

READING BOROUGH COUNCIL
REPORT BY DEPUTY CHIEF EXECUTIVE

TO:	POLICY COMMITTEE		
DATE:	4 APRIL 2022		
TITLE:	STRATEGIC HR & PAYROLL SYSTEM - CONTRACT PROCUREMENT		
LEAD COUNCILLOR:	CLLR MCEWAN	PORTFOLIO:	CORPORATE AND CONSUMER SERVICES
SERVICE:	HUMAN RESOURCES	WARDS:	BOROUGHWIDE
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1. PURPOSE OF REPORT AND EXECUTIVE SUMMARY

- 1.1 The purpose of this report is to seek delegated authority to procure and award a contract for the provision of a third party hosted, strategic HR & Payroll system for a period of two years, with a possible extension period of a further two years.

2. RECOMMENDED ACTION

- 2.1 That Policy Committee grant delegated authority to the Deputy Chief Executive, in consultation with the Lead Member for Corporate and Consumer Services, to procure and award a contract for provision of a third party hosted, strategic HR & Payroll system for a period of two years, with a possible extension period of a further two years.

3. POLICY CONTEXT

- 3.1 An effective HR and Payroll system is essential to enable the Council to successfully manage and support its employees from recruitment through to retirement. Once-only input of data removes the risk and inefficiencies of data duplication and enables the Council to store all its people data in one place, creating 'one version of the truth'. The benefits of an effective HR and Payroll system include:
- Ensuring that HR practice complies with corporate, regulatory, and legal standards, particularly in relation to payroll processing
 - Enables production of meaningful management information to support strategic decision making
 - Engaging and empowering the workforce through self-service
- 3.2 Since 2019, the Council's HR service has undergone significant transformation, part of which has included digitisation of processes that were previously paper based. The digitisation of these processes, along with the implementation of new HR system functionality has enabled much richer people data, increased

understanding of our workforce, informed the Council's People Strategy and streamlined the Council's recruitment and onboarding process. For example, the improved recruitment process has contributed to significantly improved fill rates and reduced time to fill. Additionally, we also now have a much clearer understanding of absence, diversity and inclusion, performance management and gender and ethnicity pay gaps due to data being recorded and held centrally on the system rather than very often in paper format within service areas.

- 3.3 The digitisation of processes has also facilitated the introduction of Employee and Manager self-service portals, allowing for efficient and accurate processing of HR transactions. Employee self-service empowers employees to take charge of their own personal details and work-related requests, such as annual leave booking. Manager self-service allows managers instant access to reportee information and requests and improves the efficiency of data authorisation by devolving data ownership and responsibility.
- 3.4 The introduction of self-service has also enabled efficiencies to be achieved within the HR service through a reduction in one full-time equivalent administration post that was previously responsible for manual data input from paper-based forms such as overtime claims which are now automated.

4. THE PROPOSAL

4.1 Current Position:

The Council has historically used Midland HR's iTrent software primarily for payroll and pensions provision for a number of years, the most recent contract extension being for five years from 2017 with the contract due to expire in May 2022. The system is hosted by Midland HR who also provide helpdesk support, upgrades etc, funded as part of the ongoing annual system costs.

Since 2019, the Council has transformed its HR service and the development and utilisation of iTrent has increased significantly with the following modules/functionality being rolled out:

- Recruitment & Onboarding - providing a portal for online candidate applications which seamlessly transfer to pay-rolled employees, capturing data at each step, enhancing our understanding of our recruitment process and applicant demographic.
- Performance Management - allows a convenient online annual review process and associated data capture
- Absence Management - provides online sickness recording and associated data capture.
- Annual Leave - enables online leave management.
- HR Case Management - provides a case management system for HR cases, enabling better workforce management and reducing case slippage.
- GDPR compliance - a function which ensures compliance with General Data Protection Regulation through provision of an auto archive for HR data.
- Analytics Reporting - provides a series of pre-built packs which form the basis of much of the Council's reporting on key areas such as Absence.
- Survey Builder - allows the creation of surveys within the system used to gather information such as new starter and leaver feedback.

- Insight Builder for managers - provides a customisable people data dashboard for managers.
- Employee and Manager Self Service - portals for managers which allows employees to 'self-serve' the majority of HR transactions.

The implementation costs (£280,318) have been met from the Council's Delivery Fund due to their transformational nature.

4.2 Options Proposed

The Council requires an HR & Payroll system to effectively manage and pay employees in compliance with relevant legislation, and to meet its obligations in respect of statutory reporting.

