The Programme engaged with the following external parties:

- Section 9(2)(b) ESR, and GNS - government agencies Callaghan share strategic directions with to help ensure Callaghan make decisions in line with future pathways
- Potential suppliers in-person to get a high level understanding of product trends and market dynamics
(Section 9(2)(b)(ii) - Comm Workday, Section 9(2)(b)(ii) - Commercial Information
- Incumbent Providers (management of current systems) Section 9(2)(b)(ii) - Commercial Information

Background

Across Callaghan Innovation in key functional areas that use Corporate systems, Callaghan have substantial gaps in technology and supporting processes.

The key **technology issues** are as follows:

1. Section 9(2)(b)(ii) - Commercial Information
- 2.
- 3.
- 4.

The key **process issues** are as follows:



1. Section 9(2)(b)(ii) - Commercial Information
- 2.
- 3.



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Detailed Issues / Challenges:

Function	System	Process Challenges	Technology Challenges
Section 9(2)(b)(ii) - Commercial Information			
Section 9(2)(b)(ii) - Commercial Information			
Section 9(2)(b)(ii) - Commercial Information			

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

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

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

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Summary

In summary:

From a **Finance perspective** Callaghan's technology is out of date, and not being actively managed as an asset, this means CI are now facing a large upgrade just to ensure the technology continues to work. The current system is not fit for purpose and presents a significant operational risk.

From a **People Enablement perspective** because CI does not have an HRIS system to manage employee information and existing Payroll systems have deficiencies, CI face a significant risk in how it manages employee data, CI offer a poor employee experience, leaders don't have access to the data to feel empowered to lead their teams, there is a lag in reporting on critical people information, and lots of manual workarounds and potential for human error.

From a **Procurement perspective**, CI lacks access to information that could be used to help improve the value for money CI achieves in working with suppliers.

From an **Asset Management perspective**, CI lacks the ability to properly manage, utilise and plan for future investments properly.

From an overall **Business Process perspective** - and looking at all the business capabilities that use Corporate systems, CI has a substantial opportunity to simplify, improve and modernise business processes. The AOG Common Process Model should be considered first, and should only be deviated if it is not fit for purpose.

Without further investment, CI runs clear risks in failing to operate key financial processes and failing to meet basic expectations of employees around the management of their information and time at Callaghan, and CI affects the morale negatively of people using and supporting outdated and poorly updated systems.

As these business and technology capabilities are intrinsically intertwined, the opportunity is to create an overall strategy to improve all technology related to Corporate Systems and in turn drastically improve related business processes.

This does not mean having to fix "everything in one go" but it does provide the opportunity to create a systematised environment in which continuous improvement in all the related process areas can occur, costs of processes are lowered and the quality of service is vastly improved over time. Without investment no step change can occur and at best modest minor improvements through existing capability will only be possible.

Requirements

Key Requirements

Internal stakeholders at Callaghan (as identified above) were engaged to document Callaghan's key requirements. The high level functional and non-functional requirements that were included in the Request for Proposal (RFP) are located in [Appendix 1](#). Detailed requirements are available [here](#).



Scope

Programme Scope

The following table details the scope for the Programme.

In Scope	Description	Out of Scope
<p>Procurement of a SaaS Enterprise Resource Planning (ERP) Solution</p>	<p>ERP Solution to cover:</p> <ol style="list-style-type: none"> 1. Financial Management Information System (FMIS) - Single fit for purpose finance management information system 2. Human Resources Management Information Systems (HRIS) - Single fit for purpose human resource information systems 3. Human Resources Management Information Systems (HRIS) - Single fit for purpose payroll system 4. Procurement Management Information Systems (PMIS) - Single fit for purpose procurement system 5. Asset Management Information System (AMIS) - Single fit for purpose asset management information system 6. Corporate systems common data model - Common integrated data model for all systems 7. Corporate systems integration hub - Common single approach to integrate data to other systems 8. Corporate systems cloud infrastructure - Common single system environment, that means all operating conditions required 	<p>Any other corporate systems not specified</p>
<p>Procurement of a Delivery and ongoing Support partner</p>	<p>Appointment of a delivery and ongoing support partner to lead the implementation of the ERP and support the platform in BAU, including implementation of further ERP modules (PMIS, Payroll, & AMIS)</p>	<p>Support or delivery outside of the ERP solution</p>

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In Scope	Description	Out of Scope
Procurement of Data Migration Specialists	Appointment of Data Migration specialists to migrate data from the existing corporate systems, starting with FMIS & HRIS (and third party finance and HR tools) to the new ERP system. Data from other systems, such as timesheeting tools, HR systems, spreadsheets etc may also need to be migrated.	Data migration outside of existing Finance and Human Resource systems
Procurement of Change Management Specialists	Appointment of Change Management specialists to develop, plan and deliver the change activities across the business, including development and documentation of new business processes.	Change management activities outside of Finance and Human Resources
Implementation of the Enterprise Resource Planning (ERP) Solution	<ol style="list-style-type: none"> 1. Implementation of the core ERP platform 2. Implementation of the Financial Management Information System (FMIS) module, including required integrations, configurations, and data migration 3. Implementation of the Human Resources Management Information Systems (HRIS) module, including required integrations, configurations, and data migration 	<ol style="list-style-type: none"> 1. Implementation of future modules: Procurement (PMIS), Asset Management (AMIS), and Payroll 2. System customisations
Implementation of simplified and standardised business processes	Implementation of new business processes to improve efficiencies across the Finance and Human Resource functions within Callaghan. This includes all change management activity to support the rollout of the ERP solution.	<ol style="list-style-type: none"> 1. Development and implementation of bespoke business processes 2. Other CI processes that sit out of Finance and HR 3. Monetary settlements resulting from change impacts

Main Programme Benefits

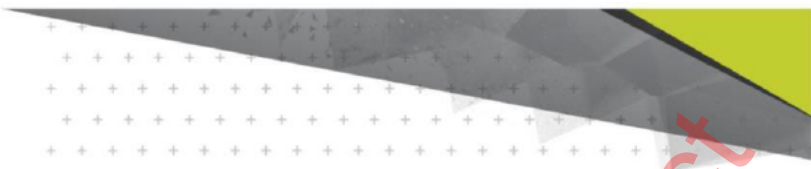
A Benefits Management Plan will be developed at the beginning of the delivery phase detailing the approach to both the management and realisation of the benefits. It will provide a complete view of all the benefits, their dependencies, the metrics CI will use to measure the benefits, and the expected realisation timescales. It will provide the engagement on how to identify, map, monitor and review the benefits to be realised. It will also outline the benefit ownership and reporting.



The summarised benefits identified below relate mainly to Finance and Human Resources, however some are relevant across the entire ERP platform and solution. Cash benefits are not the key driver for this Programme of work, however there may be some cash benefits to be realised. These will be identified once technology selection has taken place, and future state is understood. Further detail on the benefits can be found in [Appendix 2](#).

