

Report of	Meeting	Date
Deputy Chief Executive (Introduced by the Executive Member (Resources))	Executive Cabinet	17/06/20

## HR and Payroll System

### Purpose of report

- To seek approval to enter into a ten-year agreement with Blackpool Council to provide a managed payroll service with integrated HR service and all associated implementation, support and maintenance services.

### Recommendation(s)

- To approve the appointment of Blackpool Council for the provision of a managed payroll service with integrated HR system and all associated implementation, support, and maintenance services
- To delegate the finalisation of the agreement with Blackpool Council to the Director of Governance.

<b>Confidential report</b> Please bold as appropriate	Yes	No
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<b>Key Decision?</b> Please bold as appropriate	Yes	No
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<b>Reason</b> Please bold as appropriate	1, a change in service provision that impacts upon the service revenue budget by £100,000 or more	<b>2, a contract worth £100,000 or more</b>
	3, a new or unprogrammed capital scheme of £100,000 or more	4, Significant impact in environmental, social or physical terms in two or more wards

### Reasons for recommendation(s)

#### (If the recommendations are accepted)

- The council has determined that a ten-year partnership arrangement with Blackpool Council via a section 101 Local Government Act 1972 agreement provides the most effective and best value way to secure a fully managed payroll service with integrated HR system.

### Alternative options considered and rejected

- The current HR and Payroll systems contract expires March 2022 and there is no compliant ability to extend this.

6. Procurement via either open tender or a framework requires specialist input to specify, document and evaluate tenders which would be resource intensive and potentially expensive. The market has been explored and found that it is very limited in terms of suppliers that would meet our specification and that the prices that could be achieved are unlikely to be more economical than the partnership approach, particularly as direct contract award to a supplier would incur high implementation costs. A partnership arrangement gives additional resilience to the project and ongoing payroll service unlike a direct award.

### Corporate priorities

7. This report relates to the following Strategic Objectives:

Involving residents in improving their local area and equality of access for all		A strong local economy	
Clean, safe and healthy homes and communities		An ambitious council that does more to meet the needs of residents and the local area	x

### Background

8. Phase 1 of shared services established a shared HR team as a strategic workforce management function to shape, drive and support the longer-term ambitions of the councils.
9. A shared HR system is now needed to align and automate processes, integrating personnel management and payroll functions by April 2022, the expiry date for the current payroll contracts. Currently, both councils have different external fully managed payroll providers.
10. Chorley has a service contract with Blackpool council to deliver a managed payroll service which has been in place for over 15 years and due to expire 31 March 2021. The system offers some basic HR functionality and reporting, but an improved and updated system will provide greater efficiency.
11. The council requires a shared payroll provision for both councils that integrates with a suitable HR management system which offers best value, is fit for purpose, and meets all essential requirements.
12. A broader objective of introducing a shared integrated HR/Payroll system is to support the wider digital transformation ambitions of the council and satisfy the expectations of both potential and current employees. This transformation aims to automate processes and drive significant service improvements and further efficiencies across the Council.
13. Measures of the achievement of the objective will include:
- Systems which are fit for purpose
  - Achieving better value for money
  - Reduced transaction costs through self-service / system efficiencies / efficiency savings through reduced duplication, improved process flows and increased accessibility
  - Staffing efficiencies through more integrated and automated working
  - Improved management ability to make more evidence-based decisions with improved data quality, visualisations and reports
  - An excellent customer experience that makes it easier for managers and employees to carry out their duties
  - Increased accessibility including use of mobile technology
  - The ability to easily share data and information across systems
14. Activity to establish the essential and desirable features has been carried out through detail process mapping exercise. Environment scanning took place to establish what systems were

being used by other local authorities, in particular authorities of a similar size and profile, and to gain an understanding of the challenges of the process ahead.

15. A number of suppliers were invited to provide system demonstrations to gain an understanding of the core functionality of an integrated HR/Payroll with self-service solution. The council's current payroll providers were also invited to discuss how they could meet the shared requirements of the councils.

