

CORE HR REPLACEMENT

HROD



1. EXECUTIVE SUMMARY

This executive decision relates to implementation of a new contract for HR and Payroll system to replace existing contract with CORE HR and is seeking the necessary approval to add to the Councils capital programme. Work has already been instigated with Delt to introduce a replacement programme within the timescale required.

2. BACKGROUND

- 2.1. Prior to transfer of this service to Delt, Payroll was delivered within PCC by an in-house team reliant on a standalone payroll platform. Delt subsequently changed payroll provider in order to allow the service to give access to third party clients to self-service functions.
- 2.2. A competitive procurement process was undertaken and the winning bidder, Access Group, were selected. During negotiations Access Group had emerged as the leading bidder because of their willingness to invest in the product to meet Delt's requirements to grow its footprint in public-sector payroll.
- 2.3. The contract for the existing payroll software provider is due for renewal in March 2025, six months after the contract for payroll services is due for renewal with Delt. The procurement and migration from the current payroll platform to a new one will take at least a year and therefore the process to source a new provider has started. The contract for renewal of payroll services from Delt includes the work to replace the existing software platform.
- 2.4. The Delt Payroll Service is one of the services Delt provides to Plymouth City Council and Devon NHS Integrated Care Board .

3. Renewal of the Contract

- 3.1 The contract for Core HR expires on 31 March 2025 and cannot be extended.
- 3.2 CoreHR was sold to private equity owned Access Group, who no longer wish to actively invest in the product or working with Delt.
- 3.3 The vast majority of public sector bids we have seen have been won by Midland iTrent, or by suppliers using Midland iTrent (albeit a different version to that previously used at PCC)
- 3.4 The Core HR product has enabled employee and manager self-service for all payroll customers but there are unresolved issues in operating the product in a multi-customer environment. In addition, The Core HR solution workflows have required workarounds and more manual effort than the former system. The supplier is working to correct some of these.
- 3.5 An options appraisal was shared with PCC in February 2023 that concluded the most cost-effective long-term option for the Shareholder was to move away from PeopleXD. The intention was for PCC to develop an internal business case for either adopting and funding this recommendation or taking back ownership of the payroll service in October 2024. A number of changes of HR personnel within the Council have taken place and as a result this work has not been completed.
- 3.6 For Delt to execute a new payroll contract from October 2024, the service proposed must be sustainable. In order to ensure continuity of service, Delt has costed this service based on the most economic solution outlined in the paper from February 2023 (costs updated January 2024), which sees the replacement of Core HR by April 2025. The costings for this service reflect both the one-time costs of the project work necessary for system change and the ongoing running costs of the service.

4. Challenges

- 4.1. Current contract end date is 31 March 2025, with no further extensions to the arrangement with the incumbent supplier.
- 4.2. The time required to return the services to at a minimum a break even and then moving to a profitable enterprise.
 - Time and cost to implement a suitable replacement solution.
 - Shareholder funding challenges.
 - Management of incumbent supplier relationship post tendering outcome.

5. HR and Payroll Solution and Service

- 5.1. The procurement of a new HR and Payroll system should support the following aims:
 - Modern efficient HR and Payroll system, built on the principles of automation and self-service
 - Provide the Delt Payroll service with a solution to grow its business
 - To reduce overall costs
 - Return the service to a profitable state
 - Deliver a better system user experience for PCC staff and other customers of the services.
- 5.2. The purpose of the payroll service supported by the new HR and Payroll System is to deliver a comprehensive web-based HR/Payroll solution utilising self-service and incorporating integration across a range of HR and Payroll activities to manage the entire employee lifecycle for the Council and Delt including:
 - HR
 - Payroll
 - Expenses
 - Workforce management
 - Talent management
 - Recruitment
 - On and Off Boarding
 - Workforce data analytics
 - Statutory compliance and reporting.
- 5.3. Provision of a highly accurate payroll and pension covering full cycle payroll processing.
- 5.4. Interface with other core systems, including Health and Safety and Finance.
 - Quick response to customer demands for professional qualified advice/guidance/implementation of change and bespoke data reporting and analytics.
 - Ability to grow the customer base.

6. Procurement and Implementation

The procurement for a replacement contract for the CoreHR system has already started and potential suppliers have submitted bids. This process has been run by Delt and 'at-risk', to enable preliminary work to take place ahead of a decision on the business-case for the system.

Assessment of bids started week commencing 21 February 2024, to enable contract award to take place ahead of the new financial year. A payroll implementation of this scale typically takes 12months.

Delt will be procuring the new system which will be implemented by them as our payroll provider, therefore they will own the system and lead the project.

7. Costs

Whilst we cannot provide completely accurate figures for the selected system, Delt has done some soft-market testing of products, including market-leaders in local government and the public sector. It should be noted that in year one, we will need to 'parallel-run' two systems, as we implement one and transact business-as-usual on the other.

Please note that costs do not include the payroll service provided by Delt, which is part of the overall Delt contract.

The indicative cost (from G-Cloud price lists market leader) of licences, change and the associated professional services:

7.1. Current Annual Licence Cost

The current cost of the annual licence cost of Core HR is c. £284k. This does not include the costs of associated solution, for instance Recruitment (Engage), Establishment modelling, Tablo reporting solution. With an integrated solution, these potentially could be negated with the right product, however are out-of-scope for this business case. The specification for bids included these elements.

7.2. Ongoing licence costs (per annum using the range of HR and Payroll modules)

- Year 1 (per annum) – 2024-25 - £495,000 (based upon 7250 employees)

7.3. This is made up of current supplier cost during implementation, new supplier annual licences and one-off licence costs.

7.4. Year 2 and subsequent years - £177,000 (based upon 7000 employees), increasing in line with CPI (2022/23)

7.5. One-off supplier implementation costs – between £105,000 and £190,000 (dependent upon size, skills and knowledge of internal teams to support implementation and go-live) based at 2022 pricing.

7.6. Project Team Costs

7.6.1. Summary Resource Costs

Table 1 provides a summary of resource costs for the project.

Resource cost	Expenditure 2023/24 £000	Total £000
Delt	476	476
PCC	155	155
Annual Licence	177	177
HR Payroll system implementation	150	150
Total Programme costs	958	958

Financing of this project will be through corporate borrowing as agreed by CMT in February 2024.

There will be an ongoing revenue requirement for annual licence which will be contained within existing budget provision for current licence.

7.6.2. Project Payback

In terms of straight pay-back on cost of the programme and saving on the current licence cost, we are looking at a payback period of nearly nine years. However, this does not account for the following:

7.6.3. Potential for replacement of other HR systems, such as Recruitment, Establishment Modelling, reporting, which could realise c. £100k/year saving (additional modules may need to be purchased). The current Establishment Modelling tool will cost £20k in 2024-25, for example.

7.6.4. Delt staffing efficiencies following implementation of the new system.

8. ALTERNATIVE OPTIONS

The contract for the current Payroll and HR system expires 31 March 2025 and cannot be extended. There is therefore no option but to enter a procurement process.

