



REPORT TO: POLICY AND RESOURCES COMMITTEE ON 14 APRIL 2015

SUBJECT: PAYROLL/HUMAN RESOURCES SYSTEM REPLACEMENT

BY: CORPORATE DIRECTOR (CORPORATE SERVICES)

1. REASON FOR REPORT

- 1.1 To seek approval to add the replacement of the Payroll/Human Resources (HR) system to the Council's Capital Plan for 2015/16 and 2016/17.
- 1.2 This report is submitted to Committee in terms of Section III (A)(9) of the Scheme of Administration relating to any proposal to incur capital expenditure over £50,000 not provided for in the estimates and make a recommendation to the Council.

2. RECOMMENDATION

- 2.1 **It is recommended that Committee agrees in principle and recommends to The Moray Council for approval:**
- (i) that £685,000 be included in the Capital Plan for a replacement Payroll/Human Resources (HR) system over 2015/16 and 2016/17. This indicative budget figure is to allow for the procurement of a new system and the associated development costs; and**
 - (ii) the establishment of the posts set out in paragraph 4(e) below to enable the re-procurement and implementation of a new Payroll/HR system.**

3. BACKGROUND

- 3.1 The Council's current Payroll and HR Information system is known as "Cyborg" (although there have been a number of take-overs and names of software companies over the years). This system has operated since the original procurement in 1998. It is a vital system for the Council as it is depended upon to manage HR, Payroll functions and generates salary payments for employees, returns to the Inland Revenue and pension returns. The system is heavily integrated with other systems within the Council and it would take considerable investment to re-procure and implement a replacement, hence the long-standing arrangement that has been in place since 1998. However, there are a number of concerns over the Cyborg product that led to the conclusion that the risks of continuing with this system are now unacceptable and an alternative must be sought.

- 3.2 Given the age of the system and the high risk associated with the Payroll/HR requirement a review has been carried out which has highlighted the following issues:
- (i) The recent acquisition of the supplier by another software company may have a bearing on the long term development/life of the Cyborg product;
 - (ii) There are presently only 4 remaining local authority customers left in Scotland and it is known that one of these is presently out to tender for replacement;
 - (iii) The current HR module of the Cyborg system is no longer being developed by the supplier;
 - (iv) In recent years costs have escalated sharply for maintenance for the Cyborg system and the Council is currently paying £44,900per annum;
 - (v) The Cyborg system was developed using what is now considered to be 'older technology', as a consequence, developments such as extracting data take longer than other systems.
 - (vi) The present system, although from one supplier, is not as integrated as it could be with information being duplicated in both the Payroll and HR modules. This makes any potential streamlining of data input difficult to implement and results in duplication of effort
 - (vii) A significant number of resource intensive workarounds are in place to get round areas of functionality which the system does not cover well.
- 3.3 The current contractual arrangements have been extended on a number of occasions and the most recent extension is due to expire in February 2017.
- 3.4 A number of options were assessed in order to determine how best to proceed:
- (i) staying on the current Cyborg system – not viable for the reasons above;
 - (ii) staying on the current Cyborg system and upgrading to the new Sumtotal HR system – not viable due to lack of integration with Payroll
 - (iii) staying on the current Cyborg system and upgrading to a different HR system – not preferred due to issues of integration and cost and because many providers sell Payroll/HR systems.
 - (iv) procuring a new Payroll/HR system – the market has developed considerably and now offers solutions that would address the issues of integration and workarounds that are in place. This is the preferred option.
 - (v) investigating options for partnership with other local authorities, national procurement and out-sourcing – timing an issue given the expiry of the contract extension, specific needs of each partner have also been a barrier in the past, lack of interest from other parties and risks associated with data being held by another party.
- 3.5 Having weighed up all of the options, it is considered necessary to seek to replace the Cyborg HR/Payroll system and that procurement should begin as soon as possible. Therefore, this report seeks agreement to add the project to the Council's Capital Plan programme.

4. **SUMMARY OF IMPLICATIONS**

- (a) **Moray 2023: A Plan for the Future/Service Plan**: The Council recently approved its 3 year corporate plan identifying how it will contribute to Moray 2023. Section D of the corporate Plan describes “How we will change to meet the challenges” and the fourth of the five sub-headings in this section recognises that “we will continue to take a programmed approach to the development of technology”.
- (b) **Policy and Legal**: None
- (c) **Financial implications**: The actual costs will be determined by a procurement exercise. However, indications are that the purchase of a system would be in the order of £300,000 to £500,000 for implementation and ongoing costs for a 5 year contract.

In addition there would be costs associated with staff time required for the development and implementation of the new system. These will depend on the nature of the system that is procured. However, an indicative figure is estimated at £294,000.

This gives a total demand on the capital budget of between £594,000 and £794,000

- (d) **Risk Implications**: There are risks associated with remaining with the current Payroll/HR system (Cyborg). The product is not being actively developed and there is a decreasing number of local authority users. There is a risk that the supplier stops supporting the product as the customer base becomes unviable. Costs have also increased by 4% per year since 2014 which places an above inflation financial burden. In addition, the system requires a number of work arounds for reporting and day to day business which are not as robust as a system solution.

However, there are also risks associated with the project as it is both complex and critical. Many organisations struggle with the implementation of such systems and the consequences can be significant when they affect payments or personal data. For this reason, contact has already been made with other councils and suppliers to learn from their experience. One measure to mitigate the risks is to have a dedicated project team in place that can focus on the project. It has also been suggested that minimising customisation can help to reduce risks but this depends upon employer requirements and how well a particular system can match these. Careful consideration is being given to the most suitable procurement arrangements as mutual understanding of requirements, functionality offered and the means of achieving this are vitally important to the success of the project.

(e) Staffing Implications

The staffing implications will be most significant at the implementation stage where design and build of the new system and transition from the old will be required. However, there is considerable uncertainty in what these requirements will be as this will depend on the option selected. Below is an indication of what may be required and this will be reviewed as the project develops. At the procurement, only the Project Leader role will be filled and resources from within HR, ICT and Finance will undertake the other roles until such time as a system is procured and the staffing requirements can be properly assessed.

Staff Resource		Fte	Grade	2015/16	2016/17	Total
				£	£	£
Project Leader	Temp for 24mths	1.0	G10	51,000	51,000	102,000
Project Officer (HR & Payroll)	Temp for 18mths	2.0	G7/8	38,000	76,000	114,000
Project Assistants (H R & Payroll)	Temp for 18mths	2.0	G5	26,000	52,000	78,000
Total				£115,000	£179,000	£294,000

(f) Property: Office accommodation will be required for the temporary staff.

(g) Equalities: None.

(h) Consultations: Consultation has taken place with the Head of Finance, the Payments Manager and the ICT Manager (Applications) and their comments have been incorporated into the report.

5. CONCLUSION

5.1 The Council's current Payroll/HR system has been in place since 1998 and now has a number of risks associated with it. Having considered a range of options, it is considered most appropriate to replace the system with a new integrated Payroll/HR system. This report seeks to add the project to the Council's capital programme.

Author of Report: Denise Whitworth

Background Papers:

Ref: H:\Admin\Reports\P & R\Payroll-HR System Replacement (14-04-15).doc

Signature: _____
Designation: Head of HR & ICT

Date : 27 March 2015
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