



Key Decision Report of the Corporate Director of Resources

Officer Key Decision	Date: 30 June 2021	Ward(s):
-----------------------------	---------------------------	-----------------

Delete as appropriate	Non-exempt	
------------------------------	-------------------	--

The Appendix to this report is not for publication as it contains the following category of exempt information as specified in Paragraph 3 , Schedule 12A of the Local Government Act 1972, namely: "Information relating to the financial or business affairs of any particular person (including the authority holding that information)."

SUBJECT: Procurement Strategy and Contract Award for a new HR and Payroll integrated system

1. Synopsis

- 1.1 This report seeks pre-tender approval for the procurement strategy in respect of HR and Payroll Integrated System in accordance with Rule 2.7 of the Council's Procurement Rules.
- 1.2 This contract is for the provision of a HR and Payroll integrated system for the Council including system support and maintenance, infrastructure hosting and security updates.

2. Recommendations

- 2.1 To approve the procurement strategy and contract award for a HR and Payroll integrated system for the Council including system support and maintenance, infrastructure hosting and security updates.
- 2.2 To authorise a direct award of a call-off contract via Crown Commercial Services Data and Applications Services RM3821 framework agreement to the value of £1,700,000, for a period of

60 months commencing 22 July 2021, awarded to Zellis UK Limited (formerly Northgate Information Solutions Limited).

3. Date the decision is to be taken

30 June 2021.

4. Background

4.1 Nature of the service

An integrated HR and Payroll system is essential to the effective running of the Council, providing the basic infrastructure for the Council to deliver both statutory and non-statutory services. The agreement includes software 'licensing', system support and maintenance, infrastructure hosting and security updates. The Council requires this system for the management of accurate, efficient and compliant payroll processes within the regulated environment for organisations with employees.

The software needs to include a series of manager and employee self-service modules to allow employees to book leave, view payslips, notify sickness, claim some expenses etc. Given the criticality of the system in the council operations the proposal is to access a trusted technology with proven deployment in local government. Cost and lead-in times for any transition and implementation need to be considered, as the Council is unable to operate without a payroll system.

The Council maintains IT hardware infrastructure in order to operate HR and Payroll software and associated technical components. This hardware and accompanying operating systems require regular investment of effort and funding to maintain and update.

In alignment with the technology and (IT) application roadmap, the Council is now seeking to move from a premises hosted system to a cloud hosted system. This approach avoids periodic spikes in investment followed by degradation in technology performance. Hosted and cloud services provide enhanced resilience, performance, and accessibility of systems. Business systems are kept up to date by vendors allowing services to make full use of available compute power and functions provided by these software applications.

4.2 Estimated Value

The new agreement for the HR and Payroll integrated system is estimated at a value of circa £1,700,000 for the 60 month contract period.

Additional one-off costs for internal resources and supplier services are expected in the implementation of the new system which will require central (or HR service) funding. The implementation of the new system will entail a move to a new pricing model for a cloud hosted application.

It is proposed that the new arrangement will be a direct award of a call-off contract via Crown Commercial Services Data and Applications Services RM3821 framework agreement. The

framework agreement has been subject to transparent and public competitive tendering, demonstrating benchmarking and value for money for the public sector. The move to the cloud based offer will reduce the potential costs of investing in new infrastructure.

Full costing information is contained in Appendix 1 of this report.

4.3 Timetable

The current agreement commenced in July 2018 and ends 21 July 2021. The new agreement is required from the 22 July 2021, when the existing agreement expires. The essential nature of the service means the Council cannot operate without a functioning payroll system.

4.4 Options appraisal

In the interest of continued delivery of essential Council services to businesses, partners, residents, and service users from Council officers, ceasing provision of the service and being without a mechanism for payroll is not a viable option. The level of technology and investment required makes designing and developing a compliant payroll system ourselves cost prohibitive.

The recommended approach is to commission externally the services. A complete system procurement would be both expensive and resource intensive and could take up to 2 years to fully implement. A call-off contract from an external established framework agreement is the most expedient route to market, whilst demonstrating value for money in accessing a transparently and competitively tendered framework agreement.

A review of potential options has identified that a call-off contract via Crown Commercial Services Data and Applications Services RM3821 framework agreement would fully meet Council needs. The benefit of undertaking a call-off contract from an established framework agreement is that the council reduces contract award time significantly and implement the new contract by the required contract start date.

