

NORTH LINCOLNSHIRE COUNCIL

GOVERNANCE AND TRANSFORMATION CABINET MEMBER

JOINT PROCUREMENT WITH NORTH EAST LINCOLNSHIRE COUNCIL FOR AN INTEGRATED HUMAN RESOURCES AND PAYROLL SYSTEM

1. OBJECT AND KEY POINTS IN THIS REPORT

- 1.1 To seek approval of a procurement plan for the supply of an integrated human resources (HR) and payroll system, procured as a single solution with North East Lincolnshire Council (NELC).
- 1.2 This report informs the cabinet member of the process to be undertaken and the timescales for notifying him of the outcome of the procurement process.
- 1.3 The key points in this report are:
 - Contract Procedure Rules detail that the procurement plans for contracts over £1m must be approved by the relevant cabinet member.
 - The report sets out a proposed procurement plan for the acquisition of the new system under the Shared Services arrangement in which North Lincolnshire Council, (the council), will act as the contractual lead authority. The premise of shared systems is a key requirement for the delivery of the Shared Services agenda.
 - Both councils' contracts expire in 2018. The decision to release the joint tender is required to allow the system to be procured with a healthy period for implementation, prior to current systems being decommissioned.
 - A range of customer service, customer growth and value improvements will be delivered through the new HR and payroll solution.

2. BACKGROUND INFORMATION

- 2.1 The council currently operates the HR Professional system provided by FMP, (formerly Bond), for human resources transactions and accesses the MHR Itrent system via a supported service through East Riding of Yorkshire Council, (ERYC), for payroll. The current arrangement with ERYC does not allow the council to undertake payroll for external organisations (including academies) and therefore HR cannot generate income by selling payroll services commercially.

- 2.2 The single solution for two councils will allow a degree of rationalisation by the supplier which we anticipate will bring efficiencies in the longer term, mindful that implementation will need to be adequately resourced.
- 2.3 Both councils' current contracts expire in June 2018, allowing the councils sufficient time to develop, test and ensure users are suitably skilled to use the system effectively by April 2018 with dual operation to provide assurance of effective operation.
- 2.4 Under the Shared Services agenda, similar activity will be required to integrate the Finance systems.
- 2.5 An open tender process will be conducted, in compliance with EU procurement legislation.
- 2.6 A project team of officers from both councils has developed a specification of needs to allow growth and flexibility and to meet our future needs, based upon aligned and streamlined processes.
- 2.7 It is anticipated that evaluation activity will be undertaken in February 2017.
- 2.8 The cabinet member will be notified of the award recommendation which is anticipated in March/April 2017.
- 2.9 The intent is to build and implement the integrated system and processes throughout the financial year 2017/18; the new solution is required to be operating as the live system for the financial year 2018/19.
- 2.10 The tenders will be evaluated in accordance with the following weighting
- Cost 60%
 - Quality 40%
- 2.11 The tender is being released on the basis of a five year contract term with further possible extensions to a maximum of three years.

3. OPTIONS FOR CONSIDERATION AND ANALYSIS

3.1. Option 1: Do nothing and continue to operate different systems across NELC and NLC:

Maintaining separate systems across NELC and the council will not offer the ability to create efficiency from harmonisation of activities, processes and teams or streamlined ways of working which are the fundamental principles of the Shared Service strategy.

Without an integrated system, moving away from current contractual arrangements, the service cannot expand its single commercial offer to sell payroll as this is prohibited under the current contract. The shared services will have to continue to manage the limitations of existing multiple systems and suppliers.

3.2 Option 2: NLC solutions expanded to NELC:

The existing NLC solution is not an integrated HR & payroll system and does not support the shared services vision/model for an integrated solution. Adopting the existing NLC solution will remove the ability for NELC to deliver its payroll SLAs to external organisations as this is not permitted under current contractual arrangements with NLC's payroll software provider. This would potentially breach the NELC's contractual obligations to its external customers as well as having a negative impact on existing commercial income and opportunities for further commercial expansion (payroll has been identified as a commercial growth area in its own right and also as a means of offering an enhanced, single HR commercial package to existing and potential customers). The shared services will have to continue to manage the limitations of existing multiple systems and suppliers in delivering its services.

3.3 Option 3: the NELC solution expanded to NLC:

The existing NELC contract with MHR could not be compliantly extended beyond the current term under procurement rules so this can only provide a short term solution to June 2018. To incur on boarding costs for adding the council to NELC's contract, as well as the work involved to migrate the NLC payroll and HR systems, for the relatively short time period of the existing contract term is not cost effective or beneficial in the long term to either councils or for the long term vision of The HR People. The relationship with the current supplier has also been adversarial at times and limitations of the existing NELC system would continue to have to be managed.

3.4 Option 4: Procurement of a single, integrated HR and payroll solution with the council as lead and NELC as the affiliated contracting party:

At this time, The HR People has the opportunity to undertake a joint procurement for a single, integrated HR and payroll system. This is a vital part of infrastructure to support the delivery of a shared HR service across both councils and enables streamlining and harmonisation of operations across NELC and NLC. It removes the existing multiple systems which are a barrier to achieving strategic and commercial objectives, as well as enhanced cross-working between both councils. The limitations of existing, multiple systems would be removed and there would be reduced maintenance costs, system administration requirements and an improved end user experience.

4. RESOURCE IMPLICATIONS (FINANCIAL, STAFFING, PROPERTY, IT)

- 4.1 Transacting HR and payroll through two systems requires re-keying of data from one system to the other. NELC operates its HR and payroll through one system and further is able to provide HR *and* payroll services externally. In procuring an integrated system which does not preclude securing a wider client-base for payroll services, the council will rationalise administration, improve self-service activity for employees and managers and allow the HR resource to support the client-growth it secures.
- 4.2 As part of the shared services arrangement, the shared IT teams have been engaged in the development of the specification for the integrated solution. The solution, being a reduction from three interfaces down to one, will enable the IT team to respond more effectively to officers' IT needs.
- 4.3 This procurement process will be conducted in compliance with European Union procurement legislation.

5. OUTCOMES OF INTEGRATED IMPACT ASSESSMENT

- 5.1 The integrated Impact Assessment demonstrated that unified processes will allow officers to respond to HR and payroll issues in a more responsive manner.
- 5.2 The new contract will allow the council to provide a wider range of HR and payroll services to its existing and a wider potential client base under the shared services umbrella.

6. OUTCOMES OF CONSULTATION AND CONFLICTS OF INTERESTS DECLARED

- 6.1 Both councils have been actively involved in the specification development.
- 6.2 All incumbent providers have been engaged in the preliminary market consultation, (PMC) or soft market testing, which was undertaken in the open market. The feedback from the PMC underpinned the development of the specification to be released to the market in the tender.
- 6.3 Once the successful provider has been identified, customers and officers actively using the incumbent systems will be engaged in the implementation process for the new integrated solution.
- 6.4 No conflicts of interest were declared as part of the process.

7. RECOMMENDATIONS

- 7.1 That the open tender be approved to undertake a joint procurement with NELC leading to the appointment of a single system provider as set out in sections 1.3 and 2 above.

- 7.2 That an information report detailing the outcome of the joint procurement for an integrated human resources and payroll management system be submitted to notify the cabinet member following the award of contract.

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Date: 16 December 2016