Project Business Case

Future of Payroll

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1.   Introduction

Strategic context

1.1   Following a report from the Financial Performance and Contracts Committee at its meeting on 23 November 2021 which considered reports on the Review of Capita Contracts, the Policy and Resources Committee agreed on 9 December 2021 that Barnet Council would not seek to extend Capita contracts and instead prepare for the transfer of returning services in 2023.

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1.2   Following approval by the Policy and Resources Committee on 19th July 2022, Barnet Council is undertaking a significant in-sourcing of its core capabilities provided by Capita across back-office functions and implementing cloud solution Oracle Fusion. This aims to modernise and simplify systems, address shortfalls, and bring users to the centre, with changes aligned to timelines for when the current extended contracts expire in August 2024.

1.3   The Council's payroll is run on the Integra Core HR system, provided by Capita through a managed service, with an agreed contract extension until 31st August 2024. The decision was made to take payroll out of scope of the initial project (i) to safeguard staff pay as a top priority, and (ii) as including payroll would increase the risk of procurement and implementation of the core system being delayed   past September 2024.

1.4   Since   Policy and Resources Committee agreed to the one-year extension of payroll a number of options have been explored to allow the Council to meet its objective in the longer term, but also ensure that risks are minimised and payroll protected when current contracts expire in August 2024.

Recommendation

1.5   This business case seeks approval of the preferred option, as well as the preferred procurement route. A decision is needed in June 2023   to ensure the timeline to build and implement a payroll for the end of August 2024 is achievable, the project will need to be initiated in July 2023.

1.6   Building an entirely in-house solution was explored as the preferred option and although possible, the risk of doing so too quickly is high given the complexity of the exit from Capita, the consequences of getting it wrong,   lack of in-house payroll expertise and lack of readily available payroll experience in the market. The recommendation is therefore to do a phased insource with the processes and systems coming in house using our Oracle Fusion platform and to contract a new managed service provider to provide the people and expertise to operate the payroll for 2-3 years, with a go-live date of the end of August 2024. The long-term aim is to bring payroll expertise in-house or with a shared service as the local government market matures. To further minimise risk to payroll, a further extension of 6 months to the Capita payroll contract is also recommended and will only be executed if necessary.

1.7   In order to progress this option, the Council will need to procure Oracle payroll licences. The Council will also need: a Systems Integrator to build the payroll in Oracle; to procure a managed service provider; and create a Barnet side implementation team. To de-risk the service the recommendation is to (1) procure Oracle licences by drawing down on existing contracts, (2) extend the contract for the current Oracle Systems Integrator through a change control procedure and (3) launch a mini-competition using government frameworks to procure a managed service provider.

1.8   This option provides a phased and de-risked payroll solution which protects payroll and allows the Council to achieve its strategic objective of insourcing services on a longer

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timescale. It maximises the benefits of a single enterprise resource planning (ERP) platform, leveraging the Oracle Fusion solution currently being built. Under this model, the Council will own its own licences, and will undertake the design, build, test and implementation of its Fusion payroll solution. Buying in   a managed service provider for two years, with the option to extend for an additional year, will allow access to Oracle payroll expertise during critical stages of design-and-build and the 12 months after go-live. Once systems are stabilised, the Council can look to develop its service in-house or use a shared public service provider.

2. Context - Five Theme Model

Corporate Plan – Strategic Context

2.1   Replacing the current systems aligns with Our Plan for Barnet. It aligns to the 'engaged and effective council' objective under point 2: transforming our services to deliver the best outcomes we can, ensuring our services are easily accessible to residents and that their experience of contacting and engaging with the Council is consistent, seamless and focused on their needs and point 5: make the best possible use of our financial resources, now and in the future, so that we are able to continue to deliver on what matters to Barnet residents. A new system would put users at the centre and improve functionality. As HR and finance systems are upgraded, it will be important to ensure that payroll is aligned, functioning well and that staff are paid the right amounts, at the right time. This aligns with the Plan's objective of getting the essentials right and helps to ensure that employees do not suffer any adverse consequences owing to issues with their pay.

