

## Part A

**Report to:** Council Functions Committee

**Date of meeting:** Thursday 11 June 2020

**Report author:** Group Head of Human Resources

**Title:** Payroll and HR System Procurement - Award

### 1.0 Summary

- 1.1 The existing contract with the current payroll provider, Zellis, ends on 23 March 2021. A procurement process was undertaken from 7 February 2020 closing on 31 March 2020. Despite some early interest only three bids were received. The contract is to provide payroll services and an HR system for Watford Borough Council, Three Rivers District Council and West Herts Crematorium. The tender included a clause to include further payrolls at a later date should this be required, for example for Parish Councils.
- 1.2 All bids were subject to a rigorous evaluation and moderation process and the final scores indicated that Midland HR (MHR) was the successful bidder and the award should be made to them. This means there will be a change from Zellis, the current provider, and Resource Link, their HR system, to MHR and iTrent.
- 1.3 The contract will be for an initial period of five years from 24 March 2021, with an option to extend by a further two years if both parties agree. The contract cost for the period is approximately £490,085 which was the lowest bid received and is within the budget for this service.
- 1.4 MHR have set out a detailed implementation plan, which will commence from award of contract which is expected to be from 1 July 2020. MHR will manage the overall implementation plan; however there will be extensive involvement from HR and finance to ensure the payroll build meets the council's requirements. The implementation costs are contained within the overall cost of the contract. The implementation period will require data to be transferred from Zellis to MHR and it is anticipated there will be a charge from Zellis for this transfer; however detailed costs are not known at this stage for this transfer. The implementation period will also include training in the new self-service system from iTrent.
- 1.5 Within the implementation period there is a requirement for three parallel pay runs to take place to ensure the data transferred to MHR is accurate and up to date. The parallel runs will take place from January to March 2021 and the first live pay run, assuming the parallel runs are successful, will take place in April 2021. There will be

checks after each of the three parallel runs and any changes required will be made to ensure the accuracy of the payroll data. If for any reason MHR cannot manage a successful pay run and it is not possible for them to go live in April 2021, Zellis will continue to provide payroll services but at a premium charge. There will also be penalty fees levied against MHR to mitigate these costs.

## 2.0 Risks

### 2.1

<b>Nature of risk</b>	<b>Consequence</b>	<b>Suggested Control Measures</b>	<b>Response</b> (treat, tolerate, terminate or transfer)	<b>Risk Rating</b> (combination of severity and likelihood)
MHR are unable to run the April 2021 payroll	Salaries are not paid to WBC, TRDC and WHC staff and members.	Three parallel runs are required from January to March 2021 to ensure accuracy and up to date data. Each parallel run will be subject to review and sign off for progress to the next run.	Treat	9
MHR are unable to deliver the implementation plan	Transfer from Zellis to MHR is delayed	A detailed implementation plan has been provided as part of the tender process.	Tolerate	6
The charges for transfer of data from Zellis to MHR is significant	Over budget for the project transfer.	A budget of £10,000 has been allocated from within the HR budget. Additional costs beyond this level will be met from within existing budgets and in agreement with Finance.	Treat	6
Zellis challenge the procurement process	Transfer to MHR could be delayed	A thorough and robust procurement process, involving the procurement manager, was undertaken and detailed notes of the	Treat	6

		evaluation process maintained.		
Insufficient resources from HR and Finance to effect the transfer.	Delays to the implementation plan and start date of the new contract.	HR and finance involved from the start of the procurement process; resource requirements have been identified and will be allocated as required to the project.	Treat	6
Payment to both MHR and Zellis for payroll provision from July 2020 until 24 March 2021.	The Council could pay for implementation but not receive the service should anything happen to Midland during implementation. Over budget for payroll services for the year 2020/21	Review meetings are factored into the implementation period. D&B report has been undertaken and no concerns raised about financial stability of MHR. The additional implementation costs have been factored in to the whole life costs of the project. Savings in future years will offset these additional costs.	Tolerate	6
Insufficient capacity from WBC to ensure successful implementation.	Implementation is delayed	IT, Finance and HR have been part of the project group to date and have allocated resources to ensure implementation is completed on time.	Treat	4

