

9 November 2016

Alexandra Marett  
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PARLIAMENT

By email: alexandra.marett@parliament.govt.nz

REF: OIA-1641

Dear Ms Marett

### Response to OIA request

Thank you once again for your request for official information transferred from Taranaki District Health Board to NZ Health Partnerships on 14 September 2016.

As per our letter on 14 October 2016, we have undertaken the consultations necessary to provide a proper response to your request for:

- the Approval for Business Case for Migration to National Oracle Solution document (NOS) tabled as part of withheld Taranaki DHB Board papers on 28 July 2016.

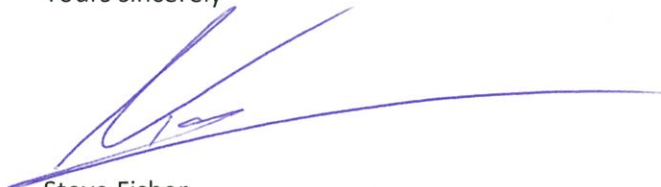
Taranaki, Waitemata, Auckland, Northland and Counties Manukau District Health Boards have all agreed the information in the document you requested should be disclosed.

Please find the document you requested attached.

### Your rights

Please note that under section 28(3) of the OIA, you have the right to complain to the Ombudsman and to seek an investigation and review of this decision. Email: [info@ombudsman.parliament.nz](mailto:info@ombudsman.parliament.nz)

Yours sincerely



Steve Fisher

General Manager, Engagement and Communications



Implementation Business Case for the Northern Region Migration to the National Oracle Solution

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Released under Official Information Act 1982

## 1. Executive Summary

### 1.1 Purpose of the Implementation business case

The Northern Region DHBs (including TDHB) approved the business change case from NZHP (HBL) to complete the build of the National Oracle Solution (NOS). The individual Board resolutions to this effect are documented in Appendix 1.

As part of the business change case DHB Boards were advised that an implementation business case would need to be developed for the implementation (migration) for their respective DHBs.

This document is the implementation business case for the migration of Northern Region DHBs to the National Oracle Solution.

### 1.2 Implementation business case/Project Proposal

This programme requests additional funding of \$2.494m to enable the migration of the Northern Region DHBs and supporting organisations to the National Oracle Solution between now and June 2018. The total cost of the migration programme is forecast to be \$11.12m.

Here is a summary of the cost breakdown by DHB:

|                                     | ADHB         | CMH          | WDHB         | NDHB         | TDHB        | Total         |
|-------------------------------------|--------------|--------------|--------------|--------------|-------------|---------------|
|                                     | \$'000       | \$'000       | \$'000       | \$'000       | \$'000      | \$'000        |
| <b>Implementation Business Case</b> |              |              |              |              |             |               |
| <i>Cost split:</i>                  |              |              |              |              |             |               |
| NR Costs                            | 2,724        | 2,274        | 2,274        | 963          | 473         | 8,708         |
| NOS Costs                           | 566          | 473          | 473          | 200          | 99          | 1,811         |
| NOS Contingency                     | 188          | 157          | 157          | 67           | 33          | 600           |
| <b>Total Budget</b>                 | <b>3,478</b> | <b>2,903</b> | <b>2,903</b> | <b>1,230</b> | <b>605</b>  | <b>11,119</b> |
| <b>Change Business Case</b>         |              |              |              |              |             |               |
| DHB approved budget*                | 2,682        | 2,239        | 1,808        | 948          | 948         | 8,625         |
| <b>Additional funding</b>           |              |              |              |              |             |               |
| Requirement/(Release)               | <b>796</b>   | <b>664</b>   | <b>1,095</b> | <b>282</b>   | <b>-343</b> | <b>2,494</b>  |

\* Approved by respective Board Minutes Q4 2015

CM/DHB and TDHB costs anticipated but not approved

Assumption that seed funding is included in DHB approved budget cost

In addition to this funding, DHBs need to commit resources to conduct DHB specific activities. DHB SME resource is included in above costing as well as master data cleansing costs.