2.2   This change also aligns to Barnet's digital strategy – key objectives for this project are to rationalise systems and use Cloud based solutions wherever possible. The preferred option does this.

2.3   A set of guiding principles and assessment criteria have been used to assess different options which link to the context and strategic direction of the Council:
- Users at the centre:
    - Criteria 1: Safeguards payroll for staff: ensuring staff are paid the right amount at the right time
    - Criteria 2: Supports self-serve user experience
- Rationalises and Simplifies:
    - Criteria 3: Protects timeline for core Fusion delivery
    - Criteria 4: Ease of integration/interoperability with Fusion
- Supports operational model:
    - Criteria 5: Value for Money
    - Criteria 6: Supports LBB establishing strategic control
- Future proofs the services
    - Criteria 7: Builds a resilient service

Social & Environmental Value – Economic Context

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2.4 The preferred option will maximise the benefits of moving to a single platform for enterprise resource planning (ERP). In line with the core Oracle Fusion project, a new system and the associated procurement process will provide social value benefits to the organisation. The ability to have more insight on the Council's suppliers can ensure that it is supporting local businesses, while also assessing the environmental sustainability of the Council's supply chain in more depth. This is not available with the current systems.

2.5 Under the preferred option, this project will maximise social benefits expected from the Core Fusion programme, specifically, it is expected that 20% of the marking criteria of the procurement will be factored into the chosen supplier, adding benefit to Barnet's economy and residents.

2.6 A new payroll system will enable the Council to make efficiency savings by selecting a supplier which offers a reduction on the reliance on manual processes. This will free up officer time to focus on 'value-add' activity and provide better value for money for the Council. Streamlining workflows can also help to reduce processing time and minimise the potential for errors, which can also result in cost savings. Implementing self-service features can enable employees to manage their own payroll-related tasks, such as updating their personal information and accessing their pay stubs. This can reduce the workload of HR and payroll staff and free up resources for other tasks.

Commercially Viable – Commercial Context

2.7 Under the preferred option, external suppliers will be needed to (1) integrate a new payroll solution and (2) provide a managed service to administer payroll. Additionally, (3) new Oracle licences will need to be procured to access the system. Procurement options are set out in Section 5 and summarised here.

2.8 The Systems Integrator will be the same as the Core Fusion Project under the preferred option. This will leverage the knowledge of the Council's systems they have already gained, minimise associated complexities including the risk of issues potentially slipping through gaps between providers, and ensure maximum accountability. The current supplier (Mastek) has indicated they would be able to expand current responsibilities to include payroll. This would require a change request, rather than a full procurement process. Use of consultancy TPX Impact's 'intelligent client' function and knowledge of the marketplace will help to ensure that a lack of competition does not result in inflated prices. Additional Oracle licences can be purchased by drawing down on existing agreements.

2.9 Whilst the intention is ultimately to bring payroll service provision into the Council, the preferred option sets out a plan to contract a managed service provider for 2-3 years to allow the Council sufficient time to build its in-house knowledge or explore other options. There is a small pool of providers with the right experience who are available on Crown Commercial Service frameworks, who have been contacted. Three responded to indicate this would be a commercially attractive opportunity. In order to attract the right service provider and obtain the best value for money, the recommended route to market is through competition with a clear set of requirements. This will help to ensure the best value for money, with clear pricing above and beyond the quotes received.

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2.10   Potential risks in the Design, Build, Funding and Operational phases of the scheme will be mitigated in the contractual arrangements. New Service Level Agreements (SLAs) will be agreed, as well as an implementation plan, provided by the chosen technical partner, and a funding mechanism aligned to the achievement of clear milestones. In order to ensure a smooth transition between the chosen partners and any future supplier or in-house team, a clear exit plan and sufficient handover time will be factored in. This will include an agreement to share information to facilitate any future technology build and implementation, as well as handover service provision. Current contractual arrangements with Capita have proven insufficient as they only need to provide this service within 6 months of contract exit and these projects can take up to 2 years to complete.

