

**WATFORD BOROUGH COUNCIL**  
**PROCUREMENT RECOMMENDATION**

**TO: CORPORATE MANAGEMENT BOARD**

**SUBMITTED BY: TRICIA TAYLOR - CORPORATE DIRECTOR**

**REQUIREMENT: INTEGRATED HR SYSTEMS WITH PAYROLL**

**DATE: 11 November 2008**

### **1. INTRODUCTION**

To support the implementation of a Shared HR Service between Watford Borough Council (WBC) and Three Rivers District Council (TRDC), the HR shared service team identified the need for an integrated HR system with payroll to the Shared service board to support the overall structure of the HR service. The proposed system would be hosted by the supplier with fast links to the two councils to enable the HR team and staff/managers to access it. Payroll data processing and production will be performed by the supplier.

The benefits of implementing the system would allow the HR service to focus on the more time consuming strategic and advisory aspects of the service and with the majority of administrative elements being processed by the system. . Another keen objective was to seek to reduce the payroll costs for both organisations.

Following an extensive tender process, the recommendation is that NorthgateArinso should be awarded the contract.

### **2. CURRENT SERVICE PROVISION**

WBC and TRDC currently have different HR systems. WBC's payroll service is delivered in-house using an integrated HR/Payroll system whereas TRDC's payroll is outsourced to East Herts. WBC also delivers a payroll service for another small organisation.

Currently, WBC and TRDC use separate software systems to manage their HR documentation and data. WBC uses a Frontier System - Chris 5 and TRDC uses a MidlandHR system – Delfi.

Current costs for the provision of the Software and the HR service are shown as Appendix A.

### **3. PROCUREMENT SPECIFICATION**

The Specification for the requirement was written by an external consultant specialising in HR Projects in conjunction with the Head of HR (Watford). The supplier needed to provide and host an integrated HR/Payroll system and support the IT requirements , as set out in the bullet points below:

- Under Shared Services the payroll function needed to be combined and will utilise a common HR/Payroll IT system, which will initially need to support HR & Payroll for approximately 1000 staff. Initially, the managed payroll service will be required to process

1000 payslips per month, split into three separate payrolls and all scheduled for payment on 15th of each month or previous banking day.

- The payroll managed service would include electronic communication with the HMRC for in-year forms and year end returns as well as transmission of BACS credits;
- The payroll managed service should be able to support local government pay and pension arrangements and be flexible enough to manage different pay and grading schemes, and payruns at different times of the month;
- The HR system should be integrated to the payroll function via a common database with remote access and reporting facilities via communications links to the Shared Services offices;
- The proposed HR system and Payroll managed service should be scalable to include other organisations in the future;
- An employee/manager self service facility will be required which should be able to link to data in both HR and Payroll;
- The provider will be expected to convert and migrate the data over from the old to the new HR and Payroll system supported and overseen by Shared Services staff;
- The proposed system needs to provide a good report writer to generate reports;
- The historical data should be transferred to the new system, though if this proves to be too costly an alternate option, using, for example, an Access database, would be considered.

The specification was split into three parts – The HR system requirements, the payroll requirements and the compatibility, interface and service requirements. The scoring for these is represented in the Evaluation criteria shown under point 5.

#### **4. TENDER APPROACH**

The Council advertised the requirement in the Official Journal of the European Union (OJEU) and followed the restricted tender route. This means that any supplier expressing an interest received a Pre Qualification Questionnaire (PQQ) for completion. The Council received 33 expressions of interest following the advertisement and received 13 PQQ responses.

Following evaluation of the PQQ by the HR Consultant and the Deputy Head of HR for Payroll, seven bidders were short-listed to bid. These included the in-house Watford team and East Herts, the current provider of payroll for TRDC.

The full tender pack was sent to bidders on 7<sup>th</sup> August 2008 with a tender return date set for 17<sup>th</sup> September. The Council only received four bids following the release of the invitation to Tender. These were from the In-house bid, NorthgateArinso, Midland HR and Frontier Software Ltd.

Other procurement routes were investigated prior to the OJEU route outlined above, including the use of Consortia, but these routes did not allow for expanded competition or allow access to known suppliers in this service area.

