

## ***Report to the Cabinet***

**Report reference:** C-029-2014/15  
**Date of meeting:** 6 October 2014



**Epping Forest  
District Council**

**Portfolio:** Technology and Support Services  
**Subject:** Integrated Payroll/Human Resources IT System  
**Responsible Officer:** Paula Maginnis (01992 564536).  
**Democratic Services Officer:** Gary Woodhall (01992 564470).

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### **Recommendations/Decisions Required:**

- (1) That a bid for capital expenditure in the sum of £80,000 for 2015/16 be made to purchase an Integrated Payroll/Human Resources IT System; and**
- (2) That, subject to the agreement of the capital bid above, the procurement evaluation criteria for selecting a provider be based on 60% price and 40% quality.**

### **Executive Summary:**

The current Payroll/Human Resources IT system is not fit for purpose, as it cannot meet a number of requirements. This is mainly as a result of the current system being an employee based system (used mainly in the private sector) rather than a post based system which the Council requires (used mainly in the public sector).

In addition the system is unable to automate the new pension auto enrolment processes or the regular reports and information required by the Local Government Pension Scheme fund administrators. The deficiencies of the system require manual interventions and processes which have a significant impact on staff time and have the potential to result in errors.

The Council is using a system called Payroll+ which was installed in 2013 as a result of a failed implementation of a more advanced system called Sage/Snowdrop. Officers worked with the suppliers, Sage, to implement Sage/Snowdrop over a 2 year period but not all the functions worked and Officers had little confidence that the system would provide a reliable payroll for the Council.

As well as wishing to eliminate the problems with the current IT system, it is recognised that technology has progressed since 2004 when the Council first updated the HR/Payroll IT system. Many systems now have self-service functionality which enables employees and managers to access certain functions of the system, such as e-payslips, completing on line forms for mileage and other payments. Managers would have access to leave records for individuals and their teams and access to real time information on sickness absence. Self-service would assist in reducing potential human error (due to transposing figures) as input would be carried out by the employee or manager with checks taking place in Payroll/HR.

Officers have carried out a soft market testing exercise and approximate prices for an appropriate system vary between £60,000 and £165,000.

If the capital bid is successful a procurement exercise will take place in accordance with the Council's Contract Standing Orders. It is proposed that the evaluation criteria are based on 60% price and 40% quality.

### **Reasons for Proposed Decision:**

The current Payroll/Human Resources IT system is not fit for purpose. There are a number of basic requirements which are not and cannot be met by the system. In particular, providing support for the pension auto enrolment legislation and the changes to the Local Government Pension Scheme (LGPS). This work is carried out manually by the payroll team.

In addition, other functionality also requires manual interventions including, reporting vacant posts and managing employees in multiple posts.

The functionality of the current IT system is no further advanced than what the Council had in place in 2004.

### **Other Options for Action:**

Cabinet may decide not to purchase a new IT System. However the current system requires a number of manual interventions which have a significant impact reliability and efficiency. Payroll is a small team staffed by part-time officers and by its very nature their work is time critical, the system lacks crucial functionality to enable some/all automation of key processes.

### **Report:**

#### Payroll Team and Current System

1. The Council's Payroll Team has an establishment of 2.11fte consisting of 3 part-time staff. They manage the core payroll and pension processes, including sickness absence, maternity pay, expenses, mileage and other payments. The Team also manage the quarterly member payroll and have recently taken on the responsibility for the elections payroll.
2. Currently the Council uses a system called Payroll+, provided by a company called Sage. The Council is using Payroll+ as the implementation of an advanced system called Sage/Snowdrop was not successful. Officers worked with Sage over a period of approximately 2 years to implement Sage/Snowdrop, unfortunately the implementation failed.
3. Due to the difficulties experience by the Council, Sage agreed to implement Payroll+ free of charge, however the Council still pays an annual licence of £12,500 (this amount increases annually, usually by the inflation rate).
4. Payroll+ has minimal functionality and whilst the Council is able to provide a payroll function and record employee details the system lacks key functionality which is required now and for the future. The main issues with Payroll+ are:
  - (a) it does not provide any support for auto enrolment processes, this is carried out manually;
  - (b) it does not support the changes to the Local Government Pension Scheme, or is able to provide detailed information to the pension fund administrators. The requirement for pension information has increased significantly over the past couple of years. The current system is unable to provide solution for these issues and therefore the work is carried out manually;

(c) the Council's Accountancy team is required to manually load the General Ledger information, it is not automated;

(d) the Council's establishment is post based whereas the current system is employee based which makes it difficult to record/report those employees who have multiple contracts. This also affects payroll processes and the way accountancy manages any apportionment issues; and

(e) it is not possible to produce an establishment list showing vacant posts this has to be provided manually.

5. 'Fixes' are in place where possible but they are not ideal and still require additional manual intervention.

### Technology

6. In addition to specifying the requirements of any new system which will eliminate the issues set out in Para 4, there would be advantages from implementing self-service functionality across a number of processes. Self-service is a significant element of most current systems, whereby employees and managers have direct access to certain functions of the system. This would include such processes as requesting and recording annual leave, provision of electronic payslips, overtime, car mileage and other expenses claims being completed on-line, also managers would have access to leave calendars for their teams and to real time sickness absence information. In addition, self-service would assist in reducing the potential for human error (due to transposing figures) as input would be carried out directly by the employee or manager as appropriate.

### Finance

7. Officers have carried out a soft market testing exercise and prices for an appropriate system vary between £60,000 and £165,000. Therefore a capital bid of £80,000 should cover the cost and may not all be spent.

### Procurement

8. Officers explored the possibility of using a framework agreement to obtain costs, however no suitable option could be found. Therefore, if a bid is successful officers will work with the Essex Procurement Hub to carry out a procurement exercise in accordance with the Council's Contract Standing Orders. It is proposed that the evaluation criteria are based on 60% price and 40% quality.

### **Resource Implications:**

The capital resource implications are set out fully in the report. Revenue costs will be met within existing resources.

If the bid is successful officers will explore the possibility of partnership working/shared services with other authorities for the payroll function. This will ensure the most economical and effective use of the budget.

### **Legal and Governance Implications:**

The new system would automate the processes related to the auto enrolment legislation and changes to the Local Government Pension Scheme.

If the capital bid is successful procurement will be carried out in accordance with the Council's Contract Standing Orders.

**Safer, Cleaner and Greener Implications:**

N/A.

**Consultation Undertaken:**

N/A.

**Background Papers:**

N/A.

**Risk Management:**

Work carried out manually increases the potential for human error, implementing a system that is able to automate a number of processes would therefore reduce this risk.

Currently the Council relies on a small expert payroll team and putting in place an efficient IT system will help build resilience within the team.

## **Due Regard Record**

This page shows **which groups of people are affected** by the subject of this report. It sets out **how they are affected** and how any **discrimination** they experience can be eliminated. It also includes information about how **access to the service(s)** subject to this report can be improved for the different groups of people; and how they can be assisted to **understand each other better** as a result of the subject of this report.

S149 Equality Act 2010 requires that due regard must be paid to this information when considering the subject of this report.

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The report is requesting money to purchase an integrated Human Resources/Payroll IT System. No groups of people are affected by this report in terms of S149 of the Equality Act 2010.