### 3.0 Recommendations

3.1 That the council awards the payroll and HR system contract to MHR.

#### Further information:

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**Report approved by:** Donna Nolan, Managing Director

#### 4.0 Detailed proposal

##### 4.1 Background

- 4.2 At the start of the shared services, in 2009, a decision was taken to procure a payroll and HR system provider. Following a tender process the contract was awarded to Northgate, who became the payroll and HR system provider for Watford Borough Council, Three Rivers District Council and West Herts Crematorium and the original contract was effective from 19 March 2009. The contract was for an initial period of five years with a two year extension. The contract was reviewed again in 2016 and following a tender process, again awarded to Northgate for five years from 24 March 2016, ending on 23 March 2021.
- 4.3 In order to ensure a successful tender process and new contract was in place by 24 March 2021, the specification for the service required was drawn up by Finance, HR and IT with further review by procurement and service users. The ITT was submitted in January 2020, with a closing date of 31 March 2020. Initial interest in the contract was high with a substantial number of companies viewing the tender documents. These included a range of private sector and public sector organisations. However, despite this initial interest only three bids were received by the closing date of 31 March 2020.
- 4.4 The bids were reviewed in detail and clarification questions asked to supplement the details submitted. It became evident that one of the bidders was only able to offer an HR system and was not offering a payroll service so their bid was not taken any further. This left only two bidders.
- 4.5 Detailed reviews of the submissions and presentations from the two bidders were held during April and May 2020 with members of Finance, IT, HR, procurement and service users from both Watford and Three Rivers. Feedback was collated and any follow up clarification questions asked. Evaluation of all the bids took place on 27 and 29 May 2020, with MHR scoring the highest overall score on both cost (40% of total) and quality (60% of total).
- 4.6 MHR are a main provider of payroll and HR systems to the public sector with over 50% of their business in this area. They are a recognised brand and considered one of the market leading companies providing payroll and HR services. The system is fully hosted, cloud based and secure. The feedback from those who saw the demonstration of iTrent was that it was user friendly, intuitive and simple to follow. The self-service functions that are currently provided including on-line booking of annual leave and submitting time and expenses claims will continue as standard features within the iTrent system.

## 4.7 **Financial Implications**

4.8 The bid from MHR was for £98,017 per annum and therefore the overall cost for five years is £490,085 and compares favourably to the costs submitted by the other bidder. It is also slightly below the budget for the contract, showing a small saving of approximately £15,000 over the five year period. However MHR have requested payment to start from the date of implementation and not from 24 March 2021, when the five year period commences and these additional costs have been included within the whole life costs of the contract but will result in payments being made to the current provider, Zellis, and the new provider, MHR, for the period from July 2020 to 24 March 2021.

4.9 As part of their bid, MHR have submitted a detailed implementation plan to ensure successful transfer of data from Zellis to MHR. This will require co-operation from Zellis, which is expected as part of their contract obligations to WBC; however it is anticipated Zellis will charge for this transfer of data. The amount at this time is unknown and a small budget has been allocated from within the HR service to cover these initial costs.

## 5.0 **Implications**

### 5.1 **Financial**

5.1.1 The Shared Director of Finance comments that the proposals are within budget

### 5.2 **Legal Issues (Monitoring Officer)**

5.2.1 The Group Head of Democracy and Governance comments that the Public Procurement Regulations have been followed in undertaking this procurement and a member of the legal team has been involved in the project group.

### 5.3 **Equalities, Human Rights and Data Protection**

5.3.1 Having had regard to the council's obligations under s149, it is considered that the change of payroll and HR system provider will have no impact on the Council's overall Equalities obligations. Having had regard to the council's obligations under the General Data Protection Regulation (GDPR) 2018, a Data Processing Impact Assessment (DPIA) was completed at the start of the tender process. No further DPIA is considered as required for this report.

### 5.4 **Staffing**

5.4.1 The proposals in this report will indirectly impact all staff through a change of payroll and HR system provider. Training in the new system will be provided prior to contract live date of 24 March 2021.

**5.5 Accommodation**

5.5.1 Not applicable.

**5.6 Community Safety/Crime and Disorder**

5.6.1 Not applicable.

**5.7 Sustainability**

5.7.1 Not applicable.

**Appendices**

None.

**Background papers**

No papers were used in the preparation of this report.