Due to the investment in the use of iTrent at the Council since 2019, its integral position in our processes, and the results of benchmarking showing that this solution is approximately 20% less expensive than the next best priced alternative, it is proposed that the Council retain the iTrent system for a further period.

Following assessment, the proposed procurement route is to award via Call-Off from the G-Cloud Framework.

The new agreement will see all existing functionality retained with new provision added, including E-signatures, allowing employees to sign documents online, interactive payslips and Chatbot providing an enhanced user experience.

A reciprocal clause will be included to ensure that significant changes in staffing numbers are reflected in the annual charges. The contract will be structured over 2 years, with the option to extend by one year, and then a further year (4 years in total).

4.3 Other Options Considered

Do nothing

This is not an option. The Council requires an HR & Payroll system to be able to pay employees and meet statutory requirements. The current contract expires May 2022.

In house provision

Not viable, the Council does not have the specialist resource required to build, host and maintain its own system.

Full public tender process

Not recommended at this time as it unlikely to secure significant extra value. A full tender exercise will be undertaken prior to the termination of the new contract.

Direct award

Not recommended. A direct award reliant on Regulation 32 of the Public Contracts Regulations 2015 would only allow for a 3 year contract to be awarded which would minimise the Council's return on investment.

5. CONTRIBUTION TO STRATEGIC AIMS

- 5.1 The contract will support the achievement of the Council's strategic aims and Corporate Plan in the following ways:

Those elements of the contract that support achieving value for money and controlling expenditure support the aim of:

- Remaining financially sustainable to deliver these service priorities

Ensuring that all operational posts are covered by a suitably qualified and experienced member of staff supports the strategic aims of

- Safeguarding and protecting those that are most vulnerable; and
- Keeping the town clean, safe, green and active;

The digitalisation of HR transactional process supports

- Tackling climate change and working towards our goal of a carbon neutral town by 2030

The increased visibility and understanding of our people data, including applicants to vacancies supports

- Ensuring everyone has an equal chance to thrive whatever their economic, social, cultural, ethnic or religious background.

6. ENVIRONMENTAL AND CLIMATE IMPLICATIONS

- 6.1 No additional implications, the proposal is for continuation of current practice. The use of a cloud-based solution is more environmentally friendly as it reduces the requirement for paper-based forms.

7. COMMUNITY ENGAGEMENT AND INFORMATION

- 7.1 Not relevant to this contract

8. EQUALITY IMPACT ASSESSMENT

- 8.1 There is no equalities impact assessment required for this contract.

9. LEGAL IMPLICATIONS

- 9.1 The contract will be procured in accordance with the Public Contracts Regulations 2015 and the Council's Contract Procedure Rules.

10. FINANCIAL IMPLICATIONS

- 10.1 The impact of the proposed contract is a one-off software product cost of £77,539 payable at the start of the agreement, followed by an annual cost for maintenance and support of £181,137 for each year of the contract term.

10.2 Revenue Implications

The current revenue budget is £152,000 per annum. A Revenue Business Case has already been approved as part of the Medium-Term Financial Planning process for 2022/23 to 2024/25, to fund the one-off costs of £77,539 and the increase in ongoing annual costs of £29,137.

	2022/23 £000	2023/24 £000	2024/25 £000	2025/26 £000
Employee costs	0	0	0	0
Other running costs	£258,677	£181,137	£181,137	£181,137
Capital financings costs				
Expenditure	£258,677	£181,137	£181,137	£181,137
Income from:				
Fees and charges	0	0	0	0
Grant funding				
(specify)				
Other income				
Total Income	0	0	0	0
Net Cost(+)/saving (-)	£258,677	£181,137	£181,137	£181,137

10.3 Value for Money (VFM)

A benchmarking exercise has been completed with three other local authorities who have recently procured similar solutions and compared against G-Cloud Framework pricing. MHR's product was found to represent best value whilst the G-Cloud procurement route provides a timely, efficient and compliant route to award without the need to engage in a lengthy and times consuming process.

10.4 Risk Assessment.

The pricing structure of this supplier includes an upfront software product cost payable at the start of the contract, should the company go into administration during the contract term a risk is presented that the funds will not be recoverable. In mitigation MHR is a long-established company, since 1984, of good financial standing with a large client base within the Public Sector, including a 47% share of the local authority market, as such this is considered a minimal risk.

11. BACKGROUND PAPERS

11.1 None