Financially Viable – Financial Context

2.11   The Financial Performance and Contracts and Policy and Resources committees agreed to this project in order to close current contracts with Capita, with the aim of bringing service in-house. In July 2022, the council presented the overall CSG extension analysis to the Policy and Resources Committee. The extension base cost inclusive of high level in-house returning services were assumed to be net neutral for a full year equivalent. The internal Transformation Board discussed the project direction on 16 March 2023 and requested a full business case in order to progress a preferred option. The recommended option is viewed as the most cost-effective when balancing cost, reward and risks.

2.12   Current KPIs for payroll services, whilst generally reporting positive performance, only measure payroll accuracy through a very narrow lens. A number of recent performance issues with the payroll service have created significant disruption to staff and managers, whilst not being within scope of KPI definitions. For example, the failure to provide accurate hard-copy payslips to those staff that require them, problems with the timely despatch of payslips, responsiveness of the service provider to enquiries, the ongoing reliance on manual uploads of data, and the failure to provide accurate data to the council's pensions administrator. A new payroll system will help to address many of these issues and provide both quantifiable and unquantifiable benefits to the Council.

2.13   The total amount of capital required is estimated to be in the range of £1.089m - £1.144m. This includes a 10% contingency in case there are unforeseen issues in project implementation which result in a cost rise. The business case is based on the assumption the Council will request this as part of normal processes with likely borrowing as the funding stream.

2.14   Revenue costs are nil in year 1 as current service provision continues but there will be a spending pressure in year 2 (estimated to be the range of £0.112m - £0.138m) to reflect a 7-month double running of the payroll services with Capita while systems stabilise, and to prevent any risk to staff pay. By steady state (year 3 onwards), savings are projected against Capita contract costs of £0.104m - £0.132m. Additional one-off revenue costs in year 2 are expected to be funded from reserves.

2.15   The Barnet Group (TBG) have decided, after an options appraisal, not to take the Council solution. For completeness, TBG associated costs are provided in the annex but the assumption for this business case is that they will procure their own payroll solution and managed service provider. This does not preclude TBG from joining the Council's system or service at a later date.

2.16   Two options were costed and are provided below. Most of the costs provided are based on ranges and are therefore rough order of magnitude based on the options analysis and market testing. These will need to be refined and updated when actual costs are known.

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BARNET LONDON BOROUGH

(£m)	As is	In-house						External Managed Service					
		Y1		Y2		Y3+		Y1		Y2		Y3+	
		Low	High	Low	High	Low	High	Low	High	Low	High	Low	High
Revenue charges													
Oracle payroll licences (2800 staff)				£0.030	£0.030	£0.051	£0.051			£0.030	£0.030	£0.051	£0.051
Managed Service provider — Capita (current)	£0.259	£0.259	£0.259	£0.113	£0.113			£0.259	£0.259	£0.113	£0.113		
Capita (extension)				£0.190	£0.190					£0.190	£0.190		
In-house		£0.235	£0.298	£0.565	£0.715	£0.365	£0.465						
Other MSP										£0.116	£0.141	£0.126	£0.154
Income — TBG (current)	-£0.050	-£0.050	-£0.050	-£0.021	-£0.021			-£0.050	-£0.050	-£0.021	-£0.021		
TBG (extension)				-£0.029	-£0.029					-£0.029	-£0.029		
TOTAL REVENUE (charges minus income)	**£0.209**	**£0.444**	**£0.507**	**£0.848**	**£0.998**	**£0.416**	**£0.516**	**£0.209**	**£0.209**	**£0.398**	**£0.424**	**£0.177**	**£0.205**
Baseline (as is)		£0.209	£0.209	£0.253	£0.253	£0.309	£0.309	£0.209	£0.209	£0.286	£0.286	£0.309	£0.309
Additional funding requirement	**£0.000**	**£0.235**	**£0.298**	**£0.595**	**£0.745**	**£0.106**	**£0.206**	**£0.000**	**£0.000**	**£0.112**	**£0.138**	**-£0.132**	**-£0.104**
Capital charges													
Oracle Additional Test Environment			£0.008					£0.008	£0.008				
Oracle payroll licences (2800 staff)			£0.038		£0.021			£0.038	£0.038	£0.021	£0.021		
MSP transition manager								£0.050	£0.075	£0.050	£0.075		
Systems Integrator			£0.212		£0.212			£0.212	£0.212	£0.212	£0.212		
In-house training			£0.075										
Project SME			£0.132		£0.103			£0.108	£0.108	£0.103	£0.103		
Project manager			£0.106		£0.083			£0.106	£0.106	£0.083	£0.083		
Total capital charges (yearly)			**£0.571**		**£0.419**			**£0.521**	**£0.547**	**£0.469**	**£0.494**		
10% contingency			£0.057		£0.042			£0.052	£0.055	£0.047	£0.049		
TOTAL CAPITAL	**£0.000**						**£1.088**				*Low:* **£1.089**	*High:*	**£1.144**

