

Report to CABINET

Contractual Arrangements - Human Resources and Payroll System (MHR iTrent)

Portfolio Holder:

Cllr Abdul Jabbar – Portfolio Holder for Workforce and Organisational Development

Officer Contact: Shelley Kipling – Assistant Chief Executive

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Reason for Decision

Review of the contract arrangements in relation to the HR and Payroll system (iTrent). The current contract with MHR International UK Limited (MHR) was due to expire on 18th April 2023 with an initial three months' contract extension being approved via Delegated Cabinet Member Decision Report from 19th April 2023 to 18th July 2023.

Executive Summary

The current provision of Transactional HR and Payroll Services to Oldham Council, MioCare, Oldham schools and academies is delivered by MHR via the iTrent system. The current contract was procured via the G Cloud Framework and awarded in April 2019 for an initial two years with two further extensions each of one year (2 + 1 + 1) being approved thereafter. The original contract was due to expire on 18th April 2023 with an initial three months' contract extension being approved via Delegated Cabinet Member Decision Report from 19th April 2023 to 18th July 2023. Oldham Council is satisfied with the iTrent system and the preference is to continue using it on a longer-term basis.

The Greater Manchester Combined Authority (GMCA) has entered into a single supplier framework agreement with MHR, which is accessible to all GMCA authorities and associate partners, for the procurement of a platform to enable employees and customers

to utilise a first-class HR and Payroll solution that is at the forefront of digital transformation that will be able to offer both on premise and cloud-based services. The GMCA framework agreement would enable us to continue with the current product and transfer seamlessly to a new longer-term contract.

It is, therefore, proposed that Oldham Council enter into a call-off contract with MHR under the GMCA framework agreement for the provision of the iTrent system for a minimum of 5 years (inclusive of the initial three months' period) until April 2028 with the option to extend this for a further 5 years.

Across GM, all HR/Workforce leads work collaboratively to address common workforce challenges, using our combined buying power to procure contracts that are of benefit to us all, ensuring maximum value for combined public spend. There is a dedicated resource (hosted by Oldham) to manage and drive contract performance on our collective behalf, ensuring no Council is trying to negotiate from an individual perspective, supporting stronger market influence. Aside from payroll, we also have contracts to support Occupational Health; Employee Assistance Programme; Agency staffing; MeLearning (online learning system) and electronic Disclosure Barring Service. The benefits of working in this way are considerable and enables those Council's with less resource or expertise in certain high-risk areas to be supported by the wider group.

Many of the GM Councils use MHR/iTrent, and some have considerable experience of over 10 years, so Oldham benefits from this significant expertise via the GM iTrent working groups. Being part of these working groups allows for innovation and pilot testing of the system in ways that are unlikely to be achieved by individual Council's on their own.

From an Oldham perspective, iTrent has been in place now for just over 2 years, and we are now beginning to use the full capabilities of the system to improve manager and employee self-serve, as well as informing better workforce data for more strategic organisational use.

Recommendations

It is recommended that Cabinet approve the direct award of a call-off contract to MHR via the GMCA HR and Payroll system framework agreement to enable the continuance of the provision of the current Transactional HR and Payroll system, iTrent, for a five-year period until April 2028 with the option to extend for a further five years.

Human Resources and Payroll System (MHR iTrent)

1 Background

- 1.1 In March 2019, a report was presented to Cabinet to set out the proposals to redesign the transactional HR and payroll service and replace the two existing HR and Payroll systems with one HR and payroll system. Following Cabinet approval, a full procurement exercise was undertaken via the G Cloud Framework and the contract was awarded in April 2019 to MHR International UK Limited (MHR) for the procurement of iTrent. The contract was for an initial two years with the option of two further extensions each of one year (2 + 1 + 1). Both options were taken up with the contract due to expire on 18th April 2023 with an initial three months' contract extension being approved via Delegated Cabinet Member Decision Report from 19th April 2023 to 18th July 2023.

2 Current Position

- 2.1 Although the contract was signed in April 2019, following a period of implementation and testing, the first payroll was only produced from iTrent in January 2021 meaning we are still in the infancy of using the system.

The preferred option is to remain with MHR iTrent as the provider of Transactional HR and Payroll services to the Council, schools, Miocare and Academies.

Following a period of high staff turnover and the transfer and retention of skills within the HR Transactional and Payroll teams, it is recognised that retaining iTrent as our provider provides stability and allows us the ability to develop the HR, Payroll and OD offer to our customers, and utilise the additional modules available to us at the right time.