Benefits

#	Output	Outcome	Benefit
1	Core ERP System	Corporate functions managed through single platform	1. Improved user experience
		Move to SaaS platform	2. Reduced internal management effort 3. Reduction in operating costs (including no major capital upgrades required)
		Enduring security support	4. Less cost to CI through security support & improved risk profile 5. Reduction in technical debt
2	FMIS (Finance) Module	Standardised and simplified finance processes	6. Standardised, AOG business processes across Finance 7. Improved efficiency
		FMIS information management is now housed on a central integrated system	8. Improved quality of strategic advice 9. Improved efficiency 10. Readily available access to all financial information in one place for users
		Reduced risk profile through compliance with relevant internal and external standards	11. Reduction in audit effort 12. AOG invoicing requirements satisfied
3	HRIS (Human Resources) Module	Reduced risk profile through compliance with relevant internal and external standards	13. Reduction in audit effort 14. Accurate reporting on audit trails and error checking 15. Compliance with relevant regulations and policies
		Trustworthy, central, integrated HRIS now acts as the system of record	16. Reduction in rework and incorrect data 17. Reduction in queries 18. Reduction in data errors associated with manual processing (payroll, new employee onboarding, leave requests, etc)
		Standardised and Simplified HR processes	19. Standardised, AOG business processes across HR 20. Improved efficiency 21. Improved self service options
		Improved ability to focus on strategic decision making	22. FTE will be repointed to strategic work 23. Increased Leader capability learning



#	Output	Outcome	Benefit
4	PMIS (Procurement) Module		Not being addressed in this Business Case
5	AMIS (Asset Management) Module		Not being addressed in this Business Case

Notes

- Although cash benefits may be achieved through system consolidation, there may be ongoing costs with current systems due to contract arrangements being in place.
- There may be ongoing HR and Finance systems costs outside of the ERP e.g. payroll. Once the system has been selected, the gaps in the new ERP can be confirmed.

Main Programme Risks

Risk workshops took place during development of the Business Case, and Risks and Issues Registers have been developed. These will be regularly and progressively updated throughout the Programme as more information comes available. The full Risk and Issues registers are available [here](#).

The following risks are rated High:

ID	Risk	Likelihood	Impact	Rating	Mitigation Action
Section 9(2)(b)(ii) - Commercial Information					
[Redacted content]					

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ID	Risk	Likelihood	Impact	Rating	Mitigation Action
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Section 9(2)(b)(ii) - Commercial Information

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ID	Risk	Likelihood	Impact	Rating	Mitigation Action
Section 9(2)(b)(ii) - Commercial Information					

Key Constraints & Dependencies

The Programme will seek to minimise disruption to the business and users of the Finance and HR systems during delivery while balancing organisational pressures. Key Programme constraints are:

Section 9(2)(b)(ii) - Commercial Information					
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[Registers](#) have been developed to record these and the full list of constraints and dependencies and they will be regularly monitored and managed throughout the life of the Programme.

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Economic Case

The Economic Case identifies and analyses the options that were explored to identify the option that optimises best value for Callaghan Innovation. Based on the strategic context for the investment proposal and a robust case for change, it:

- Identifies the alternative options available
- recommends a preferred option.

Critical Success Factors

The Critical Success Factors for the Programme are:

Key Critical Success Factors	Description – how well the option
Strategic fit	<ol style="list-style-type: none"> 1. Alignment to wider Callaghan's initiatives and strategic direction 2. Alignment to other ICT initiatives, standards and strategies in government
Supplier capacity and capability	<ol style="list-style-type: none"> 1. Matches the ability of potential suppliers to deliver the required services 2. Is likely to result in a sustainable arrangement that optimises value-for-money over the term of the contract
Potential affordability	<ol style="list-style-type: none"> 3. Can be met from likely available funding 4. Matches other funding constraints
Potential achievability	<ol style="list-style-type: none"> 5. Is likely to be delivered given the organisation's ability to respond to the changes required 6. Matches the level of available skills required for successful delivery
Solution Quality	<ol style="list-style-type: none"> 7. Meets solution, business and user requirements 8. Secure, sustainable, resilient and evergreen safe platform 9. Callaghan's ability to change and be flexible as priorities, legislation and technologies change
Delivery Confidence	<ol style="list-style-type: none"> 10. Ability to form and maintain strategic relationships with vendors (including vendor capability, proximity, ease of process and team integration) 11. Viable plan to execute e.g. readiness testing, modular approach



Options Identification

Alternative Options Considered

In determining the preferred opinion, the following options were considered:

Option 1 - Do Nothing

The first alternative option is to do nothing. A consequence would be only investing in improvements based on current operational capabilities and funding. This option is not viable as current system assets are nearly end of life in cases and require capital investment, and key business processes are lacking systems to efficiently operate. This option carries significant risk, and is not recommended.

Pros	Cons
<ul style="list-style-type: none"> No additional capital or operational expenditure required 	<ul style="list-style-type: none"> Disruption to Business Operations, at a point, a risk of operations being completely irretrievable Many business processes remain inefficient affecting staff morale, leading to turn over and impacts to operations No preparation for business growth in the future May impact bringing new products and services to market

Option 2 - Minimum Viable Upgrades

This option is to invest in the key areas one by one, on a project by project basis - focusing on the highest risk areas. Each project is ramped up and down depending on timing and planning priorities - and each must go through an individual business case. The key focus would be to only invest in areas where there is major business risk and live with 'good enough' with manual processes and accept likely increased labour costs over time.

Finance

A minimum viable upgrade for Finance would likely see an upgrade from Section 9(2)(b)(ii) - Commercial Information to Section 9(2)(b)(ii) - Commercial Information.
[Redacted] A project to cover this would include the following high level steps:

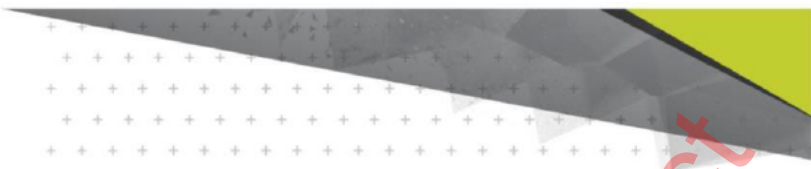
- Assessment for viability / compatibility
- Upgrade from On-Premise Section 9(2)(b)(ii) - Commercial Information
- Upgrade from On Premise Section 9(2)(b)(ii) - Commercial Information

See [here](#) for further information.

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

The Minimum Viable Upgrade option outlined here would result in Callaghan Innovation using the smaller of these Section 9(2)(b)(ii) - Commercial Information, losing features that are deemed as required. See Appendix 7.

People and Capability



With the exception of the Section 9(2)(b)(i) - Commercial Information, Callaghan Innovation has no existing application to manage employee records. A number of People and Capability functions are performed on spreadsheets. A "Minimum Viable Upgrade" option would not address these, and the processes would largely remain manual and disconnected.