It should be noted that no direct benefits are being attributed to this NR Oracle Migration programme as any benefits are measured and to be realised by NZHP as part of the overall National Oracle Solution change case. NOS benefits are not completely enabled until all DHB entities have been migrated and the programme is complete.

### 1.3 Key Drivers for the Project

The decision to complete the build of the National Oracle Solution was approved by the Minister.

NZHP are currently managing the design and build of this National Oracle Solution. The final national solution will be built and supported by NZHP from end of January 2017, following a successful go-live in Health-BIS DHBs.

This timeframe allows the Northern Region to commence planning their NOS implementation and meets the requirement that a business case needs to be ideally signed off over one year prior to a DHB nominated implementation window. The National Solution also allows DHBs to reduce their total cost of ownership for ERP systems over time and reduces the risk of current systems going out of support

### 1.4 Summary Risk and Constraints Analysis

Achieving a successful Northern Region Implementation relies on:

- The NOS programme delivering quality work to the agreed timeframes
- The Northern Region Migration Team and impacted DHBs working efficiently, effectively and collaboratively together to implement this national solution within the agreed scope and within the agreed NOS timeframes
- Working to minimise operational impact to DHBs by phasing in various required changes
- Working effectively within the ever changing DHB environments and giving priority to the NOS implementation where required within both the DHB and other environments during the programme timeframe i.e. limiting change to operating models and feeder systems

### 1.5 Summary Project Implementation Timeframes

The following table shows the current implementation groupings and overall timings agreed with NOS for the Northern Region Migration.

| Implementation Period | Entity Grouping for Migration  | Entity Grouping for Migration   | Entity Grouping for Migration       |
|-----------------------|--|---|-------------------------------------|
| July 17 - Mar 18      | Waitemata DHB<br>The Three Harbours Health Foundation<br>healthAlliance<br>healthAlliance FPSC<br>NZ Health Partnerships<br>Taranaki DHB | Counties Manukau Health<br>Northland DHB<br>Middlemore Foundation for Health Innovation<br>Northern Region Alliance | Auckland DHB<br>A+ Charitable Trust |
|                       |  |   |                                     |

## 2. Project Benefits

Detailed benefits were calculated by NZHP (HBL) and apportioned per DHB and contained within the revised business change case.

This case documented overall positive NPV benefit of \$150m compared to DHB investment of \$120m (which included implementation investment).

We are not aware of any additional risks to the benefit delivery other than those identified and considered as part of the approved business change case.

It should be noted that no direct benefits are being attributed to this NR Oracle Implementation programme as any benefits are to be measured and realised by NZHP as part of the National Oracle Solution change case. For a detailed understanding of the NOS benefits please refer to the business change case.

hA has identified intangible benefits to the Northern Region DHBs migrating to the national system compared with the current regional platform. These intangible benefits are outlined below.

| Category               | Further Intangible Benefits   |
|------------------------|---|
| Supported System       | Reduced risk with nationally supported Oracle solution  |
| Reduced Support Effort | Current Oracle EBS patch management will be the responsibility of NZHP  |
| Reporting              | Report formats standardised nationally for management accounting and MOH reporting  |
| RC structure           | National single field RC structure is more suitable than the dual segment structure currently used by the Northern Region |
| National Catalogue     | Improved catalogue alignment for NR DHBs  |
| Further integration    | The move to more standardised processes facilitating further alignment of current localised services                      |

The project team will update this table as it finds further benefits throughout the implementation.

