



SUBJECT	Workday R-1 Completion Project
SUBMITTED TO	Finance Committee
MEETING DATE	September 8, 2021
SESSION CLASSIFICATION	Recommended session criteria from Board Meetings Policy: OPEN
REQUEST	Action requested - Approval IT IS HEREBY RESOLVED that the Finance Committee recommends that the Board of Governors approve: <i>i.</i> release of \$13.3 million from unused, previously approved HR/Fin contingency for the R-1 Completion project (total project cost \$29.5 million); and, <i>ii.</i> an internal loan of \$32.8 million to fully finance HR/Fin costs of \$192.6 million and an internal loan of up to \$29.5 million for the Release 1 Completion project for a total internal loan of up to \$62.3 million for a 12-year term at an interest rate of 5.75%.
LEAD EXECUTIVE	Peter Smailes, Vice-President Finance & Operations
SUPPORTED BY	Karamjeet Heer, Comptroller Matt Boydston, Assistant Comptroller Steve Bow, Assistant to the Comptroller John Thomson, Project Lead

EXECUTIVE SUMMARY

The go-live date for Release 1 of the IRP initiative (HR/Finance) was November 2, 2020. The total cost of Release 1 was \$192.6 million to March 31, 2021, against an approved budget of \$229.6 million, to be financed through internal loans. In order to meet the November 2, 2020, go-live date, a number of in-scope requirements were postponed to post go-live. Had all of this work been completed by November 2, 2020, the cost of the IRP HR/Finance would have been closer to the total budget amount of \$229.6 million.

The most significant work that was postponed was related to financial reporting. The University experienced a number of challenges in completing March 31, 2021 financial statements and had to rely on manual workarounds to meet the statutory financial reporting requirements. The manual workarounds create a compliance risk for the University and must be addressed by the end of this fiscal year end. The University has also committed to its auditors that this financial reporting work would be completed by the end of this fiscal year.

A Workday R1 Completion Project has been established in order to complete the postponed Release 1 work. In addition to the completion of in-scope release 1 work, configuration changes are required to implement controls to address the risk of potential financial misstatement. These changes will support the preparation of accurate financial statements in a timely manner and are required to meet the University's statutory requirements. Additional functionality is not included in this project and will be undertaken at a later date.

The Release 1 completion project was initially scoped (prior to full planning) at \$21.0 million and was intended to be financed from HR/Fin savings and approximately \$4.8 million of unused contingency. Planning has now been completed on the scope of activities required for the HR/Finance system to be fully operational. The additional work required to complete the project includes an allocation of the standard 30% contingency. The total revised project estimate is \$29.5 million (\$22.7 million base plus contingency of \$6.8 million at 30%). The project cost will be covered with \$16.2 million from HR/Fin savings and \$13.3 million from HR/Fin unallocated contingency of \$20.8 million. If all of the R1 completion project contingency is required, the total cost the IRP HR/Finance will be \$222.1 million or \$7.5 million under budget.

Financing totalling \$229.6 million was anticipated in February 2020, when the Board of Governors approved the new Workday HR and Finance launch date of early November 2020. An internal loan of \$120.0 million approved by the Board in April 2019 (20-year term at 0% interest and a five-year payment holiday), and an internal loan of \$39.8 million approved by the Board in June 2019 (10-year term at 5.75% interest rate) for AEP.

Board approval for a loan for the remainder of the approved budget was not requested at the February 2020 meeting. An internal loan of \$32.8 million to fully finance HR/Fin costs of \$192.6 million and an additional \$29.5 million for the Release 1 Completion project for a total internal borrowing of up to \$62.3 million (12-year term at 5.75% interest rate) is required.

Debt service for \$53.8 million of the total \$62.3 million internal loan request has already been incorporated into the funding for the IRP HR/Finance and Student. The \$1 million debt service for the remaining up to \$8.5 million will be sourced from the UBC Vancouver Operating Fund.