Pros	Cons
<ul style="list-style-type: none"> • Lower up-front cost approach • Less impact to the organisation at any one time 	<ul style="list-style-type: none"> • Provides no integration across corporate functions • Clear risk analysis must be done to address the key areas from highest to lowest or the perception may be that certain capabilities are favoured over others for system improvement • Managing a consistent system approach, a common data and integration approach will be much more complex on a project by project basis over a longer period of time - and at threat with typical staff turnover • Labour costs may be required to increase if the organisation experiences significant growth as system automation is not in place

This option is not recommended.

Preferred Solution

Integrated ERP Solution

Callaghan Innovation will partner with a single vendor on all Corporate Systems technologies. A Programme will be officially established to deliver a Modern Enterprise Resource Planning (ERP) solution which will offer integration across Callaghan Innovation's corporate functions (Finance, Human Resources, Procurement, and Asset Management).

The Programme will be delivered in modules incrementally, starting with the core finance system (due to the immediate risk this carries to the organisation), and Human Resources (due to the integration required for the Finance module). Procurement and Asset Manager modules will follow thereafter (timeline to be agreed following the initial implementation).

Wherever possible, the Programme will adopt the All of Government Common Process Model to standardise its business practices across the core corporate functions. The new platform will be configured (not customised) to meet these standard business processes, with a user interface that radically improves the experience for users.

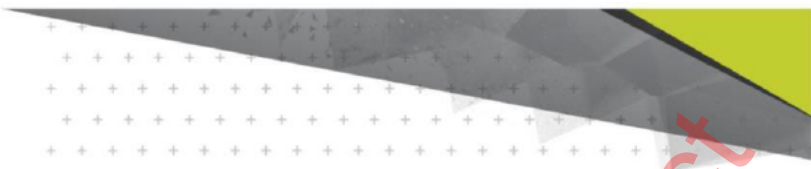
To lead the delivery, a delivery partner will be appointed. In addition to the initial implementation, the delivery partner will support the ERP solution ongoing in a BAU capacity. They will also lead the delivery of future modules (PMIS & AMIS) etc.

Pros	Cons
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<ul style="list-style-type: none">• The approach can be stretched or shrunk to balance cost vs. time taken to implement• A vendor will be selected who will be a key technology partner for Callaghan long term• The ability to integrate and keep data consistent across all systems will be very high and efficient• Not everything has to be done all at the same time, and possibly stretched out over multiple years based on business prioritisation and risk appetite• Prepares the organisation for any significant growth in the future	<ul style="list-style-type: none">• Initially a higher cost approach, but long term lower cost to operate over a 7-10 year lifecycle subject to business growth• There is a risk that individual systems may not be as strong as an alternative on the market and some business acceptance of reduced functionality may be desired• Multiple system implementation happening simultaneously will require effective delivery and architectural oversight to ensure this strategy is realised
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Commercial Case

The Commercial Case outlines the procurement approach the Programme is conducting for the procurement of the ERP Technology Solution, Delivery Partner, Change Management Partner, and Data Migration Partner. The procurement approach complies with the Government Procurement Rules and Callaghan Innovation's Procurement Policy.

Procurement Plans for the above procurements (including timelines) are located:

1. [ERP Technology Solution & Delivery Partner](#)
2. [Change Management Partner](#)
3. [Data Migration Partner](#)

Based on the level of risk associated with the procurements, the internal Callaghan Innovation Procurement Team will lead each procurement process and endorse all procurement documentation prior to approval. Below are the key milestones across all procurement processes.

Key Procurement Milestone	Date (2023)
Close RFP for ERP Technology Vendor and Delivery Partner	14 February
Release RFP for Data Migration Partner	17 February
Release RFP for Change Management Partner	17 February
Identify preferred ERP Technology Vendor and Delivery Partner	Week commencing 27 March
Identify preferred Data Migration Partner and Change Management Partner	Week commencing 10 April

ERP Technology Solution and Delivery Partner

The objectives of this procurement are to:

- conduct a streamlined process to minimise disruption to the agency and its stakeholders;
- standardise our approach to ERP in alignment with generally accepted processes and approaches from stakeholders that we're aiming to work closely with in the future;
- maximise public value by selecting a solution covering a wide breadth of corporate systems; and
- ensure New Zealand businesses have an opportunity to be involved in delivering the work in alignment with Priority Outcomes #1 of the New Zealand Government Procurement (NZGP) broader outcomes Programme.

Callaghan are sourcing the ERP technology vendor by:

- Identifying a small group of vendors able to meet our technical requirements based on the Gartner assessment
- Meeting with that group of vendors to learn more about their technologies and how they currently work with government agencies
- Identifying those government agencies that Callaghan Innovation has a strategic requirement to align its corporate systems with
- Issuing a closed RFP to those vendors that meet Callaghan Innovation's overarching technical and strategic requirements.

Through this process, Workday and Section 9(2)(b)(ii) - Commerce were identified as the two vendors Callaghan Innovation would request responses from as part of a competitive tender process.

Discovery work with people across Callaghan Innovation helped inform the evaluation criteria for the tender. At a high level, we're seeking an ERP vendor that can meet as many of the following requirements as possible:

- Meet basic expectations such as financial stability, insurance, legal compliance etc.
- Availability for implementation in July 2024

- Local resources in the New Zealand market
- Seamless user experiences
- Scalable functionality covering FMIS, HRIS, PMIS, and AMIS
- Consistent and reliable use of baseline people data
- High quality support approach
- High level of integration with common corporate systems
- Continual release path with a clear technical roadmap
- Approach to employee wellbeing and diversity
- Security risk
- Ability to understand our requirements to suggest fit-for-purpose delivery partner candidates
- Value for money

The procurement process for the delivery partner is bundled together with the process to source the ERP vendor. In responding to our RFP for ERP technology, the ERP vendors will recommend up to three possible Delivery Partners. The procurements have been bundled in this way due to:

- The selection of the Delivery Partner is contingent on the choice of ERP technology
- Only specific vendors are certified to implement and support a vendor's ERP technology
- Running separate RFP would have unnecessarily elongated the procurement timeline and may have resulted in receiving a high quantity of responses unable to meet our technical requirements
- The technology providers are best placed to recommend candidates for the Delivery Partner based on their detailed understanding of our requirements, experiences with other government agencies, and connections with their own delivery partner network (i.e. knowing who is best able to meet our requirements)

Upon receiving the proposals from the ERP vendors, the evaluation team will evaluate the delivery partner candidates. Preferred candidates will be identified for each ERP vendor. Once there is a clear preference for an ERP vendor, the preferred delivery partner will be asked to submit a proposal (potentially through presentation format). In selecting a delivery partner, we will focus on ensuring they offer the following:

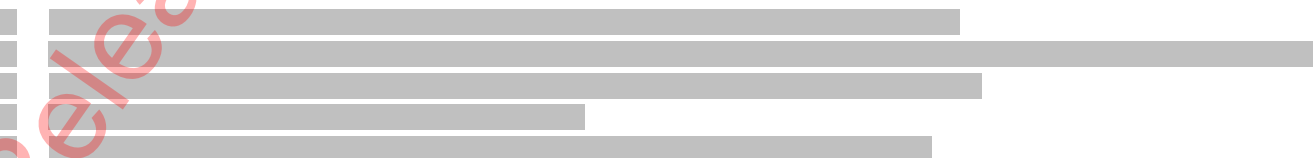
- Meet basic expectations such as financial stability, insurance, legal compliance etc.
- Personnel are New Zealand based and have sufficient capacity to work with the project timeline
- Technical competency (confirmation they are suitably able to sufficiently implement and support the chosen technology)
- Workforce diversity
- People and experience
- Workplace culture
- Pricing and resourcing

