



ST HELENS
BOROUGH COUNCIL

Cabinet

24 September 2020

Report Title:	Replacement of the Council's Human Resources and Payroll Systems
Cabinet Portfolio	Cabinet Member - Corporate Services, Estates & Communication
Cabinet Member	Councillor Kate Groucutt
Exempt Report	No
Reason for Exemption	N/A
Key Decision	No
Public Notice issued	N/A
Wards Affected	All
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<p>Borough priorities</p> <p>Please mark X for any priority supported by this report</p> <p>NB Use Section 4 - Background Information to explain how each selected priority is supported</p>	Ensure children and young people have a positive start in life	
	Promote good health, independence and care across our communities	
	Create safe and strong communities for our residents	
	Support a strong, diverse and well-connected local economy	
	Create a green, thriving and vibrant place to be proud of	
	Be a modern, efficient and effective Council	X

1. Summary

This report seeks approval to source a replacement for the current in-house HR System. In addition, the report seeks approval to extend the contract of the Council's Payroll System. Finally, the report provides indicative costs and seeks approval for relevant year 1 & 2 funding from the Transformation Reserve.

2. Recommendations for Decision

Cabinet **is recommended to:**

- i) Approve the sourcing of a replacement for the current in-house Human Resources System and the extension of the existing contract in respect of the Payroll System in line with the One Council Modernisation Programme.
- ii) Approve the funding allocation.
- iii) Agree that once a preferred supplier for the Human Resources System is identified, a further Cabinet report will be brought later in the year for approval to award the contract.

3. Purpose of this Report

- 3.1 The One Council – One People Strand identifies the need for a replacement HR System.
- 3.2 Advances in technology have driven expectations of an agile, digital workplace focused on employee engagement and employee experience. Equally there is a need for the organisation to develop people analytics and a system is required which can support this.
- 3.3 HR digital transformation would support organisational modernisation emanating from both the One Council programme and more recently the Covid-19 Reset & Recovery programme.

- 3.4 The Payroll System is procured via Zellis and the contract is due to expire on 31 March 2021. This is a vital system and regardless of any additional HR System procurement, this contract will need to be extended from 01 April 2021. The current Payroll contract value is circa £60K per annum. The extension of this contract would be both in terms of its length and the capabilities offered by the system. This will ensure that the Council will have a Payroll system in place to fulfil its obligations in respect of paying employees/workers, irrespective of any decision to purchase a replacement HR System.
- 3.5 The Zellis System remains a market leader as demonstrated by its wide client base including neighboring North West Councils. The Council is satisfied with the service its system provides. Investment in the system will allow us to increase the parameters of its use in line with the One Council Digital agenda. It will also prepare for the further integration needed with any replacement HR System.

4. Background /Reasons for the recommendations

- 4.1 The Payroll System is procured via Zellis and the contract is due to expire on 31 March 2021. It is vital that the Council has a Payroll system in place that can fulfil its contractual requirements to pay employees/workers and external clients, and to meet its statutory requirements in respect of the payment of tax, national insurance and pension contributions. The Zellis Payroll system provides this.
- 4.2 This is a vital system and regardless of any additional procurement, this contract will need to be extended from 01 April 2021. The system currently has limited interfacing with the existing in-house HR System and it is important that this interface can be maintained and expanded with any new HR System procured to ensure the most efficient use of resources available.
- 4.3 The current HR Systems are in-house products built on the Lotus Notes platform. Development started in 2001 and the system has been adapted over years to support service need. The current HR System is no longer fit for purpose and there has been a strategic decision to withdraw the Lotus Notes Platform and to move to Cloud-based systems.
- 4.4 The current HR systems are a set of functional databases but are labour intensive from the perspective of processing. They rely on significant manual intervention; digital flow is limited. Paper remains fundamental to many HR processes. Work was undertaken to develop replacement HR Systems in-house. Following discussion with Business I.T. it was identified given the complexities of system requirements that internal development was not feasible and the decision was taken that this should be abandoned. The above factors in conjunction with a wish to digitally transform the HR function has prompted consideration for new system development / procurement.
- 4.5 The HR System comprises of the following databases:
- a) Employee information
 - b) Establishment
 - c) Absence
 - d) Absence Reports
 - e) Recruitment & Selection
- 4.6 The current HR system supports the functionality of a significant number of related Council systems. These are mapped and as part of any process to procure a new system consideration will be given in collaboration with IT and other services to the ability to continue

to support these systems / links or what practices would need to be amended ahead of implementation.