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Notes and assumptions on the above table:
1. *Y1 is financial year 2023-24, with 3 July 2023 project start date and Go-Live planned for Y2 (end August 2024)*
2. *Oracle licences from project start classed as capital until Go-Live, and Revenue thereafter.*
3. *Payroll licences for 2500 LBB staff + 200 BELS +100 contingency*
4. *Capita cost is a third of HR Core fee £0.734 until end Aug 23 and £0.816 post Aug 23. Extension assumes 20% uplift, both in Y2 costs and in baseline costs.*
5. *In-house costs based on having team in place 10 months before Go-Live for training and preparation: Y1- 11 FTEs for 5 months, Y2- 11 FTEs, reducing to Y3- 7 FTEs*
6. *In-house and other MSP costs include printing and postage for 800 staff of £15k a year (prorated)*
7. *Other MSP costs highs and lows across 4 quotes received - per-payslip cost*12*2800 staff*
8. *Y2 MSP costs based on 11 months (7 months from go live + 4 months before prep)*
9. *MSP transition manager based on 120 days total*
10. *Project SME costs based on day rate of £750*No days until end of hypercare period (full time for in-house; 2 days a week for 2 months increasing to full-time for MSP)*
11. *Project manager full time £600/day until hypercare ends*

Delivery – Can the organisation and partners deliver the project successfully

2.17   Two options were considered for project delivery and management within the Council:
- Option 1: Increase scope of the Oracle Fusion programme to include the payroll implementation activity
- Option 2: A dependent project with governance and controls with link into Fusion governance

2.18   Option 2 is preferred,   whilst payroll should be connected to the core Fusion programme, the delivery partners will be a slightly different group (including a subset of the Fusion programme) and the objectives and timelines will be different.

2.19   It will also be important to recognise the tight delivery of Fusion programme (HR and Finance). By running as a separate but connected payroll project, it aims to protect the tight delivery schedule of the Fusion programme to ensure it can be delivered on time.

Governance arrangements

2.20   The payroll project is complex and time critical with interdependencies with the delivery of the Core Fusion programme. In order to manage the delivery effectively, the project should have its own governance arrangements with a monthly Project Board aligned to the Core Fusion programme to include:

- Sponsor/SRO
- Payroll Project Manager
- Payroll Functional SME

- HR Product Owner
- Representative of Systems Integrator
- Representative of Managed Service Provider

2.21   It is envisaged the project will have Project Manager and Functional SME who will work directly to the Assistant Director of HR with a dotted line into the Fusion Implementation Programme Manager for synergies and to avoid duplication of effort. The roles and responsibilities of the Project Manager and the SME need clear boundaries and can be broadly defined as:

- Project Manager: The project manager is responsible for the day-to-day management and coordination of the payroll project. They create and execute the project plans, define deliverables, manage project risks, and ensure that the project is delivered on time, within budget, and to the required quality standards.
- Subject Matter Expert (SME): A subject matter expert in payroll brings in-depth knowledge and expertise in payroll processes, regulations, and systems. They provide guidance on industry best practices, help define payroll requirements, review project deliverables, and ensure that the project meets the organisation's payroll-related needs.

