

PLYMOUTH CITY COUNCIL

Subject: Capital Investment: Payroll Enterprise Platform
Committee: Cabinet
Date: 12 July 2011
Cabinet Member: Cllr. Ian Bowyer
CMT Member: Director for Corporate Support
Author: Mark Grimley, Assistant Director
Contact: Mark Grimley, Assistant Director
Ref:
Key Decision: No
Part: PART I

Executive Summary:

This paper sets out a request for Capital Approval of £1.9 million to transfer human resources and payroll information to a single enterprise suite. The anticipated costs are set out in a Part II paper as these are commercially sensitive.

The existing system requires a server and software upgrade and a review has been conducted looking at the on-going projected costs and immediate investment needed to maintain the existing system and develop further capabilities.

A full tender for licensing and services is required under procurement legislation.

Contract awards will be under delegated decisions from the Cabinet Member.

Corporate Plan 2011 – 2014:

This project contributes to the following city priorities:

Value for communities: reducing overheads and costs of the workforce and combining systems into the enterprise solution for Information Communications & Technology at a lower on-going cost.

Reducing Inequalities: providing a better, tactical solution than we have to ensure better community representation and opportunities for local employment and in-house development of higher skilled jobs.

Within the Corporate Plan this contributes to a single platform for information management for employee data and reducing the overall operational costs of service delivery.

Implications for Medium Term Financial Plan and Resource Implications: Including finance, human, IT and land

£1.9million capital investment to fund hardware infrastructure, year one licencing, design and support (services) cost and backfill for Plymouth City Council implementation team. There is some provision within the existing ICT capital programme for replacement of existing hardware of £0.2m, the

remainder would be funded from unsupported borrowing with an annual revenue cost to Corporate Support of up to £0.4m per annum dependent on borrowing rates etc.

Other Implications: e.g. Community Safety, Health and Safety, Risk Management and Equality, Diversity and Community Cohesion:

No direct implications.

Recommendations & Reasons for recommended action:

Recommend to Cabinet that:

- I Full Council is recommended to approve the addition to the capital programme of £1.9million over 2011/12 and 2012/13 for the implementation of this project.

Alternative options considered and reasons for recommended action:

Consideration was given to continuing on the current platform, including software and hardware upgrades. This option is cost prohibitive and a competitive tender to market for a lower cost solution would offer better value for money. Due to the timescales to replace the system alternative methods of delivery (outsourcing, part-sourcing and shared services) increased the level of risk to the project delivery to a level that was unacceptable due to the increase in relationships between the Council, suppliers and third parties.

Background papers:

None

Sign off:

Fin	djn111 2.003	Leg	12161 /AT	HR		Corp Prop		IT		Strat Proc	JK/SP U/251/ 0711
Originating SMT Member: Mark Grimley, Assistant Director Human Resources & Organisational Development											

1.0 CONTEXT

- 1.1 In 2004, the Council transferred payroll and human resources information systems to a single integrated product (SAP). This paper sets out a request to establish a capital programme for a replacement to the existing system.
- 1.2 The existing system requires a hardware and software upgrade equivalent to a new implementation of the system. Additional licencing requirements will also increase the costs of the upgrade and on-going licence fees. This comes at a time when the number of employees on the platform is decreasing due to the transfer of school payrolls (Academies) to alternative providers and the transfer of staff to Plymouth Community Homes. This makes the existing system less efficient and lower value for money over the lifetime of the system following upgrade.
- 1.3 Consideration has been given to the functionality and capacity of the existing system and market testing suggests that better value for money can be achieved through approaching the market for alternative solutions that better integrate into the ICT architecture of the Council, including established desktop products used across the Council.
- 1.4 The provision of payroll is a business-essential system. Around £12 million of transactions is conducted to payroll our workforce each month, interface with HM Revenue and Customs and the Council's financial systems.
- 1.5 Consideration has been given to alternative models of operation, including the upgrade of the existing system, outsourcing some of part of the operations, and shared services. Given the timescales to replace the system before the year-end upgrade is required, each of these options would either be cost prohibitive or introduce an unacceptable level of risk to the project.

2.0 DETAIL

- 2.1 The Council's existing SAP platform provides payroll and workforce management services. This was implemented from a traditional paper-based and 'green screen' stand-alone payroll product in 2004/05.
- 2.2 At this stage in the systems' cycle, we have undertaken a review prior to the next major upgrade and planned server replacement programme to consider value for money and system sustainability over the next 5 years, including future development costs.
- 2.3 This review conducted a soft-market testing exercise with a number of alternative systems identifying implementation costs, hardware costs, support and licence fees, need for specialist skills and training and integration within the Council's existing platform and systems.
- 2.4 The conclusion of this review suggested that the overheads of the system would continue to increase on a cost-per-employee basis without any significant savings through increased functionality of the system. Additionally, it has been indicated that the licence cost is likely to increase above the rate of inflation.
- 2.5 The cost of the upgrade, including new servers and business continuity arrangements would also provide a one-off capital cost similar to the market for alternative systems implementation, with additional revenue costs year-on-year for the next five years, making the continued use of SAP less effective in financial and capability terms.
- 2.6 The Council is seeking to consolidate existing core business applications onto a single platform. Again, SAP requirements pre-determine the additional applications that are required for interfaces with the system. This is contrary to the Council's approach to consolidation and reducing

applications, servers and programming language required. It also creates additional cost for external support and expertise as training on additional platforms outside of the system for the provision of intelligence reporting, self-service and programming.

3.0 CURRENT COSTS

3.1 The costs of the platform add to the overheads of managing the workforce through business process systems and is measured by CIPFA benchmarking. Over the past 3 years, the service has reduced costs through staffing reductions (natural turnover) although this has now reached a deminimus limit. With a reducing employee base and reduced external traded accounts, the current system is now increasing the percentage overheads for administering the workforce. Based on a cost-per-employee basis, the cost of the system is likely to be around 20 per cent more expensive per employee by year 3.

3.2 The current costs of the platform add significant overheads to the service, this creates an uncompetitive position for the Council when providing services to schools and Academies when compared to the market.

4.0 FUTURE DEVELOPMENT

4.1 The Council is seeking to implement the most efficient system for managing the workforce, delivering payroll and improving the timeliness of workforce reporting whilst reducing the overall cost of workforce administration. This includes:

- (a) Online forms and automated transactions
- (b) Real-time reporting and performance dashboard for managers
- (c) Prompted actions and triggers for managers to know what action to take and when
- (d) Automated absence and attendance management
- (e) Electronic calculations of entitlements and pay
- (f) Online booking and development management
- (g) Policy compliance monitoring
- (h) Case management (disciplinary and grievances)
- (i) Electronic personnel filing
- (j) Improved, tailored communications
- (k) Electronic payslips.

4.2 Through implementing this system and modules, the Council can further develop a new business model for attracting income streams for our partners and explore shared services across the city and other local authorities.