## 3. Project Costs

|                                      | FY 2016 | FY 2017 | FY 2018 | Total  |
|--------------------------------------|---------|---------|---------|--------|
|                                      | \$'000  | \$'000  | \$'000  | \$'000 |
| <b>Project Management</b>            |         | 597     | 535     | 1,132  |
| <b>Project Delivery</b>              |         | 506     | 350     | 856    |
| <b>NOS Resourcing</b>                |         | 545     | 1,266   | 1,811  |
| <b>Process Change &amp; Training</b> |         | 809     | 956     | 1,765  |
| <b>Master Data Integrity</b>         |         | 743     | 326     | 1,069  |
| <b>Operational Support</b>           |         | 238     | 688     | 926    |
| <b>Vendor Costs</b>                  |         | 639     | 164     | 803    |
|                                      |         | 4,077   | 4,285   | 8,361  |

|                         |            |              |              |               |
|-------------------------|------------|--------------|--------------|---------------|
| <b>Seed funding</b>     | 161        | 250          |              | 411           |
| <b>Non Labour Costs</b> |            | 283          | 92           | 375           |
|                         | 161        | 4,610        | 4,377        | 9,147         |
| <b>Contingency @15%</b> | 24         | 691          | 656          | 1,371         |
|                         | 185        | 5,301        | 5,033        | 10,519        |
| <b>NOS Contingency</b>  |            | 600          |              | 600           |
|                         | <b>185</b> | <b>5,901</b> | <b>5,033</b> | <b>11,119</b> |

Key costing assumptions include:

- NOS will deliver a fully configured national system, including EDI and data conversion tools.
- NOS will deliver all documentation and appropriate super-user training to support this national solution.
- NOS timelines are met and project environments are available.
- The NR budget caters for local training and all required localisations.
- Master Data templates and national master data information will be provided to NR for localised cleansing for the product catalogue and suppliers.
- Significant NR operational support will be required at key points in the project.
- Central change Management will be minimal and completed by the DHB SME's. The DHB's will fund any extra local change management activity based on their own requirements or using their own resources.
- Ongoing OPEX costs for NOS have already been agreed with NZHP.

#### 4. Project Financing timelines

By Financial Year:

FY 15/16

FY 16/17

FY 17/18

Total

|  | ADHB         | CMH          | WDHB         | NDHB         | TDHB       | Total         |
|--|--------------|--------------|--------------|--------------|------------|---------------|
|  | \$'000       | \$'000       | \$'000       | \$'000       | \$'000     | \$'000        |
|  | 59           | 48           | 48           | 20           | 10         | 185           |
|  | 1,845        | 1,541        | 1,541        | 653          | 321        | 5,901         |
|  | 1,574        | 1,314        | 1,314        | 557          | 274        | 5,033         |
|  | <b>3,478</b> | <b>2,903</b> | <b>2,903</b> | <b>1,230</b> | <b>605</b> | <b>11,119</b> |

## 5. Project Implementation

### 5.1 Implementation Plan

The NR Oracle Migration Programme plan structure reflects the planning framework determined by NZHP. Specifically, DHB migrations are agreed within implementation waves/ windows to balance the objectives of giving NOS sufficient time between migrations and to avoid unnecessary disruption to existing DHBs already resident on NOS. The current proposed implementation plan for the NOS is as below:

| Period  | Activity / Entity for Migration  |
|---------|--|
| Jan 17  | HealthBIS  |
| July 17 | Waitemata DHB<br>The Three Harbours Health Foundation<br>healthAlliance<br>healthAlliance FPSC<br>NZ Health Partnerships<br>Taranaki DHB |
| Aug 17  | No Migration - NOS stability period  |
| Sep 17  | No Migration - NOS stability period  |
| Oct 17  | No Migration - NOS stability period  |
| Nov 17  | Counties Manukau Health<br>Northland DHB<br>Middlemore Foundation for Health Innovation<br>Northern Region Alliance                      |
| Dec 17  | No Migration - NOS stability period  |
| Jan 18  | No Migration - NOS stability period  |
| Feb 18  | No Migration - NOS stability period  |
| Mar 18  | Auckland DHB<br>A+ Charitable Trust<br>Hutt Valley DHB   |

The implementation plan seeks to share skilled resources and minimise time requirements for each individual DHB by combining tasks where appropriate.

The implementation plan also seeks to spread change impact by having a number of go-live dates e.g. FRED in advance of technical go-live.

The implementation plan will need to complete scenario and contingency planning given the key dependencies on the NOS programme and their associated milestone risks.