## 5. EVALUATION & COST BREAKDOWN

The Evaluation model was split 60% Quality and 40% Cost. The overall breakdown was as follows:

Measure	% Score	Detail	% Score Ratio
Technical ability to successfully meet the requirements of the service.	40	Responses to:-	15
		Appendix 1	15
		Appendix 2 and 3	10
Presentation where required			
Responses to the additional questions in the section Specification and Additional Tender Information.	20	Your approach to Implementation	3
		Quality control	5
		People	12
		(Including skills, capacity, TUPE, risk assessment, contract management, training & development)	
Pricing Schedule.	40	Detail and cost of proposal.	40
	100	<b>Total Weighted Score</b>	<b>100</b>

The Evaluation team consisted of the Procurement Manager, HR representatives from both HR teams, Corporate Director for Resources for TRDC and the Director of Finance for WBC.

Bidders were asked to present and Heads of Service were invited to attend to feedback their views on the intuitiveness of the submission. A finance representative from TRDC also attended to assess the interface and compatibility with the current and future Financial Requirements. This constituted 10% of the final mark with additional findings used to adjust aspects of the written submission.

## 6. CONTRACT AWARD

The highest scoring tender following the evaluation was submitted by Northgatearinso at 83.58 with Midland HR in second place on 82.99. With the scores being so close, the evaluation team scrutinized the scoring and reviewed the documentation thoroughly to ensure that the final outcome was accurate.

Even though the Midland HR bid had a lower overall cost than NorthgateArinso, the evaluation team found some functional and systems issues that reduced its overall score. These included not being able to produce Organisational Charts, a restriction on how much data we could archive from our present systems, deficiencies in the Disaster recovery plan offered and a more complex method for reporting and extracting data from the system.

Frontier Software offered a significant cost advantage over the other bids but did not offer the technical solution that the Shared service was looking for. Principally, the solution was not as advanced and the Shared Service would need to operate and manage two separate databases for each organisation with no access to either for managers. This would have hampered the development of the self service model that the Shared Service is trying to implement. The implementation plan offered by Frontier software was also extremely limited.

The costs of the in-house bid were prohibitive and were based on the Frontier Software package, therefore, the technical limitations would have been apparent should we have implemented this system.

Full Evaluation scores are shown in Appendix B.

The Alcatel letter was sent on 4<sup>th</sup> November 2008 notifying the unsuccessful bidders of why they have not been awarded the contract. This allows a standstill period for a de-brief and an opportunity for the unsuccessful bidders to challenge the award. Award can be made after conclusion of the stand still period.

## **7. THE TENDER SUBMISSION**

The submission offered by NorthgateArinso is very attractive to the Shared Service. It provided all functionality requested from our specification and there is a strong commitment to contract management, service delivery and implementation. It was felt by the evaluation panel that this submission would enable the HR Shared Service to realise its goals more effectively than the other bids..

NorthgateArinso are the leading provider for these services in the UK and have approximately 40 district councils as customers. Prior to the presentation, the HR representatives from both authorities referenced each bidder and Herts Constabulary were very positive in their assessment of NorthgateArinso. The Council has tendered for a five year contract for the delivery of these services.

## **8. SAVING**

Appendix C highlights the costs and potential savings made jointly and by TRDC and WBC individually for all of the bids submitted against current costs.

## **9. ISSUES**

There are several issues that will need addressing at the Contract Award stage. These are briefly set out as follows:

All bidders gave feedback that the proposed implementation timetable, with a go-live date of January 09 was unrealistic, and would be tight for a go-live date of 1<sup>st</sup> April 2009. .

TRDC's arrangement with East Herts expires in December. TRDC will extend this arrangement until end April 2009. .

Being clear about the TUPE issues both at WBC and for TRDC, and resourcing and aligning this process with the implementation timetable.

Agreeing the detail of how to resource the project with the contractor. We need to proceed with the appointment of the HR Implementation Resource , asap, who will need to be supported by both senior HR managers and existing payroll staff.

Finalisation of the Contract agreement.

Communication strategy to both TRDC and WBC confirming changes and developments.

## **12. TERMS AND CONDITIONS OF CONTRACT**

The Council's terms and conditions will be used for the service requirement. NorthgateArinso will maintain their Intellectual Property Rights on their software. There is no bond required for this contract. As the host of the HR service, it is proposed that WBC enter into the contract with NorthgateArinso, and that the decision is delegated to the portfolio holder for shared services. .

### 13. EC PROCUREMENT LEGISLATION

The Procurement was operated in accordance with EC Procurement procedures.