3 Options/Alternatives

3.1

Option	Advantages	Disadvantages
1 – Retain MHR iTrent as the Transactional HR and Payroll provider of choice and enter into a call-off contract via the GMCA HR and Payroll System framework agreement	Retain existing system along with all skills, knowledge and experience of using the system across the Council. Retain established contractual relationships both with MHR and across GMCA.	None
2 – Any other option would not be viable due to the procurement exercise that would be required to be undertaken		

- 3.2 The costs are outlined below. All prices in the table are exclusive of VAT:

Hosting/Software Name	Initial Fee (to be paid in addition to annual fee in Year 1 only)	Annual Fee
MHR Hosting	£46,699.66	£58,913
Configurable Questionnaires	£5,269	£5,971
Core HR (workforce)	£33,657	£39,070
Core HR (pensioners)	£562	£652.50
Manager Self-Service	£3,651	£4,407
Payroll (workforce)	£30,847	£37,772
Payroll (pensioners)	£515	£631
Pensions returns	N/A	£11,209
Reporting	£1,888.60	£2,226
Escrow	N/A	£2,700
Total	£123,089.26	£163,551.50

The total cost of the contract would be £940,846.76 + VAT for the 5-year timeframe.

4 Preferred Option

- 4.1 The preferred option is to remain with MHR as the supplier of our transactional HR and Payroll system, iTrent and to enter into a call-off contract with MHR under the GMCA HR and Payroll System framework agreement for a term of 5 years (inclusive of the initial three months' period) with the option to extend for a further 5 years. Not retaining MHR as our HR and Payroll supplier will have a detrimental impact on the delivery of HR and Payroll services to all employees.

5 Consultation

- 5.1 None

6 Financial Implications

- 6.1 The preferred option outlined in paragraph 4.1, is for MHR to continue as the provider of Transactional HR and Payroll Services for an initial 5-year period commencing on 1st April 2023 until 31st March 2028, with the option to extend for a further 5-year period.
- 6.2 The total cost of the 5-year contract is £941k, with the first-year costing £287k and the remaining 4 years costing £164k per annum.
- 6.3 Budgetary provision of £143k is available within the Human Resources base budget therefore there is a budget shortfall of £144k in 2023/24 and £21k thereafter. The additional budget requirement has not been built into the Medium-Term Financial Strategy which was approved at Council in March 2023.
- 6.4 The HR and OD Service are forecasting an underspend of £145k in 2022/23. It is proposed to top up the existing i-Trent reserve by £145k to offset the contract extension pressure in 2023/24. The pressure of £21k from 2024/25 will be addressed during the budget setting process for 2024/25.

(Jenny Howarth Senior Accountant/Nicola Harrop Finance Manager)

7 Legal Services Comments

- 7.1 Rule 4 of the Council's Contract Procedure Rules and the Public Contract Regulations 2015 allow for a call-off to be made under a compliant framework agreement without the need for

alternative procurement arrangements. Therefore, provided an award is made in accordance with the provisions of the GMCA HR and Payroll System Framework Agreement, a call-off contract with MHR is in the form prescribed and for a term permitted by the framework agreement and the call-off terms are reviewed by Legal Services, there are no known legal implications to the recommended action.

(Sarah Orrell – Commercial & Procurement Solicitor)

8. **Co-operative Agenda**

- 8.1 The proposal to award MHR to provide a HR and Payroll system will improve current HR and Payroll systems for a good value and support a co-operative borough.

(Mahmuda Khanom, Policy Support Officer)

9 **Human Resources Comments**

- 9.1 The relevant HR implications are noted within the main section of this report. The HR & OD Service has been engaged in the decision-making process and agrees with the recommendation.

(Adele Savage – HR Advisory Operations Manager)

10 **Risk Assessments**

- 10.1 There are more risks in not contracting with MHR as that would jeopardise the delivery of the HR and Payroll service. Any risks associated with the contract itself and the failure to perform will be managed by the System owner, IT and with support from legal as required.

(Neil Stott – Finance Manager / Mark Stenson - Assistant Director Corporate Governance and Strategic Financial Management)

11 **IT Implications**

- 11.1 None – The infrastructure, connectivity and access will remain the same.

(Irfan Rasul – Digital Technology Manager)

12 **Property Implications**

- 12.1 None

13 **Procurement Implications**

- 13.1 Commercial Procurement support the recommendation of Option 1. The contract will be awarded via the GM Collaboration HR Payroll System Support and Maintenance Framework Agreement Contract Ref: DN560075 (GMCA 400) Single Supplier Framework MidlandHR International UK LTD, June 2022 – June 2026. The Framework terms allow a direct award, with the initial term being a period of 5 years. The call off contract permits 2 extensions of up to 5 years each extension.

(Senga Henstock – Commercial Procurement Unit, ICT Senior Buyer)

14 **Environmental and Health & Safety Implications**

- 14.1 None

15 **Equality, community cohesion and crime implications**

15.1 None

16 **Equality Impact Assessment Completed?**

16.1 Yes

17 **Key Decision**

17.1 Yes

18 **Key Decision Reference**

18.1 CS-02-23

19 **Background Papers**

19.1 N/A

20 **Appendices**

20.1 Equality Impact Assessment