

Report to	On
Cabinet	Thursday, 16 June 2021



Title	Portfolio Holder	Report of
HR/Payroll System	Leader of the Council and Cabinet Member (Strategy and Reform)	Deputy Chief Executive

Is this report a KEY DECISION (i.e. more than £100,000 or impacting on more than 2 Borough wards?)	Yes
Is this report on the Statutory Cabinet Forward Plan ?	Yes
Is this report confidential?	No

Purpose of the Report

1. To seek Cabinet 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.

Recommendations

2. 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.
3. To delegate the finalisation of the agreement with Blackpool Council to the Director of Governance.

Reasons for recommendations

4. The council has determined that a partnership arrangement with Blackpool Council via a local government agreement pursuant to Section 101 of the Local Government Act 1972 provides the most effective and best value way to secure a fully managed payroll service with integrated HR system.

Other options considered and rejected

5. 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 agreement 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 outcomes

7. The report relates to the following corporate priorities:

An exemplary council	x	Thriving communities	
A fair local economy that works for everyone		Good homes, green spaces, healthy places	

Background to the report

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 Chorley and South Ribble councils have different external fully managed payroll providers.
10. South Ribble council has a service contract with Lancashire County Council to deliver a managed payroll service which has been in place since 2000 and due to expire 31 March 2022.
11. There is also a standalone HR system (Access) which holds personnel information. This is not linked to the payroll system. The contract for this also expires on 31 March 2022
12. 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.
13. 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.
14. 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
- 15.** Activity to establish the essential and desirable features has been going on through the detail process mapping exercise. Environment scanning took place to establish what systems were being used by other local authorities, in particularly authorities of a similar size and profile, and to gain an understanding of the challenges of the process ahead.
- 16.** Several 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

- 17.** A partnership arrangement with another local authority can be established through a section 101 Local Government Act agreement. This allows certain functions of the Council to be delegated to another local authority.
- 18.** Blackpool Council commenced a formal OJEU tender procurement in February 2020 to select a suitable supplier or suppliers 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 are able to offer Managed payroll and integrated HR system modules to third parties.
- 19.** 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 both Chorley and South Ribble councils.
- 20.** There are many advantages of this model with Blackpool listed below:
- Any costs associated to South Ribble Council are to be based on cost recovery only. There is no upfront implementation fee and it will reduce the internal resource required for system implementation.
 - By working in partnership we are 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 and so the 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.
- 21.** Blackpool Council would be identified as a key partnership and this relationship would be underpinned by the relevant legally binding contract. This relationship will form one of the partnerships and will be listed on the Key Contracts and Partnerships Register

Risk implications

- 22.** 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 system before the current contracts expires. A minimum period of two months testing must be factored into the overall project timescales, commencing in January 2022. This have been considered in developing these proposals and is deliverable.
- 23.** As Lancashire County Council are upgrading their current system it means that the current arrangements cannot continue. Should the current payroll provider continue to manage South Ribble Council's payroll it would be necessary to migrate data onto their upgraded system and that would also require a period of implementation, testing and potential increased cost.
- 24.** The proposed agreement relies on an identical arrangement to be in place between Blackpool and Chorley councils, and this interdependency is reflected in the partnership agreement and will be managed by the Shared HR team.

Financial implications

- 25.** The fee for the managed payroll service is based on the 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 number of current employees this is expected annual costs of £44,600.
- 26.** Full access to the HR modules and functionality is based on a price of £27.12 per employee. This is made up of the direct charge from MHR based on the number of licences per year, and also the cost per user for administrative at organisational level

(i.e global system configuration) from Blackpool. Given the current number of employees this is £16,000.

27. It is acknowledged that full system functionality will not have been achieved from day one. This is to allow a stage implementation which allows priority to be given to essential functionality. A service level agreement will be established prior to April 2022 which will include a full function implementation plan.

28. The total expected annual cost is £60,600, this includes Leisure services which £12,325. This can be recharged to the Council budgets in place for the wholly owned leisure company.

Comments of the Statutory Finance Officer

29. There is currently existing budget of £23k for Payroll Services and £24.8k for the HR System. On top of this an additional £8.2k per annum was the expected charge for additional payroll costs due to Leisure staffing. This new cost represents an overall increase of £4.6k which will be picked up during the estimates process.

Comments of the Monitoring Officer

30. What is proposed here is that this council (along with Chorley Borough Council) enter into a contract with Blackpool Council. There is 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 this council's interests.

There are no background papers to this report

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