Other procurement tactics we are using as part of this process include:

- Workshops to help ensure the successful respondent has the technical competency to deliver all requirements and that the technology will be a good fit for our people
- Requesting the respondents submit their own proposed contracts for ease of engagement - noting the international vendors we're engaging are unlikely to agree to our own terms. Contract terms are likely to be a core topic in any negotiations
- The payment mechanism for the ERP vendor will be based on the number and type of licences we require based on our user profiles
- The payment mechanism for the Delivery Partner will be based on milestone payments once more about how we will engage them is known

Change Management Partner

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





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

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Data Migration Partner

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

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Public Value

The selection of all vendors will be based on a public value assessment. Public value means getting the best possible results over the life of the engagement using resources effectively, economically, and without waste - including benefits to ourselves, our stakeholders, minority demographics, the taxpayer, and the natural environment. Public value includes considerations that may not be directly focused on price or the actual services being procured.

Broader Outcomes

As part of Callaghan Innovation's obligations under the Government Procurement Rules, we must aim to increase access for New Zealand businesses in the procurement of ICT services (a New Zealand business is defined as a business that originated in New Zealand (not being a New Zealand subsidiary of an offshore business), is majority owned or controlled by New Zealanders, and has its principal place of business in New Zealand). Callaghan Innovation will achieve this by:

- Requesting all vendors have a strong New Zealand presence with local resources so that New Zealand businesses are best placed to deliver our requirements
- Selecting our candidates for the change management and data migration partners with consideration for those that identify as a New Zealand business
- Take into account New Zealand business ownership in our assessment of public value (where applicable)

Contract and Vendor Relationship Management

One of the biggest challenges for Callaghan Innovation in the past has been sufficiently managing vendors and their contracts once they have been selected through a procurement process. For this reason, to help mitigate against the risk of budget and timeline blowout, the project team will focus on the following activities after contracts are awarded to the vendors:

- Mutually agree a set of relationship values addressing how each party agrees to work together and treat people in other teams (if not already captured in the contract)
- Developing contract management plans (on-a-page) for each vendor with a clear governance structure. Management plans given to the steering committee to review.
- Regular check-ins from the steering group on the health of the vendor relationships and the extent to which each vendor is meeting expected performance standards (for example, the KPIs in their contracts)
- Operating on a 'no surprises' approach where stakeholders are kept in the know through frequent meetings and updates.



Financial Case

The Financial Case outlines the funding requirements and financial implications for the preferred option and demonstrates that it is affordable.

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

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

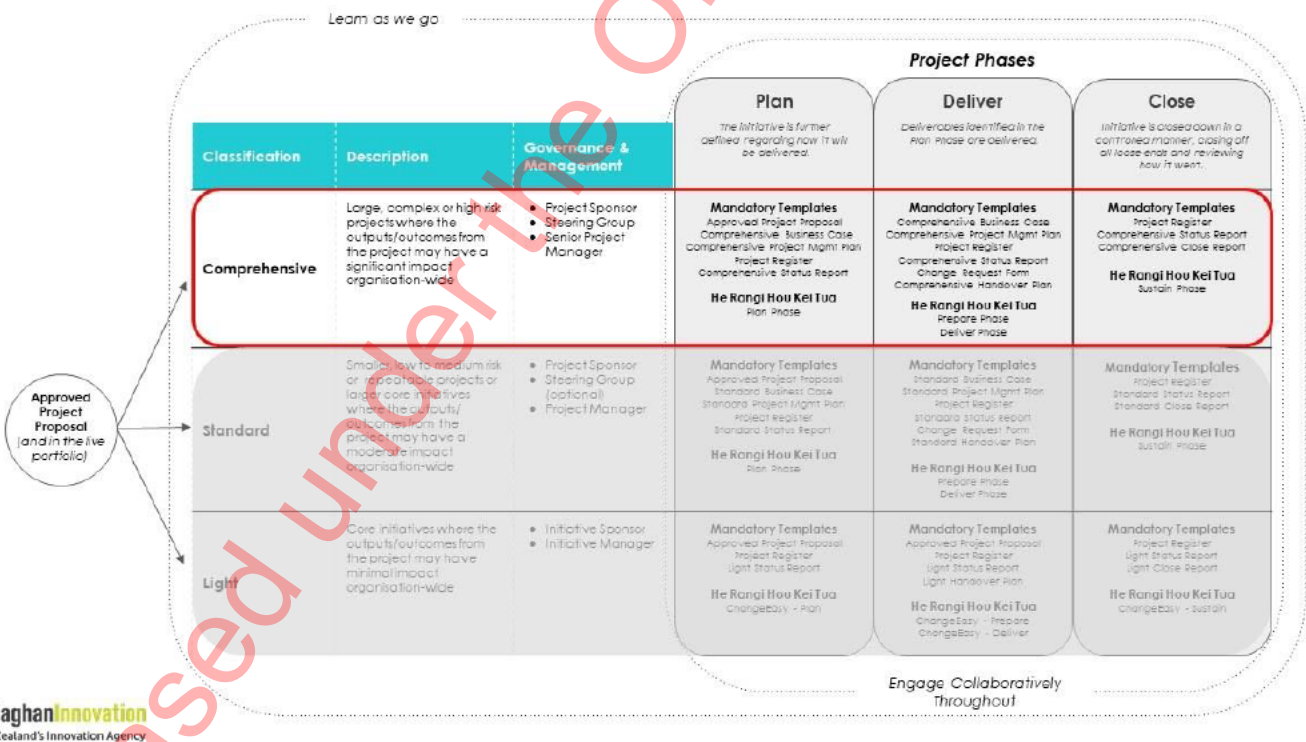
Management Case

Planning for successful delivery

The Management Case confirms that the proposal is achievable and details the arrangements proposed to both ensure successful delivery and to manage Programme risks, while maintaining a focus on delivery of benefits.