4.7 In addition the service has other in-house systems:

Jobs Online, the Councils advertisement and online application form system has recently been re-built. The system doesn't currently have the ability to feed applicant information into the HR System.

Employee Relations Database, exists as a database however it is no longer fit for purpose and reporting is equally difficult in terms of reporting.

Appraisal System, is also an in-house system. Auto population of individual details and manager hierarchy are drawn from the current HR System.

Training System, is an in-house system which is not currently fit for purpose. It links to the HR System to extract employee and post related data. Its functionality in terms of maintaining training records is limited and requires manual intervention.

4.8 The Occupational Health Unit currently operate on a series of manual based systems, spreadsheets and paper records. Further consideration needs to be given to the investment in and procurement of an Occupational Health System. This would be subject to a separate report.

4.9 What is expected of HR has evolved. Modern, agile organisations require key information on a firm digital footing. This includes HR analytics, modern e-recruitment processes and employee on-boarding facilities. On-boarding processes flow from recruitment decisions and maintain communication with prospective employees via a digital platform, which allows them to engage in pre-employment processes and begin induction prior to joining the organisation.

4.10 The HR function must align itself to business need and be at the forefront of change as the Council embraces digital and organisational transformation.

4.11 HR systems must be automated, easily accessible, interactive and aligned with business need matching employee experiences with technology outside of work. A new system would not only provide increased access to managers, but also allow access to HR information and processes to employees. Access to a cloud-based system would be via a web-based platform accessible both from Council and personal mobile technology.

4.12 An improved integrated HR & Payroll system will support automation of processes and the accessibility of information for both managers and employees on a digital platform.

4.13 The organisation hierarchy built into the system will simplify the management of the security of access to and information held within. It will also support the automation of electronic authorisation processes and automatic production of organisation charts (family trees).

4.14 Systems would be accessible via mobile phones with the self-service options allowing both managers and employees to access and amend information.

4.15 An integrated system would allow recruitment information to feed employee data directly from electronic application forms into the HR system and Payroll System, minimising keystrokes and the potential for error.

- 4.16 Digital Onboarding processes would provide a secure space which allows a manager to track progress of a new recruit ahead of them starting. For the new employee this allows online access to read and update key information ahead of the actual start date and induction process.
- 4.17 An integrated system would allow employees to produce and submit timesheets electronically via either Council or personal mobile technology for authorisation by the manager before being loaded into payroll for HR checking. Parameter setting for different groups of staff and their relevant conditions of service would provide online options that are role specific, minimising the potential for error. Information input by the employee, once authorised and checked, would upload directly into the payroll system, again minimising keystrokes required.
- 4.18 Manager dashboards and access to reports will provide key information to be available constantly for managers relating to their direct and in direct reports. The One Council – One Outcome recognises the need for people data analysis to turn data into management information showing trends, projections and scenario planning to aid decision making.
- 4.19 Procurement rules and guidance will be followed in relation to the selection and award to a supplier. Detail of the process of selection will be provided in the report seeking award.

5. Community Impact Assessment

The Community Impact Assessment identified the following key implications

- 5.1 The One Council – One People Strand identifies the need for a replacement HR System. This is to help ensure that the HR Service can continue to support the priority for us to be a modern, efficient and effective Council

6 Consideration of Alternatives

- 6.1 In conjunction with IT colleagues and linked to a wider consideration of IT systems across the Council, soft market testing was completed in 2019 focusing on the Zellis HR System, UBW HR system and the Microsoft Dynamics HR. This soft market testing demonstrated the potential benefits that could be realised by the Council through the purchase of an improved and integrated HR System.

7 Conclusions

- 7.1 The extension of the Payroll contract from 01 April 2020 is required to ensure that the Council maintains a system in place to fulfil its obligations in respect of paying employees/workers. The Zellis System remains a market leader and the Council is satisfied with the service its system provides. Investment in the system will allow us to increase the parameters of its use in line with the One Council Digital agenda. It will also prepare for the further integration needed with any replacement HR System.
- 7.2 The One Council – One People Strand identifies the need for a replacement HR System. The current HR System is no longer fit for purpose and there has been a strategic decision to withdraw the Lotus Notes Platform and move to Cloud. These factors in conjunction with a wish to digitally transform the HR function has prompted consideration for new HR system procurement

8. Implications

8.1 Legal Implications - What are the legal implications? Has the relevant Legal Officer confirmed that the recommendations within this report are lawful and comply with the Council's Constitution?

8.1.1 None. Legal Officers have been consulted on the recommendations within the report.

8.2 Community Impact Assessment (CIA) Implications

What are the implications for the following areas identified from the CIA?