PRESENTATIONS

1. Workday R-1 Completion Update

INTEGRATED RENEWAL PROGRAM

IRP – Release 1 Completion APPROVAL REQUEST

Peter Smalles, VP Finance & Operations

September 8, 2021



BACKGROUND

- Go-live for IRP HR/Finance was November 2, 2020
 - Total approved budget of \$229.6m
 - Total cost of \$192.6m at March 31, 2021
 - Financing totaling \$159.8m previously approved by Board
 - Related ongoing projects required for Workday HR/Fin are aggregated into “R1 Completion” project



IRP – HR/FINANCE

Program Actual vs. Budget Summary

As of July 31, 2021

(in thousands)

	ACTUAL/FORECAST			BUDGET			VARIANCE		
	Base	Contingency	Total	Base	Contingency	Total	Base	Contingency	Total
<i>HR/FIN Release 1 (approved)</i>									
IRP-HR-FIN-R1	147,225	975	148,200	154,600	9,181	163,781	7,375	8,206	15,581
IRP Adaptive Insights	-	-	-	6,000	900	6,900	6,000	900	6,900
AEP	44,402	-	44,402	47,200	11,700	58,900	2,798	11,700	14,498
Subtotal	191,627	975	192,602	207,800	21,781	229,581	16,173	20,806	36,979

- Total available budget from HR/Fin at \$37.0m (\$16.2m base savings and \$20.8m in unused contingency)
- Approved budget for IRP Adaptive insights deferred to R1 - Complete



R1 - COMPLETION

- In order to meet the November 2, 2020 go-live date, a number of in-scope requirements were postponed to post go-live.
- The most significant work was related to financial reporting.
- The University experienced a number of challenges in completing March 31, 2021 financial statements and had to rely on manual workarounds to meet the statutory financial reporting requirements.
- The manual workarounds create a compliance risk for the University and must be addressed by the end of this fiscal year end.
- The University has also committed to its auditors that this financial reporting work will be completed by the end of this fiscal year.



IRP – R1 COMPLETE COST

Project	Cost
Finance & Capital statutory reporting requirements	9.9
Human Capital Management (HCM)	2.5
Adaptive Insights	6.3
Enterprise Maintenance Management System (EMMS)	3.0
Compliance and Risk	1.0
Subtotal	22.7
Contingency @ 30%	6.8
Total	29.5

Total revised project estimate at \$29.5m (\$22.7m base plus contingency at 30%)

- \$16.2m from HR/Fin Savings
- \$13.3m from HR/Fin unallocated contingency of \$20.8m



RELEASE 1 COMPLETION TIMELINES

Area	2021			2022				2023			
	June	Sept	Dec	March	June	Sept	Dec	March	June	Sept	Dec
Finance & Capital Statutory Reporting Requirements – Phase 1 (Year End)											
Finance & Capital Statutory Reporting Requirements – Phase 2											
HCM Initiatives											
Adaptive Insights Implementation (Release 1)											
Adaptive Insights Implementation (Release 2)											
EMMS Stream 1 Extension and High Priority Defects											
Compliance & Risk											

- Majority of project will be completed by June 2022
 - Longer-term components include implementation of Adaptive Insights (budgeting and planning) and capital project management solutions



INTERNAL BORROWING FOR HR/FIN

- IRP - HR/Fin completed at a cost of \$192.6m to be financed through internal loans
 - Internal Loan of \$120.0m approved by the Board in April 2019 (20-year term at 0% interest and a 5-year payment holiday)
 - Internal Loan of \$39.8m approved by the Board in June 2019 (10-year term at 5.75% interest) for AEP
 - An internal loan of \$32.8m to fully finance HR/Fin costs of \$192.6m and an internal loan of up to \$29.5m for the Release 1 Completion project for a total internal loan of up to \$62.3 for a 12 year term at an interest rate of 5.75%



REQUESTED APPROVAL

IT IS HEREBY RESOLVED that the Finance Committee recommends that the Board of Governors approve;

- i. release of \$13.3m from unused, previously approved Workday HR/Fin contingency for the R1-complete project (total project cost \$29.5m); and,
- ii. an internal loan of \$32.8m to fully finance HR/Fin costs of \$192.6m and an internal loan of up to \$29.5m for the Release 1 Completion project for a total internal loan of up to \$62.3 for a 12-year term at an interest rate of 5.75%.