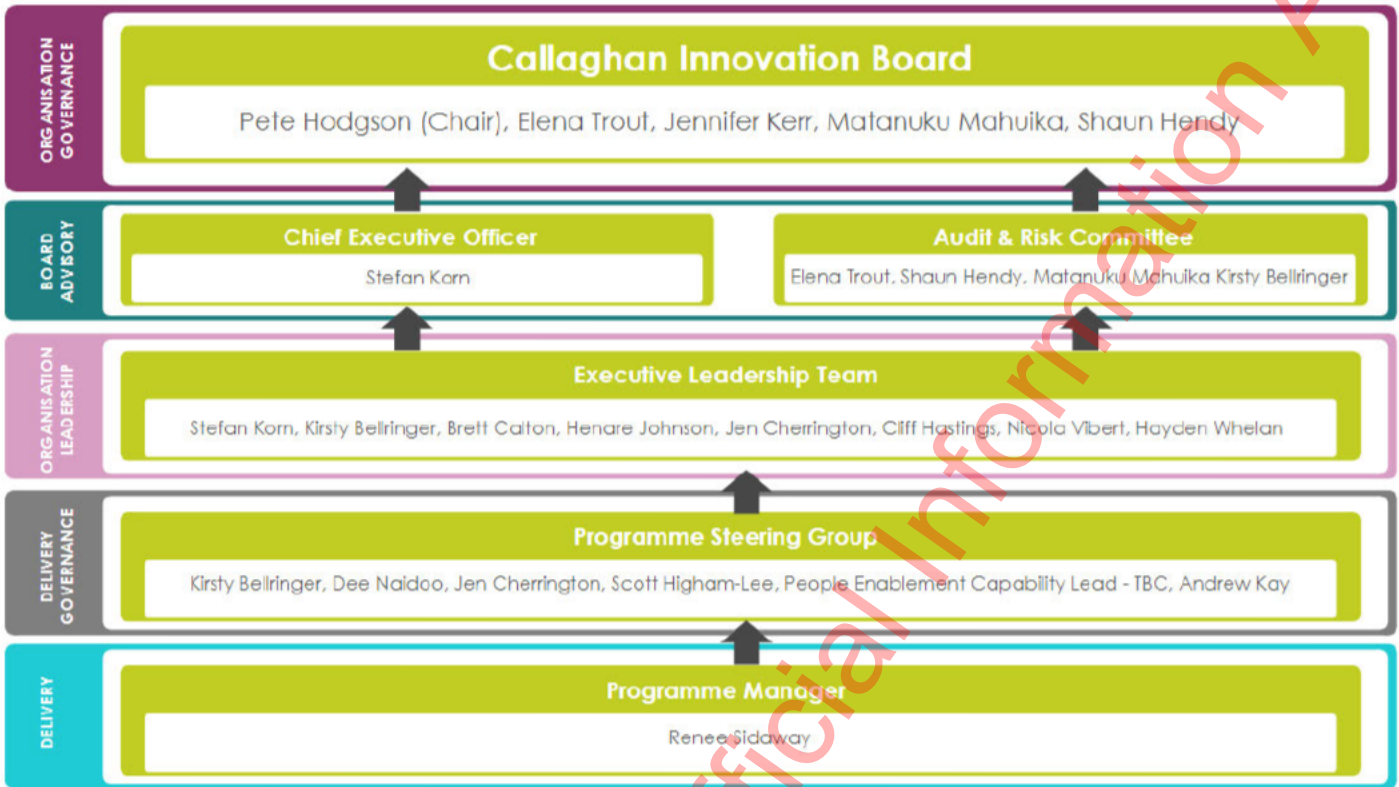
Programme Management Arrangements

If this investment proposal receives approval, a formal Programme will deliver the solution. The Programme will follow the Callaghan Innovation Project Framework. The Programme has been pre classified as a Comprehensive Programme and will therefore follow the Comprehensive Framework (the Comprehensive Framework option is for large, complex or high risk projects where the outputs/outcomes from the project may have a significant impact organisation wide).



Proposed Governance Arrangements

The following governance structure is proposed and will be confirmed following Board approval.



Key Programme Roles and Responsibilities

Programme Steering Group

A Programme Steering Group has been set up to represent the interests of the involved business divisions and the customers (the internal users). It provides overall direction and management of the Programme and has responsibility and authority for the Programme within its remit.

The membership of the Steering Group (voting members) comprises:

Role	Name	Job Title
Programme Sponsor	Kirsty Bellringer	Chief Financial Officer
Senior Supplier	Jen Cherrington	Chief Innovation Enablement Officer
Senior User(s)	Dee Naidoo	Group Financial Controller
	Bree Mackay	People Operations Lead
	Scott Higham-Lee	Digital Enablement Capability Lead
Customer Rep	Andrew Kay	Group Manager Integrated Biotechnologies

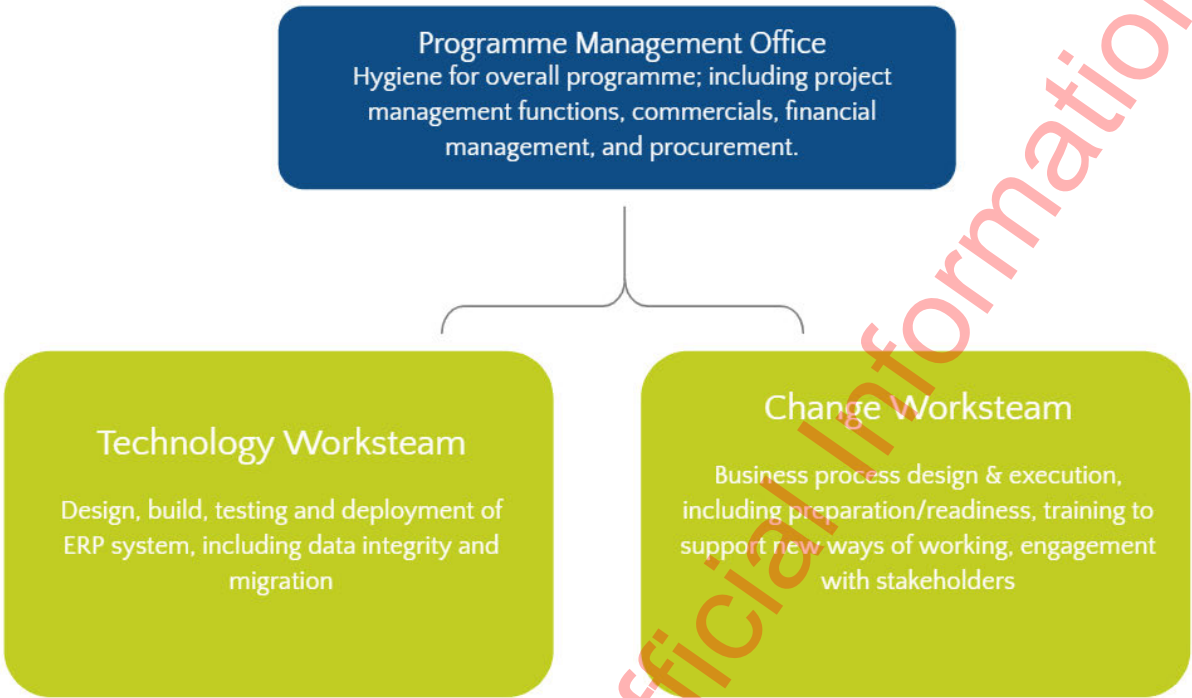
Programme Team

The Programme team will be fully resourced following Board approval. The Programme team will be resourced using a mixed resource model:

- Secondments (both internally within Callaghan, and other government agencies)
- Consultants (data migration and change management)
- Contractors



It is proposed that the Programme will be delivered through two key streams of work:



Development and finalisation of the structure (and all delivery roles) will be completed following Board approval.