### 14. RECOMMENDATION

This report recommends that the award of the contract for an HR Integrated Service with Payroll to be made to NorthgateArinso, subject to satisfactory negotiations.

#### Appendices

#### Appendix A - Current Costs

Cost Item	Current Costs FY0809 Annual (£)		
	Watford	Three Rivers	Total
<b>Payroll function</b>	<b>148350</b>	<b>61000</b>	<b>209350</b>
Employees	117190	0	117190
Supplies and Services	19880	0	19880
Income	-18620	0	-18620
Charges by other services	29900	0	29900
East Herts charges - post Thrive	0	56500	<b>56500</b>
Courier charges to East Herts	0	4500	4500
<b>HR System</b>	<b>9109</b>	<b>5190</b>	<b>14299</b>
Licence recharges	9109	5190	14299
<b>Total Costs (Payroll &amp; HR system)</b>	<b>157459</b>	<b>66190</b>	<b>223649</b>

#### Notes

All costs are based on FY0809 figures

Watford Borough Council - Based on forecast outturn for FY0809

Three Rivers - Based on baselineFY0809 budget figures provided for the business case

**Appendix B - Evaluation Criteria Scoring**

<b>Evaluation Criteria</b>	<b>Total</b>	<b>Frontier Chris 21</b>	<b>WBC Chris 21</b>	<b>Midland</b>	<b>Northgate Resource Link</b>
HR System Requirements - Appendix 1	<b>15</b>	7	9	12.31	12.75
Managed Service Payroll Function Responsibilities and Expected Payroll Standards - Appendices 2 and 3	<b>15</b>	12	0	14.25	13.75
Presentation and Demonstration	<b>10</b>	4	0	6.75	9
Implementation - The approach	<b>3</b>	2	2.5	2.25	2.75
Quality Control	<b>5</b>	4.5	4	3.88	4.63
People	<b>12</b>	6	6	9.75	10.5
<b>Total</b>	<b>60</b>	<b>35.5</b>	<b>21.5</b>	<b>49.19</b>	<b>53.38</b>
Cost (See Separate Evaluation)	<b>40</b>	40	17.4	33.8	30.2
<b>Total</b>	<b>100</b>	75.5	38.9	82.99	83.58

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## Appendix C - Costs and Savings

Breakdown of Requirements	Supplier			
	Midland HR	Frontier	Northgate	WBC
<b>One Off Implementation Costs</b>				
Software Upgrade		£29,000	£31,450	£32,200
Equipment	£13,820			£7,300
GL Interface	£12,600	£15,000	£7,950	£3,000
Data Migration	£12,000		£3,975	£8,500
Consultancy Fees	£80,000	£29,200	£62,025	
Redundancy Costs				£11,000
P11D System	£800			
<b>Total Implementation Costs</b>	<b>£119,220</b>	<b>£73,200</b>	<b>£105,400</b>	<b>£62,000</b>
<b>Annual Costs</b>				
P11D System	£846			
Service Costs	£55,384	£60,088	£95,000	£137,000
Additional On Costs				£16,700
IT Costs	£9,028	£3,600		£25,700
Annual Maintenance Cost	£14,400	£8,800		£11,200
<b>Total Annual Cost**</b>	<b>£79,658</b>	<b>£72,488</b>	<b>£95,000</b>	<b>£190,600</b>
<b>Five Year Cost of Service</b>	<b>£517,510</b>	<b>£435,640</b>	<b>£580,400</b>	<b>£1,015,000</b>
<b>Evaluation Score</b>	<b>33.8</b>	<b>40</b>	<b>30.2</b>	<b>17.4</b>
<b>Saving</b>				
<b>Total Cost Saving</b>	<b>£600,735</b>	<b>£682,605</b>	<b>£537,845</b>	<b>£103,245</b>
Cost to Watford assuming 67%	£346,732	£291,879	£388,868	£680,050
Cost to TRDC assuming 33%	£170,778	£143,761	£191,532	£334,950
Saving on Current Costs* Three Rivers	£160,172	£187,189	£139,418	£4,000
TRDC saving per annum	£32,034	£37,438	£27,884	£800
Saving on Current Costs* WBC	£440,563	£495,416	£398,427	£107,245
WBC saving per annum	£88,113	£99,083	£79,685	£21,449

\* Current Costs indicated in Current Costs Spreadsheet

\*\* All bidder costs, with the exception of WBC, are without TUPE costs.