### **Partnership Opportunities**

16. A partnership arrangement with another local authority can be established through a section 101 Local Government Act 1972 agreement. This allows certain functions of the council to be delegated to another local authority.
17. Blackpool Council commenced a formal OJEU tender procurement in February 2020 to select a suitable supplier to provide a replacement integrated HR and Payroll System, including implementation, support, and maintenance. This process was completed in February 2021 and MHR International UK Limited were appointed as their Preferred Bidder. The initial contract term will be 10 years following successful implementation and roll out (April 2022 for core HR and Payroll) with the potential to extend for a further 5 years (renewal term). Within the contract Blackpool Council has expressed agreement that they can offer managed payroll and integrated HR system modules to third parties.
18. The MHR system demonstrated their system to the HR team and the system functionality evaluated against the council's essential requirements. Discussions and negotiations have taken place with Blackpool Council to determine an agreeable partnership arrangement for a manage payroll service with integrated HR system, on behalf of Chorley and South Ribble Councils.
19. There are many advantages of this model with Blackpool listed below:
  - Any costs to Chorley Council are to be based on cost recovery only. There is no upfront implementation fees and it will reduce the internal resource required for system implementation.
  - By working in partnership able to share expertise and knowledge.
  - Minimises the requirement for additional ICT support from the councils as it is externally delivered and fully compliant with all data storing, sharing and processing legislation and regulations.
  - An agreed project plan would ensure that our HR transformation plan is fully supported.
  - The timeline to award the contract would greatly be reduced which allows a more managed considered implementation plan.
  - Chorley and Blackpool Council have a trusted and successful track record to deliver payroll services. The existing relationship between the Shared HR staff and the Blackpool Payroll/HR team gives confidence in payroll transfer and reduces risks for the Councils.
  - Blackpool have undertaken extensive market testing and due diligence as part of their procurement and tender evaluation process, including site visits to other local authority using the software. This partnership will give HR capacity to focus on the internal behavior change as part of successful implementation.
20. Blackpool Council would be identified as a key partnership and this relationship would be underpinned by the relevant legally bidding contract. This relationship will form one of the partnerships and will be listed on the Key Contracts and Partnerships Register

## Implications of report

### Risk

21. HR and Payroll systems are business critical. The current payroll contract terminates on 31 March 2022. Should contracts not be awarded there is a risk that the Council will not have sufficient time to implement replacement systems before the current contract expires. A minimum period of two months testing must be factored into the overall project timescales, commencing in January 2022. This has been considered in developing these proposals and is deliverable.
22. As Blackpool Council are replacing their current payroll system the current arrangements for a managed payroll service cannot continue. Should the contract continue in current form it would still be necessary to migrate the data onto the new system, and with that there would be a period of implementation, testing and increased cost due to increased functionality.
23. The proposed agreement relies on an identical arrangement to be in place between Blackpool and South Ribble councils and this interdependency is reflected in the partnership agreement and will be managed by the Shared HR team.

### Financial implications

24. The current budget for HR and Payroll is £33,529. The fee for the managed payroll service is based on number of payslips produced each month, and therefore is a variable price. There is a fixed cost of £6.30 per employee, and for elections staff of £6.39 per employee. Based on the current number of employees this is expected annual cost of £33,264.
25. Full access to the HR modules and functionality is based on a fixed price of £27.12 per employee per year. This is made up of the direct charge from MHR based on the number of licences per year, and the cost per user for administration at organisational level (i.e. global system configuration) from Blackpool. Given the current number of employees this is £11,933 per annum.
26. It is acknowledged that full functionality will not have been implemented from day one. This is to allow a stage implementation which allows priority to be given to essential functionality. A service level agreement will in place prior to April 2022 which will include a full function implementation plan.
27. The total expected annual cost is £45,197. This includes Leisure services which accounts for £8,500. This can be recharged to the budgets related to the wholly owned leisure company
28. This report has implications in the following areas and the relevant Directors' comments are included:

Finance	x	Customer Services	
Human Resources	x	Equality and Diversity	
Legal	x	Integrated Impact Assessment required?	
No significant implications in this area		Policy and Communications	

### Comments of the Statutory Finance Officer

29. There is currently existing budget for £33,529 for Payroll services and for the HR (Information@work) system. On top of this additional changes were expected for payroll costs due to Leisure staffing which are built in to Leisure budgets. The new cost represents

an overall increase to the Council budget (excluding Leisure) of £3,168 which will be picked up during the 21.22 budget setting process.

**Comments of the Monitoring Officer**

30. What is proposed here is that this council (along with South Ribble Council) enter into a contract with Blackpool Council. There is a various legislation to enable this to happen most notably Section 101 of the Local Government Act 1972. There is reference there to "...a local authority may arrange for the discharge of any of their functions....by any other local authority". Accordingly, a formal legal agreement will be drawn up and entered into to protect the council's interests.

Chris Sinnott  
Deputy Chief Executive

<b>Report Author</b>	<b>Ext</b>	<b>Date</b>
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