8.2.1 Social Value - How does the proposal support employing local people, spending in the local economy, and local procurement?

8.2.1.1 Given the complex nature of the system required the soft-market testing has indicated that there are no potential local suppliers. The Council will, however, continue to employ many local people whose pay and employment will be managed via the system procured.

8.2.2 Sustainability and Environment - How does the proposal impact on sustainability and the environment?

8.2.2.1 An improved integrated HR & Payroll system will support automation of processes and the accessibility of information for both managers and employees on a digital platform, replacing previous manual and paper-based systems and processes.

8.2.3 Health and Wellbeing - How does the proposal support and promote public health and wellbeing?

8.2.3.1 The health and wellbeing strategies adopted by the Council for its workforce will be supported using information available from the system.

8.2.4 Equality and Human Rights – What are the Equality and Human Rights implications? If there is an adverse impact what mitigation has been put in place?

8.2.4.1 The systems being replaced holds the equality information about the workforce and are vital in terms of the on-going monitoring required.

8.3 Customers and Resident - What are the implications for our customers/residents?

8.3.1 Soft Market testing has been undertaken jointly by HR and Business I.T. Procurement have been consulted with regard to developments and due process. Going forward, HR, Business I.T. and Procurement will work together to identify the preferred supplier.

8.3.2 Managers and employees will benefit from increased access to HR information and processes via Council or personal mobile devices. Managers will further benefit from data dashboards enabling easy access to key information. Residents and prospective employees will benefit from an integrated recruitment and on-boarding process prior to joining the Council as an employee.

8.4 Asset and Property - What are the issues? Does the report propose a reduction, addition or change to the council's asset base or its occupation?

- 8.4.1 HR information would be accessible via existing Council hardware and personal mobile technology.
- 8.5 Staffing and Human Resource - What are the workforce implications? Have Senior HR Officers been consulted?
 - 8.5.1 There will be project management resources required throughout the project. Staffing implications will be further considered as outlined in 8.7.5, once the award is made and a timeline for implementation is agreed. Savings will be identified as a result of efficiencies both within Corporate Services and across the Council arising from the automation of current manual processes.
- 8.6 Risks - What are the issues? How are we mitigating them?
 - 8.6.1 Procurement rules and guidance will be followed. The One Council People Strand identifies the need for a replacement HR System to enable and support digital transformation of the Council. Failure to procure would impact on the ability to deliver this strategy. The report also approves the extension of the Payroll System, failure to do so would impact on the Council's statutory obligations relating to pay.
- 8.7 Finance - What are the financial implications – Revenue and Capital? VAT and Insurance? Contract and Procurement? Have the relevant Finance and /or Procurement Officers confirmed that any expenditure referred to within this report is consistent with the Council's budget?
 - 8.7.1 The additional one-off cost of the Payroll improvements are approximately £80K over 2 Phases, to be completed in 2020. The circa £60K per annum ongoing annual costs for the Payroll System Software are already contained within existing budgets. The improvements proposed to the system are unlikely to result in a reduction of the annual cost.
 - 8.7.2 The implementation of a new HR System will require significant investment in terms of both officer time and finances. The HR System is one of the key and fundamental Council systems, it links to a significant number of other Council systems and processes. The complexity of the transition and the automation of several processes brings potential associated risks. This determines that a sensible timescale and phased approach to full implementation is required. Given the size and nature of the HR systems that are being replaced it is anticipated that implementation of the replacement will need to be phased and scheduled over a 2-year period.
 - 8.7.3 The Payroll improvement mentioned above and the Year 1 & 2 HR Systems costs, detailed below, will be funded from the Transformation Reserve.
 - 8.7.4 From the soft-market testing indicative HR System costs are estimated to be approximately £250K in year 1 and £200K in year 2. The annual costs of the software are in the region of £100k pa, with one off project management and start-up costs of £150k in year 1 and £100K in year 2.
 - 8.7.5 Ongoing annual costs will be found from reductions in staffing posts plus additional non-staffing savings which will be determined over time as operational efficiencies are identified across the Council, as generated by the new system, and by no later than the end of year 2. In addition, funding allocated for the costs and maintenance of the existing systems being replaced will be utilised.

8.7.6 Funding will be considered as part of a wider programme of modernisation and funding options including Transformation Reserve or capitalisation will be considered, in addition to existing budgets for the Payroll System.

8.8 Policy Framework Implications Are the recommendations within this report in line with existing council policies? If not, how is this to be addressed?

8.8.1 None

9. Background papers

List the documents rather than attach

9.1 None

10. Appendices

List and attach (not embed)

10.1 None