

Powys County Council

For finance use	
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Capital Budget Virement Application Form

(Please see guidance notes on page 2532 of the Intranet)

To	Professional Lead Finance	
From	Graham Evans	Project Manager
	Graham Evans	Budget Holder
	Mark Evans	Service, Head of Service
Date	26 June 2017	

Details of Virement

Please refer to notes to ensure all the relevant details are included.

1. Introduction

Powys County Council has had a long and successful relationship with MHR (formerly MidlandHR) spanning over 25 years. The evolution of technology, process and systems plus good practice has dictated that we have on multiple occasions 'tested the market' to ensure fairness, value for money and compliance.

The last full tender exercise took place in 2003. At the beginning of 2004 Powys County Council commenced implementation of their newly procured integrated HR/Payroll solution iTrent. The previous twelve months had been spent evaluating and procuring the system through a consortium of Welsh Councils; Swansea (who later withdrew) and Carmarthenshire. In the end Powys and Carmarthenshire opted for different systems. Powys is now one of 11 Welsh Councils and two Police bodies who have the iTrent system as their integrated HR/Payroll solution across the principality.

The existing contractual agreement expired on the 31st December 2016, with an agreement to extend on a quarterly basis at existing charges, until a decision is made on the exemption.

2. The System, Processes & Benefits

The predominant rationale for choosing iTrent was the impressive development schedule of the system and the efficient timeline that accompanied it. That is, it was a young system with a clearly defined development road map that aligned with the services strategy going forward. Such developments, which included Workflow, Self-Service and People Manager complimented the Councils objectives and aspirations in respect of improving employment processes, enabling automation and providing the Council with timely and accurate management information and data. The Council put in place a dedicated implementation team comprising existing staff. Modules implemented to date are as follows;

- Core HR
- Payroll
- Absence
- Expenses
- Employee Self Service
- People Manager
- Recruitment (inc Web Recruitment)
- Rostering

- **Employment Checks**

Upon successful implementation of core HR and Payroll it became clear that in order to extract major benefits from the system a review of all employment processes was necessary. A project aimed at re-designing all employment related processes was therefore commissioned to run in parallel to the development of the iTrent system. Utilising standard Business Process Re-engineering (BPR) methodology a review of each employment process was undertaken. This project ultimately delivered significant efficiencies.

In Financial terms the overall project realised efficiency savings in excess of 600k. A key factor to the success of this work to date has been the involvement of key stakeholders who were included as part of the project team. This ensured collective decision making, buy-in and ownership. Key individuals within the HR service have led the project and in the process have acquired invaluable skills in BPR and project management. In addition their knowledge of the iTrent system is now second to none.

The iTrent system has enabled the Council to introduce new and improved ways of working and Powys is now one of the leading authorities in England and Wales in this area. The Council is now used as a customer reference site by MHR, the providers of iTrent. The Council's CIPFA Benchmarking Statistics demonstrate that we are a high performing Council in respect of payroll. This can be demonstrated by our cost per payment processed being in the lower quartile when compared with 66 other English and Welsh Authorities. The cost is significantly below the average cost per Authority. It is worth noting that this cost calculated covers a range of Employment process and not only pure payroll. Examples being timesheet preparation, absence calculations e.t.c.

3. Current Position

Following the successful implementation of the core system and transformation of processes a conscious decision was made to reflect and consolidate in this area. The decision was based on two key factors; the need for processes and new ways of working to be 'bedded in' and the austerity position starting to impact on service area budgets.

The enforced 'break' has now meant that as a Council we are slightly behind on some of the functionality the latest version of the system has to offer.

4. Development / Enhancements

The latest version of iTrent provides enhancements in a number of key modules that complement the Directorate's transition to a 'new operating model'. In addition there are developments that align with the overall strategy of the Council and will be key enablers in achieving 'Vision 2025' through enhancements including; Web Recruitment and Workforce Development under pinning a key element of the 'RROOTS' Programme.

5. Hosting

Recent issues have accelerated the requirement to explore our hosting arrangements. This work has been taken forward jointly between the service area, ICT and the current supplier MHR. The potential approach of the software supplier 'hosting' the system aligns with the generic ICT strategy going forward. The existing risk of 'in-house' hosting is becoming ever more apparent, a skills gap exists due to the age and out of date operating platforms that is proving to be very costly to support and such corporate systems cannot afford the 'downtime' and risk associated. The work to date has involved discussing and understanding costing comparisons and service provision. The initial findings report was ratified by ICT Programme Board in November 2016 and enables us to pursue this option for decision.

6. Corporate System

As outlined in the introduction the deployment of an automated, self-serving system across our large organisation is a massive task. The system is probably the only Council solution that has the potential to interact with all employees and managers and can be utilised further to obtain the optimum value and efficiency. In addition there has possibly never been a greater requirement to utilise and develop our 'core' systems due to efficiency and having "one version of the truth". This approach again aligns to one of our key themes in the transition to a 'new model' i.e a corporate hub of systems and system rationalisation.