Programme Timeline

This Business Case is based on the assumption of a 12 month delivery. A full schedule will be developed and approved following Board approval.

Change Management Planning

The Programme will appoint Change Management Specialists to lead and deliver the change. This will include developing business processes, planning and delivering the change activities across the business.

The Programme will align with Callaghan's [Change Framework](#). A full change management schedule will be developed during the first phase of the Programme.

Benefits Management Planning

The Programme will manage benefits in accordance with Callaghan's Benefit Framework.

A Benefits Management Plan will be developed at the beginning of the delivery phase detailing the approach to both the management and realisation of the benefits. It will provide a complete view of all the benefits, their dependencies, the metrics CI will use to measure the benefits, and the expected realisation timescales. It will provide the engagement on how to identify, map, monitor and review the benefits to be realised. It will also outline the benefit ownership and reporting.



Risk Management Planning

Risks will be managed using Callaghan's Enterprise Risk Policy and Enterprise Risk Management Framework.

The Risk Register lists (located in [JIRA](#)) all risks identified within the Programme to date, including those in this Business Case. Information on the status of the risk is also included. The risk register will be regularly and frequently updated and reviewed throughout the project.

Assurance arrangements

A Quality Assurance Plan will be developed, and the Programme will be subject to regular reviews from Internal Audit as part of the Quality Assurance process.

Post-Programme Evaluation and Benefits Reviews

A post implementation review will be scheduled to confirm that:

- the Programme has been delivered to time, cost, and specifications
- the new solution and processes are operating as intended and delivering the services proposed in the business case
- to identify any lessons learned from the management of the Programme that can be applied to future projects or projects in other agencies.

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Appendices

- Appendix 1 - Requirements
- Appendix 2 - Benefits
- Appendix 3 - Glossary
- Appendix 4 - Detailed Financial Forecast
- Appendix 5 - Current Costs Breakdown
- Appendix 6 - Fixed Asset Depreciation

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Appendix 1 - Requirements

Functional Requirements

Callaghan Innovation requires an ERP solution that offers the functionality listed below.

FMIS Functional Requirements (summarised)	HRIS Functional Requirements (summarised)
<ul style="list-style-type: none"> ● Accounts Payable ● Expense management ● Project Accounting ● Timecards/ Timesheets ● Fixed assets ● Accounts receivable ● Budgeting, Forecasting & Reporting ● Fully supported through mobile, tablet and laptop ● Inventory ● Cash Management/ Bank reconciliation ● General Ledger ● Access, Security & Internal Control ● Integration ● Licence tracking/management ● Advanced search and filtering functionality (e.g. Ability to search by other information, such as product/ items other than just PO/ invoice) ● Ability to accept chemical symbols (special characters) 	<ul style="list-style-type: none"> ● Performance management and career planning ● Learning and Development ● Employee self-service portals ● Insights and analytics dashboard ● Employee engagement ● Payroll administration ● Remuneration administration ● Recruitment ● Onboarding ● Strategic workforce planning ● Staff movements ● Remuneration planning ● Benefits planning and administration ● Time and attendance administration ● Employee information/data management ● Exit management ● Organisational design and management ● Integration options ● Compliance ● Employee relations
PMIS Functional Requirements (summarised)	AMIS Functional Requirements (summarised)
<ul style="list-style-type: none"> ● Supplier Directory ● Requisition/ Purchase Order Management ● Contract Management 	<ul style="list-style-type: none"> ● Digital equipment maintenance ● Property, Infrastructure, Facility asset management for different locations

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- Sourcing
- Supplier Relationship Management

- Full integration with Project Accounting module
- Full integration with Fixed Assets module

Non Functional Requirements

In addition to the functional requirements, the ERP solution needs to address the following non-functional requirements.

Non Functional Requirement	Description
Cloud SAAS solution	The technology solution will be a Cloud Software-As-A-Service type, placing responsibility for the application, operating system and infrastructure on technology providers.
Baseline people data	Consistent and reliable people data will flow seamlessly between Callaghan's finance and human resource systems
Secure architecture	The solution will utilise modern protection mechanisms, providing acceptable levels of defence from malicious actors.
Data security, privacy and sovereignty	All data will be owned by Callaghan Innovation and controls in place to protect data, including personally identifiable information, to relevant standards.
Scaleable functionality	The solution will be implemented as part of a phased approach and hence will require the ability to easily add modules over time.
User experience	Callaghan users require a simple, logical, process driven user interface.
Configuration not customisation	Almost all functional requirements can be met without custom development.
Supported	The solution provider should have an NZ presence and provide local support with support hours aligned to NZ business hours.
Accessible via integration platforms	The solution must "play nice" with integration platforms, allowing fit with Callaghan's existing application portfolio.
Evergreen release path by design	The solution must demonstrate a commitment to an evergreen release pattern, with a clear technical roadmap with a defined upgrade path that is published early and socialised with clients to enable meaningful adoption, with