As part of the options appraisal, the Council has reviewed the benefits of moving to a Cloud based solution. The benefits of a cloud based solution include:

- Reduced IT costs compared to a premises solution - the cost of system upgrades is included in the contract. There will be fewer time delays in implementing the bi-annual upgrades. This approach avoids periodic spikes in investment followed by degradation in technology performance.
- Business continuity - Council data stored in the cloud ensures it is backed up and protected in a secure and safe location. Being able to access the data again quickly will allow the Council to conduct business as usual, minimising any downtime and loss of productivity. Access to the system is possible should there be a failure of the council's own on-premises technology infrastructure.
- Flexibility of work practices - Cloud computing allows employees to be more flexible in their work practices. Council staff will have the ability to access their self-service data (e.g. submitting leave requests, expenses claims, claiming allowances etc) from home

or on holiday, or via the commute to and from work (providing they have an internet connection).

- Access to automatic updates - The system will regularly be updated with the latest technology. This will include up-to-date versions of software.
- Avoiding capital costs of upgrading this system infrastructure
- Enhanced reporting features that should assist management in reporting and monitoring of HR performance indicators

4.5 Key Considerations

- Staff that do not have IT access to self-service functionality at work will be able to access the system through mobile telephones, laptops and tablets.
- Delivering a contribution to the council's social value objectives is a key element of this procurement strategy and contract award. The contractor must demonstrate their contribution over the duration of the contract to economic, environmental, and social benefits.

The framework agreement provides sufficient flexibility to ensure that the call-off contract will address the following key principles for staff involved in the delivery of this contract:

- a commitment to pay at least the real Living Wage
 - supportive learning, development, and skills opportunities
 - demonstrable commitment improving our practices to combat slavery and human trafficking
 - reduced carbon footprint, supporting the Council to be carbon neutral before 2030.
- There are no anticipated TUPE, pensions and staffing implications, arising directly from the award of this new contract.

4.6 Evaluation

The CCS Data and Application Solutions (RM3821) framework guidance states, direct award call-off agreements can be completed when the requirement must be intrinsically linked to a system already within the customer's organisation, as is the case in this situation.

4.7 Business Risks

The migration of data from the existing in house installation to the cloud platform will need to be managed to ensure that it maintains integrity and is a complete and accurate reflection of the closing database. This will be project managed in liaison with the contractor and reviewed internally via the Payroll/HR senior leadership teams.

Existing provision of payroll services will need to be considered together with any changes for internal process that may be required because of the migration to the new Cloud platform. The migration to the Cloud platform is not time limited, therefore the Council can proceed at a rate that mitigates risks and ensures business continuity and system availability.

- 4.8 The Employment Relations Act 1999 (Blacklist) Regulations 2010 explicitly prohibit the compilation, use, sale or supply of blacklists containing details of trade union members and their activities. Following a motion to full Council on 26 March 2013, all tenderers will be required to complete an anti-blacklisting declaration. Where an organisation is unable to declare that they have never blacklisted, they will be required to evidence that they have 'self-cleansed'. The Council will not award a contract to organisations found guilty of blacklisting unless they have demonstrated 'self-cleansing' and taken adequate measures to remedy past actions and prevent re-occurrences.
- 4.9 The following relevant information is required to be specifically approved in accordance with rule 2.8 of the Procurement Rules:

Relevant information	Information/section in report
1 Nature of the service	A new HR and Payroll integrated system. See paragraph 4.1
2 Estimated value	Total estimated value is c. £1,700,000 for the 60 month contract period. See paragraph 4.2
3 Timetable	New agreement needs to be in place by 22 July 2021. See paragraph 4.3
4 Options appraisal	As outlined within the report. See paragraph 4.4
5 Key Considerations	As outlined within the report. See paragraph 4.5
6 Award criteria	As set out in the Crown Commercial Services, Data and Application Solutions RM3821 framework agreement. See paragraph 4.6
7 Business risks	As outlined within the report.

	See paragraph 4.7
8 Any other relevant financial, legal or other considerations.	As outline within the report and appendix. See paragraph 5 and Appendix 1

5. Implications

5.1 Financial implications:

The current budget for the Zellis contract is £165k. It is part of the IDS BAU contracts budget. The additional one-off cost for FY 2021/22 is £182k and covers both the implementation of the project and the part-year increase in the annual subscription fees. This amount will be funded by the corporate contracts inflation budget.

