

New HR System and Managed Payroll Service

Report of the Leader of the Council

Recommended:

- 1. That bidder D (as shown in the confidential annex to this report) be appointed to provide a new HR System and Managed Payroll Service for the Council.**
- 2. That, in order to finance the additional one-off implementation costs in 2019/20, a draw of up to £70,000 from the Capacity Building Reserve be approved.**
- 3. That the ongoing savings associated with this new contract be noted.**

SUMMARY:

- Hampshire County Council (HCC) gave TVBC notice to end the shared service arrangement we have had in place since 2010 for the delivery of the HR System and Managed Payroll Service. This arrangement will cease from 31 March 2020.
- The timing of this notice period for the ending of these shared service arrangements did not enable any costs to be factored into the 2019/20 HR budget for the implementation of a new HR System and Managed Payroll Service.
- Establishing a new HR System and Managed Payroll Service with a different provider requires a significant set up phase prior to going live with a new Managed Payroll and HR self-service. This takes about 5-6 months and will cost approximately £70,000.
- The annual service management costs for a new HR System and Managed Payroll Service are less than the costs we currently pay HCC for the delivery of the same service. This means the additional implementation costs will be recovered within 3 years.

1 Introduction

- 1.1** The HR System and Managed Payroll Service has been provided via a shared services arrangement from HCC since 2010. This is due to come to an end on 31 March 2020 therefore we have undertaken a procurement exercise in order to ensure the continuation of this service from another provider from 1 April 2020.
- 1.2** Getting a new HR System and Managed Payroll Service set up requires a significant implementation phase including 2-3 months of dual running of the two payroll systems to ensure accuracy. This requires the Council to sign the new contract with a 5-6 month overlap to allow sufficient time to set up the new HR and payroll system with TVBC terms and conditions and transfer key data over to the new system ahead of any dual running. The additional costs for paying for the system during this implementation phase along with training and consultancy support to ensure accurate set up is approximately £70,000.

- 1.3 These additional costs were not known when the 2019/20 budgets were finalised but will need to be paid in the 2019/20 financial year.

2 Background

- 2.1 The current HR System and Managed Payroll Service has been delivered by HCC Transactional Payroll Service Team since 2010. This payroll service covers employee payroll, member payroll and periodic elections payroll.
- 2.2 HCC gave TVBC notice to terminate the Managed Payroll and SAP HR Services on 28 February 2019. In 2014 HCC transitioned onto a new SAP operating model which integrated both HR and Finance in a single instance of SAP. TVBC are the only customer of HCC on a different SAP model which is now becoming obsolete making managing the old infrastructure specific to TVBC challenging. They are unable to continue to provide the services to us beyond 31 March 2020 under the current arrangements as they are not able to support changes to pay requirements or legislative changes on an obsolete system. HCC have indicated it would be too costly for TVBC as a small employer to transition onto the new version of SAP and it doesn't fit with HCC's current operating model which is one of partnering with larger organisations.

3 Corporate Objectives and Priorities

- 3.1 It is a key operational requirement of the Council to provide an accurate and timely payroll service in line with legislative requirements and the Council's terms and conditions.

4 Options

- 4.1 We have undertaken a comprehensive procurement exercise both looking at alternative shared service options and evaluating suppliers offering HR Systems and Managed Payroll Services on the Government's Digital Marketplace "G-Cloud" framework.
- 4.2 The results of this procurement exercise are shown in the confidential annex to this report. Bidder D is the preferred supplier and Cabinet is recommended to award the contract to them.

5 Option Appraisal

- 5.1 The Council needs to ensure continuity of its payroll service from 1 April 2020. In order to ensure this continuity the Council needs to commence the implementation phase with the new provider as soon as possible. This requires the Council to sign the G-Cloud contract this month and make payments to cover the software licences and implementation costs from the commencement of the contract.

- 5.2 The software solution, is a cloud based system which integrates HR management and recruitment with payroll and has additional talent management and performance management options. The supplier offers a fully managed payroll service with self-service access from any mobile, tablet or PC device. It provides these services to over 1000 customers and has 42% of the market share in Local Government. The system has a flexible configuration to enable it to be adapted to TVBC terms and conditions.
- 5.3 The system will offer the Council additional functionality and the ability to integrate different areas of HR Management and Administration. It has a more user friendly customer interface compared with the current software and offers more flexibility to set up the system or make changes to the system in line with the Council's employment policies and terms and conditions of employment.

6 Risk Management

- 6.1 An evaluation of the risks indicate that the existing controls in place mean that no significant risks have been identified at this time. .

7 Resource Implications

- 7.1 The costs and savings of the new HR system and Managed Payroll Service are set out below:

| | | Existing Budget £000s | Cost £000s | Additional cost / (saving) £000s |
|---------|------------------------------|-----------------------------|---------------|--|
| 2019/20 | HCC Shared Service Contract | 84 | 84 | |
| | Implementation of new system | 0 | 70 | |
| | | 84 | 154 | 70 |
| 2020/21 | New Managed Payroll Service | 84 | 59 | (25) |
| 2021/22 | New Managed Payroll Service | 84 | 40 | (44) |
| 2022/23 | New Managed Payroll Service | 84 | 40 | (44) |
| 2023/24 | New Managed Payroll Service | 84 | 40 | (44) |
| | | | | Net four year Contract Savings = (87) |

- 7.2 The implementation of the HR system will take a phased approach over 2 years, with essential work being undertaken between now and 1 April 2020 to ensure continuity of the payroll service and employee self-service.
- 7.3 The ongoing cost in year 3 and 4 of the contract, once all the modules have been implemented will be approximately half of the cost we currently pay HCC. This enables the implementation costs to be fully recovered during the first 3 years of the contract.

7.4 In view of the longer-term savings associated with this contract, it is recommended that the initial set up and implementation costs are financed from the Council's Capacity Building Reserve.

8 Legal Implications

8.1 The contract will be awarded under the G-cloud framework.

9 Conclusion and reasons for recommendation

9.1 Cabinet are asked to consider the approval of an additional budget of £70,000 in 2019/20 to cover the overlap in the two contracts for the HR System and Managed Payroll Service and the implementation costs for getting the new HR system set up to ensure continuity of payroll from 1 April 2020.

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| <u>Background Papers (Local Government Act 1972 Section 100D)</u> | | | |
| None | | | |
| <u>Confidentiality</u> | | | |
| It is considered that this report does not contain exempt information within the meaning of Schedule 12A of the Local Government Act 1972, as amended, and can be made public. | | | |
| It is considered that the Exempt Annex to this report within the meaning of paragraph 3 of Schedule 12A of the Local Government Act 1972 in that the information relates to the financial or business affairs of both the Council and third parties and it is considered that in all circumstances of the case the public interest maintaining the exemption outweighs the public interest in disclosing it. | | | |
| No of Annexes: | 1 - Confidential | File Ref: | N/A |
| (Portfolio: Leader) Councillor P North | | | |
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| Report to: | Cabinet | Date: | 9 October 2019 |