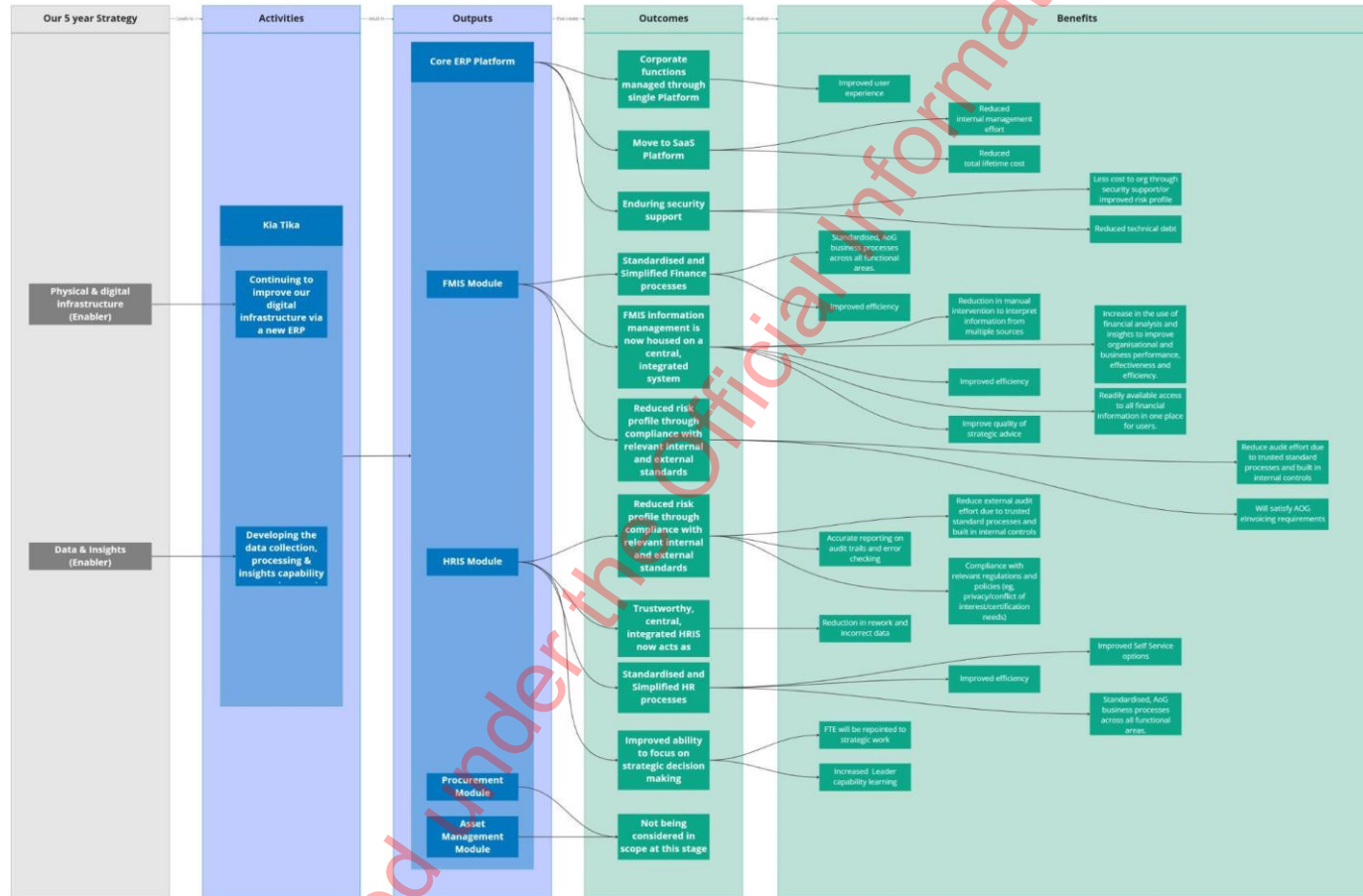


the ability to preview enhancements in an early release adoption offering.

Appendix 2 - Benefits

For further detail please see [Miro Board](#)

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Appendix 3 - Glossary

Acronym	Meaning
ERP	Enterprise resource planning (ERP) is a type of software system that helps organisations automate and manage core business processes for optimal performance. ERP software coordinates the flow of data between a company's business processes, providing a single source of truth and streamlining operations across the enterprise. It's capable of linking a company's financials, supply chain, operations, commerce, reporting, manufacturing, and human resources activities on one platform.
SaaS	Software as a Service
CI	Callaghan Innovation
FMIS	Financial Management Information System
HRIS	Human Resource Information System
PMIS	Procurement Management Information System
AMIS	Asset Management Information System
HR	Human Resources
NZGP	New Zealand Government Procurement
UAT	User Acceptance Testing
Section 9(2)(b)(i) - Commercial Information	
DIA	Department of Internal Affairs
ARC	Audit and Risk Committee

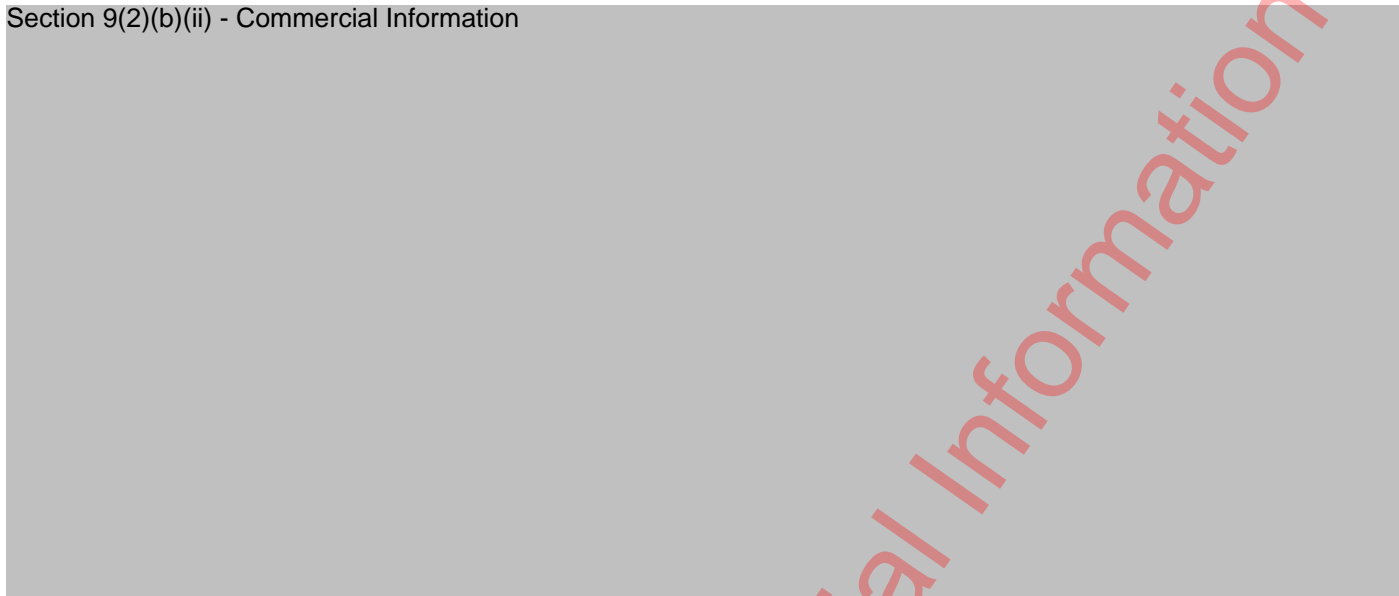


RFP	Request for Proposal
R&D	Research & Development
Section 9(2)(i)	Section 9(2)(b)(ii) - Commercial Information
ELT	Executive Leadership Team
ESR	Expertise, Services, Research & Intelligence (Science for Communities)
GNS	GNS Science
Section 9(2)(b)(ii) - Commercial Information	
AI	Artificial Intelligence
AOG	All of Government
RFx	Request for x (e.g. bid, proposal etc.)
BAU	Business as Usual
ICT	Information and communication technology
OCR	Optical character recognition
SQL	Structured query language
CPR	Corporate performance management
DB	Database server



Appendix 4 - Section 9(2)(b)(ii) - Commercial Information

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



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Appendix 5 - Section 9(2)(b)(ii) - Commercial Information

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Appendix 6 - Fixed Asset Depreciation

Finance

Cost Centre (CC)	CC Description	Asset List	Asset Class	Cost	Total Depreciation	NBV	UL (Years)	Depreciation	Start Date	End Date
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Section 9(2)(b)(ii) - Commercial Information

Human Resources

Cost Centre (CC)	CC Description	Asset List	Asset Class	Cost	Total Depreciation	NBV	UL (Years)	Depreciation	Start Date	End Date
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Section 9(2)(b)(ii) - Commercial Information

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

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Appendix 7 - Feature Comparison for Minimum Viable Upgrade

Following is a comparison of features between Section 9(2)(b)(i) - Commercial Information Finance & Operations, and Section 9(2)(b)(ii) - Commercial Information Business Central. This illustrates the features which would not be available should Option 2 (Minimum Viable Upgrade) be selected over the Preferred Option.