The ongoing cost increase from FY 2022/23 is £138k per annum. This amount is the difference between the current BAU budget available for the Zellis contract and the new cost of the upgraded cloud solution. This amount will need to be incorporated into the IDS budget as part of the budget setting process and will receive inflationary increase as applicable, currently expected at 3%.

	Year 1	Year 2	Year 3	Year 4	Year 5
	2021/22	2022/23	2023/24	2024/25	2025/26
Project costs	£196,483	0	0	0	0
Subscriptions	£188,424	£384,385	£392,073	£399,914	£407,912
Discount	(37,685)	(76,877)	(78,415)	(79,983)	(81,582)
Existing contracts budget	(165,000)	(169,950)	(175,049)	(180,300)	(185,709)
<i>Additional funding required:</i>					
One-off funding	£196,483				
Ongoing funding	(14,261)	£137,558	£138,609	£139,631	£140,621
Total funding required	£182,222	£137,558	£138,609	£139,631	£140,621

5.2 Legal Implications:

This Report seeks the delegated authority of the Corporate Director of Resources to make a Key Decision, namely the direct award to Zellis UK Limited of a call-off contract via Crown Commercial Services Data and Applications Services RM3821 Framework Agreement (Lot 3a). The total contract value over 5 years is c. £1,700,000. It is planned that the contract will commence on 22 July 2021, to provide a Human Resources (HR) and Payroll integrated system for the Council.

The Council has the statutory power to award this contract pursuant to its general powers of competence under Section 1 of the Localism Act 2011.

The total contract value of c£1.7m is above the threshold at which the Public Contracts Regulations 2015 apply. The Crown Commercial Services RM3821 Lot 3a Specification states that suppliers in this Lot are permitted to provide HR & Payroll and on that basis this direct award is compliant with the Public Contracts Regulations 2015.

The proposed procurement route is compliant with Council Procurement Rule 3.1 as the services are being procured via Crown Commercial Services, an approved central purchasing body. The Council's Constitution Part 3 Rule 8.8 states that the Corporate Director has the authority to award this contract where the value of the contract is up to £2 million. The process outlined in the body of the report complies with the Council's Part 6 Procurement Rules.

Legal Services will assist in completion and execution of the Call-Off Contract in due course.

5.3 Environmental Implications and contribution to achieving a net zero carbon Islington by 2030:

The main environmental implications of this contract will be the electricity used in the servers hosting the new software. These servers are operated by Microsoft, who have a commitment to be carbon neutral by 2030 and to have removed their historic emissions from the atmosphere by 2050. The existing application was hosted on a council server, which will be decommissioned, resulting in a reduction in consumption energy use at 222 Upper Street where the server is based.

5.4 Resident Impact Assessment:

The council must, in the exercise of its functions, have due regard to the need to eliminate discrimination, harassment and victimisation, and to advance equality of opportunity, and foster good relations, between those who share a relevant protected characteristic and those who do not share it (section 149 Equality Act 2010). The council has a duty to have due regard to the need to remove or minimise disadvantages, take steps to meet needs, in particular steps to take account of disabled persons' disabilities, and encourage people to participate in public life. The council must have due regard to the need to tackle prejudice and promote understanding.

6. Reasons for the decision:

6.1 The recommendation in this report is approved to maintain an operational IT system critical to the delivery of HR and Payroll Services and provide a system development and enhancement pathway to ensure the ongoing improvement and performance of the system and provide mobile access for staff to use the self-service features. The decision is in line with the Council's IT application road map and the IDS vision of Islington having a Cloud First Strategy.

7. Record of the decision:

7.1 I have today decided to take the decision set out in section 2 of this report for the reasons set out above.

Signed by: David Hodgkinson

22 June 2021



Corporate Director of Resources

Date

Appendices

- Exempt Appendix 1 – Contract Expenditure Estimates

Report Author: John Kitching, Interim Head of HR Resources and Reward

Tel: 07729814396

Email: john.kitching@islington.gov.uk

Financial Implications Author: Ivana Green, Finance Manager

Tel: 02075277112

Email: Ivana.Green@islington.gov.uk

Legal Implications:

27th May 2021

Clive Sheldon

Senior Contracts Lawyer

0207 527 2965

clive.sheldon@islington.gov.uk