

HARBOROUGH DISTRICT COUNCIL

REPORT TO THE EXECUTIVE MEETING OF 10 February 2020

PUBLIC REPORT: Y

EXEMPT REPORT: N – Appendix 1 Exempt (Paragraph 3)

Report Title	Provision of a Payroll and Human Resource System
KEY DECISION	N
Report Author	Karen Watling – Interim Chief Officer of Finance and Assets
Purpose of Report	To gain the approval of an alternative solution for a new integrated Payroll and Human Resource system.
Reason for Decision	The primary decision to seek an alternative agreement relies on; the limited functionality we are currently being provided with, the unexpected request for an increased contract value to reimplement the previous level of functionality and the requirement for frequent manual intervention.
Portfolio (holder)	Councillor James Hallam
Corporate Priorities	This new system will underpin one of the three council priorities: Your Council: to deliver services efficiently; as there will be clear improvement to the level of service currently being provided to the entire workforce of Harborough District Council through enhanced functionality, quality of service and releasing of staff time.
Financial Implications	The financial implication of staying with our current provider would be £27,000 if they are willing to negotiate. Moving to the new, preferred provider would incur costs of £30,000 per annum, including implementation fees that are spread across the duration of the contract. There are currently budget provisions of £30,000 per annum for 2020/21, to secure a new service provider.

Risk Management Implications	The risks associated with not entering into a new agreement, along with the risks related to procuring an alternative provider have been identified and outlined in a risk register, which is set up and currently being maintained, together with detailed mitigation actions for each risk.
Environmental Implications	There are no significant environmental implications.
Legal Implications	<p>Leicester City Council indicated that no issues regarding the Transfer of Undertakings (Public Employees) (“TUPE”) are likely to emerge regardless of which option is chosen.</p> <p>Legal services will advise on the powers under which a local authority can delegate its functions to another local authority or to provide traded services.</p> <p>Securing alternative provision of the service through delegation of responsibility to another Local Authority would be permissible under The Public Contracts Regulations 2015 12 (7) “<i>Contracts which establish or implement co-operation between contracting authorities</i>” and would not require a competitive procurement procedure.</p>
Equality Implications	None
Data Protection Implications	Upon selection of our preferred provider we will seek clarity on their data protection arrangements.
Consultation	<p>There may be a need to set up formal consultations with Leicester City to clarify any potential TUPE issues.</p> <p>Unison have been engaged with and are aware that we are currently considering changes.</p> <p>Broughton Astley Parish Council to whom Harborough District Council provides services to through Leicester City Council.</p>
Options	<p>These are contained in the body of the report and include:</p> <ol style="list-style-type: none"> 1. Do nothing – stay with the City Council.

	<ol style="list-style-type: none"> 2. Delegate the service to another Local Authority or shared services provider. 3. Contract to the private sector – procure a private sector provider. 4. Do it ourselves – the council implements and runs a cloud-based Payroll and HR System.
Background Papers	<ol style="list-style-type: none"> 1. Payroll & HR Project Initiation Document 2. Payroll & HR Project Plan 3. Options Appraisal
Appendices	A. Options Appraisal
Recommendations	<ol style="list-style-type: none"> 1. To give the twelve months notice to Leicester City Council to cease the provision of Payroll and HR Systems. 2. To approve the delegation of the provision of a Payroll and Human Resource System to North West Leicestershire District Council from February 2020.

1. Introduction

- 1.1. The Council has had a delegated service arrangement with Leicester City Council for Payroll and Human Resource systems since 2011. A paper was presented to CMT on 26 September 2018 recommending that the Council complete an Options Appraisal on the future of this provision, given the considerable issues that had been experienced with the system at that time, SAFE. In February 2019 Leicester City Council changed systems to Midland's iTrent, which is an industry leader, but this new system did not have the same functionality and/or information that was on the SAFE system.
- 1.2. In addition, Leicester City Council were expecting a rise in cost for the new system.
- 1.3. As a result, an Options Appraisal has been undertaken to consider alternative provisions for this Council.

2. Key Facts

- 2.1. Four options were considered: (1) do nothing – continue with Leicester City, (2) provision by another local Authority, (3) procure a private sector provider or (4) do it ourselves via a cloud-based solution.

- 2.2. A detailed summary of the Options Appraisal is shown in Appendix 1.
- 2.3. Option One: (Do nothing) is not considered appropriate in terms of the quality of the current service, particularly in terms of the functionality of the human resource system as currently developed and the cost of manual intervention on the Council's part. It is also considered that the working relationship has deteriorated to the point it can no longer be mended.
- 2.4. Option Two: (Provision by another Local Authority). The North West Leicestershire District Council were approached as another potential (local) provider. North West Leicester use the iTrent system as does Leicester City Council. However, it is much more developed in terms of functionality of which the Council can take advantage of. Costs are broadly the same over three years as the current provision. North West Leicester are also taking on the provision of another District Council by April 2020 so will have the experience of "on-boarding" customers by the time the Council will be ready for implementation in 2021.
- 2.5. Option Three: (Private sector provision). Large providers are generally interested in scale and volume. With approximately 250 employees to be paid it may be difficult to attract market interest. Furthermore, the service is likely to be based on a standard product which would require the development of bespoke functionalities to support the needs of a District Council, which would incur additional costs.
- 2.6. However, we did approach a private sector provider (Midland HR iTrent). The cost of the service when considering procurement costs, implementation costs and staff time would be significantly higher than the other options.
- 2.7. Option Four: (Do it ourselves) a cloud-based solution is not considered appropriate as it would require a competitive procurement procedure to secure the new software and significant staff time during the implementation phase and for on-going system maintenance.
- 2.8. There are more risks associated with this option due to the system being internet based which could lead to the possibilities of cyberattacks.
- 2.9. It is therefore recommended that Option Two is approved. Harborough District Council can take full advantage of the additional modules North West Leicester have already implemented to improve system functionality. It will also release significant staff time of a Payroll Officer who can focus on other areas of work, as it is currently designated to ensuring processing is done correctly by Leicester City.

- 2.10. Although marginally more expensive than the annual cost of Option 3 and 4, it does not have to go through a competitive tender and therefore Option 2 can be delivered much quicker, without having to commit additional Council resources. This option will require twelve months notice to be served to Leicester City Council (to January 2021) and delegation to North West Leicester from an appropriate date.