BC vs Fin & Ops - General



Finance & Operations



Business Central

	Finance & Operations	Business Central
Ideal company size	Midsized to Large Enterprises (from 20 users up to thousands).	Small to Midsized, or Divisions of Enterprise companies (no more 250 users)
Intercompany	More sophisticated intercompany and trade, Multi-company within 1 database with easy interoperability between companies.	Multi-company and intercompany functionality is available.
Implementation	Fin & Ops is functionally rich, requiring more decisions during the implementation but is much faster to implement than traditional on-premise ERP applications.	Quicker to implement due to simpler functionality (both in term of breadth and depth).
Development	Full lifecycle services tools to admin, manage, deploy architecture, DB, code base. Development in Visual Studio and SQL on X++, .Net, C#, JS.	Development on AL.

Business Central vs Fin & Ops - Finance



Finance & Operations



Business Central

Finance functions	Finance & Operations	Business Central
	<p>More breadth and depth of finance functions, including:</p> <ul style="list-style-type: none"> • advanced Credit and collections • organisation hierarchies • multiple chart of accounts • unlimited financial dimensions • global electronic reporting for configurable external reporting (e.g. tax, purchase orders) • subscription billing and revenue recognition • AI-powered cashflow forecast • budget control • etc. 	Core finance functions.
	<p>More advanced project management capabilities with multiple funding sources and contracts, external and internal projects, invoicing, WBS, timesheets, expense reports etc.</p>	Basic job management
	<p>Expense management solution, with credit card import, mobile app for receipt capture, submission and approval of expenses.</p>	None



Business Central vs Fin & Ops – Supply Chain



Finance & Operations



Business Central

Supply chain / Procurement	<p>More breadth and depth of supply chain functions, including:</p> <ul style="list-style-type: none"> • advanced warehouse management, with mobile warehouse app • catalogues and flexible price structures • vendor portal and collaboration • external vendor punch out • purchase agreements • matching rules and policies • invoice capture (OCR) (GA in 2023 release wave 1) • master planning • etc. 	Core procurement and basic warehouse functions.
	<p>Asset management</p> <ul style="list-style-type: none"> • maintenance schedules • maintenance request • work orders • etc. 	None

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Business Central vs Fin & Ops – HR



Finance & Operations



Business Central

<p>Human Resources</p>	<p>Human resource functions, including:</p> <ul style="list-style-type: none"> • core employee, position, job information • managerial hierarchy • recruitment projects • position change checklists (onboarding, offboarding, change etc.) • employee and manager self service • performance management • etc. 	<p>Limited / none</p>
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BC vs Fin & Ops – CRM/Dataverse Integration



Finance & Operations



Business Central

<p>CRM (Dataverse) integration</p>	<p>More advanced integration with power platform / CRM apps, with a number of pre-configured scenarios such as 'prospect-to-cash', and a larger number of standard entities. The dual write integration framework to configure additional integrations.</p>	<p>Limited standard integration, and a framework for custom integrations.</p>
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Appendix 8 - ERP Due Diligence

ERP - Due Diligence and Learnings to date

Engagement

In developing the Business Case we engaged with a number of Government Agencies and Crown Entities that Callaghan share strategic directions with to help ensure Callaghan make decisions in line with future pathways. These included:

- Crown Research Institutes - GNS and ESR
- New Zealand Trade and Enterprise

We also met with, and or obtained documentation from: The Department of Conservation, Housing and Urban Development, The Department of Internal Affairs, Inland Revenue (through HUD), The Ministry of Social Development, The Ministry of Foreign Affairs and Trade, Te Kura, and NIWA.

In total we engaged with 11 government agencies.

In addition we also met with potential delivery partners Section 9(2)(b)(i) - Commercial Section 9(2)(b)(i) - Commercial and ERP technology vendors: Section 9(2)(b)(ii) - Commercial; Workday; Section 9(2)(b)(i) - Commercial Inform.

ERP Implementations in NZ Government

Government Agency/Crown Entity	Current ERP	SaaS	CPM Adoption	Comment
<small>Section 9(2)(b)(ii) - Commercial Information</small>				





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

Learnings

Area	Learning
<p>RFP and Procurement</p>	<ul style="list-style-type: none"> ● FMIS and HRIS systems are intrinsically linked. A single ERP provider should provide both of these for seamless integration. As such, these should be the core focus of any tender aiming to procure an integrated ERP solution. ● ERP procurements are best completed with a set of core functional and non-functional requirements and a detailed description of the current state versus target state. Overly detailed requirements or the lack of an understanding of what needs to be achieved are common pain points of similar procurements across government. ● Change fatigue and top-down commitments to workforce wellbeing are key indicators providers look for in tender documentation that reflect the sort of ERP technology that would be most appropriate. ● It's important to analyse the subscription arrangements, ensuring each arrangement includes all desired functionality and services (for example, no hidden costs in completing tasks such as bespoke reporting). ● Gartner rated ERP tools can meet typical core requirements for a FMIS and HRIS system - tender documents should therefore prioritise bespoke requirements (if any) to ensure respondents understand what the buyer considers most important and where to focus their efforts on in their response. ● Buyer's should summarise their organisational strategy in tender documentation so respondents can offer solutions that best align with the strategic direction of the buyer. ● Written RFP responses have a tendency to not give a proper understanding of how ERP technologies function; in-person demonstrations that address predefined usage scenarios tend to be more effective.
<p>Technology</p>	<ul style="list-style-type: none"> ● An effective FMIS solution is likely to constitute more than just a single system. Other systems to consider (and ensure integration with) include reporting, migration, and forecasting. Budget requests should consider any extra costs associated with this. ● ERP technologies being used in the government sector are <small>Section 9(2)(b)(ii) - Comme</small> Workday, <small>Section 9(2)(b)(ii) - Commercial Information</small> <p><small>Section 9(2)(b)(ii) - Commercial Information</small></p>



Area	Learning
	Section 9(2)(b)(ii) - Commercial Information
Implementation	Section 9(2)(b)(ii) - Commercial Information
Governance	Section 9(2)(b)(ii) - Commercial Information
Resourcing	Section 9(2)(b)(ii) - Commercial Information

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Area	Learning
Processes	<ul style="list-style-type: none"> • The All of Government Common Process Model (AoG CPM) adoption is ramping up across Government and can largely be adopted (up to 90%) by most agencies. • The AOG CPM is based on best practice, the model brings consistent, common processes to public service back-offices. • AOG common processes are documented to Level 3 e.g. Accounts Payable: Receive and Capture Invoice / Credit Note / Supporting Documents. Levels below that are technology specific and will need to be developed by the adopter.
Costs	Section 9(2)(b)(ii) - Commercial Information
Change Management	Section 9(2)(b)(ii) - Commercial Information
Data Migration	Section 9(2)(b)(ii) - Commercial Information

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