7. Commerciality

There is a clear and committed theme in the move to a 'new delivery model' to generate income through commercial approaches. One area already identified and being actively pursued is Payroll and associated employment related products. The maturity of the existing processes including automation, in addition to the robust infrastructure of the overall system and the resource knowledge and experience provides the upmost integrity and assurance to prospective clients in this field.

8. Commercials

Powys have retained the same standard rental rates with the software supplier since procuring the system in 2003. There has already been a commitment from MHR to 'honour' these rates if we extend the agreement by three years. Based on research and networking the existing rates attributed to Powys are significantly below the current market value.

9. Political

iTrent is deployed in approximately half of Welsh Councils and Police areas. The current Minister has only recently given clarity around regional / partnership working. The retention of iTrent compliments this and positions us well as bordering authorities such as Ceredigion, Torfaen and Denbighshire all utilise the product.

10. Costings

As previously eluded to, the existing annual core product rental charges has been maintained through the contract negotiations, however we have successfully agreed that the number of payroll records this covers is increased from 7500 employees to a total of 12000 pay records. The existing contract is based on 7500 employees, however we do have circa have 11000 pay records including Powys Pensioners, Powys Elections and other external organisations which we should be charged for, and would be if this was being procured at this stage. This increase not only safeguards the existing costs, it also enable us to pursue commerciality objectives through the provision of payroll services set for income generation without incurring additional charges at this stage, potentially increasing the profit margin. We have also successfully negotiated a lower end employee records figure which, if pay record numbers do happen to contract, negotiations can commence for a reduction in rental and hosting charges.

For the system to become hosted, there are associated costs as follows, both initial set up fees as well as annual service charges are as follows:

	Initials	Annual
Hosting Services – initial costs	62,861	
Hosting Services – annual charge		37,567
Secure email services (TLS) – initial	3,400	
Secure email services (TLS) – annual		no charge
Secure Direct Database Access – BI Reporting - initials	3,400	
Secure Direct Database Access – BI Reporting – annual		6,000
Totals	69,661	43,567

11. Conclusion

The extension of the iTrent contract provides continuity, 'core' stability and development of the existing product and these key component underpin the Directorates main objective of migrating to a 'new delivery model'. The move to the 'new model' is driven by the overall organisations requirement to balance its budget year on year through this prolonged time of austerity whilst still ensuring the Authority is 'kept safe' through statutory and legislative compliance.

To reiterate the corporate system already interfaces with a large percentage of the workforce and has the potential for full coverage. A procurement campaign at this point in time would risk disrupting all facets of work (transformational and core) that we are attempting to deliver at a strategic level and would significantly jeopardise the delivery of a large part of our strategic objectives.

Budget Increases

Scheme Name	MRM Hosting Solution
Job Code	9F250 9VF096

	Total Cost £	Prior Years £	2017-18 £	2018-19 £	2019-20 £	Future Years £
Existing Budget			0			
Revised Budget			69,661			
Increase Required			69,661			

Financing

Scheme Name	Corporate Unallocated
Job Code	9F200 9UAMP

Existing Budget		159,855.27			
Revised Budget		90,194.27			
Decrease Required		-69,661.00			

Additional/New Resources

Supported Borrowing		-69,661.00			
Total		-69,661.00			

NOTE: Total financing must match increase required above.

Other Financial Implications (future years capital/ revenue – Do not leave blank)

Charges associated with hosting

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Due to the ICT strategy of externally hosting systems being in its infancy and until all systems are successfully migrated, ICT do not have the capacity to transfer the current associated budget costs, nor are they able to alter the recharge costs to Employment Services which would fund the ongoing hosting charges. As a result, funding will be required for the **3 year term at a cost of £37,567 per annum** (as stated in the table in the earlier section). Extensive discussions have been held with Andrew Durant, Head of ICT, who is fully supportive of the move to a hosted service. The cost in 2017-18 of £18,780 will be found within existing Business Service budgets. Future years funding will be discussed from within the Resources FRM.

In addition, as the Corporate Insight Centre are currently using a third party system to produce workforce data reports from iTrent, a Secure Direct Database Access (SDDA) link is required which comes with a maintenance fee of **£6,000 per annum for the 3 years contract period**. The Corporate Insights team have also confirmed that there is **no budget to fund this**, however, without the SDDA link workforce reporting would not be able to function and as such a request for additional budget is also required. Again, the cost in 2017-18 of £3,000 will be found from within existing Business Service budgets. Future years funding will be discussed from within the Resources FRM.

Approvals

Signatures

Required in all cases	Head of Service		Date	7/7/2017
Please print the name of the above		MARK EVANS		
Required in all cases	Strategic Director: Resources		Date	30/6/17
Please print the name of the above		S. Evans		
£25,001 to £100,000	Portfolio Cabinet Member		Date	
Please print the name of the above		JAMES EVANS		

1. The first part of the document is a list of names and addresses.

2. The second part of the document is a list of names and addresses.