Delivery approach

2.22   The project will be delivered across 5 phases:

1. Discovery: Defining the requirement, building out high level processes and initial design workshops
2. Define: Building the operating model and undertaking configuration work
3. Validate: Undertaking Payroll parallel running and User Acceptance Testing
4. Prepare: Finalising the operating model, cutover and acceptance into service
5. Stabilise: Period of hypercare before transitioning into business as usual

2.23   Under each phase of the project the success will depend on a close working relationship between the Systems Integrator, Managed Service Provider, Client-side team and the incumbent supplier to facilitate appropriate knowledge transfer. These resources will form the core of the project team from discovery through to stabilisation of the platform.

2.24   The Barnet Education and Learning Service (BELS) currently receive HR and Payroll services from London Borough of Islington. This arrangement is due to end on 31st March 2024. BELS are in scope for the core Fusion programme and for the purposes of this business case it is assumed they will be part of the payroll project with the Council. Representatives from BELS have been consulted to gather their payroll requirements and will be part of the delivery as stakeholders and customers of the payroll solution with the SI and managed service provider.

Project resource requirements

2.25   In terms of additional resource, a specialist payroll functional subject matter expert will be in place and will be embedded within the HR team on a part time basis with advice from the Fusion programme team as needed. They will work with the Systems Integrator and a Service Delivery Manager (provided by the chosen Managed Service Provider) to assure design, build and test activity and de-risk the need for potential re-implementation of configuration at a later date. As the current expertise of Barnet Payroll sits within Capita, an agreement with Capita is also needed to embed the current Payroll Manager into the design, build and test activity. A formal collaborative approach with Capita is needed going forward in order to understand, extract and transform the payroll data for the new system.

2.26   A significant period of training on the Fusion platform will be necessary, with services needed to be designed end to end to limit hand-offs and waste. This means that the MSP will likely need to be in place 3-5 months before the go-live date - corresponding with the User Acceptance Testing. This will be a mechanism to gain knowledge transfer on the setup of the system and also to ensure that it meets the requirements to be confident to take operational service through to payroll comparison testing.

2.27   The MSP Transition Manager is expected to work 2-3 days a week for the duration of the implementation project. They will attend payroll workshops and in effect, act client side, ensuring that the solution being built can be delivered by service delivery. They write the test plans, the Customer Operating Manual (i.e. what the MSP will do) and see the project through to go-live and into business as usual operations.

2.28   An indicative view of risks and benefits are set out in Section 4.

Risk and Issue Management Approach

2.29   In the payroll project, capturing and managing risks and issues is crucial for ensuring smooth and accurate processing of employee payments. To effectively address potential risks, a comprehensive risk management plan will be implemented. This involves systematically identifying, assessing, and mitigating risks throughout the project lifecycle. Risks may include data breaches, system failures, regulatory compliance, or resource constraints. Regular risk assessment sessions will be conducted to proactively identify and evaluate potential risks, allowing for the timely implementation of risk mitigation strategies. Additionally, an issues management process will be established to promptly address any unforeseen problems that may arise during the project. Issues will be logged, categorised, and assigned to responsible stakeholders for resolution. Regular progress tracking and reporting will ensure transparency and enable effective decision-making.

2.30   By employing a robust risk and issue management approach, the payroll project will minimise disruptions, enhance accuracy, and ensure the successful delivery of employee payments. The risk and issue management approach will be based on the Council's best practice and standards.
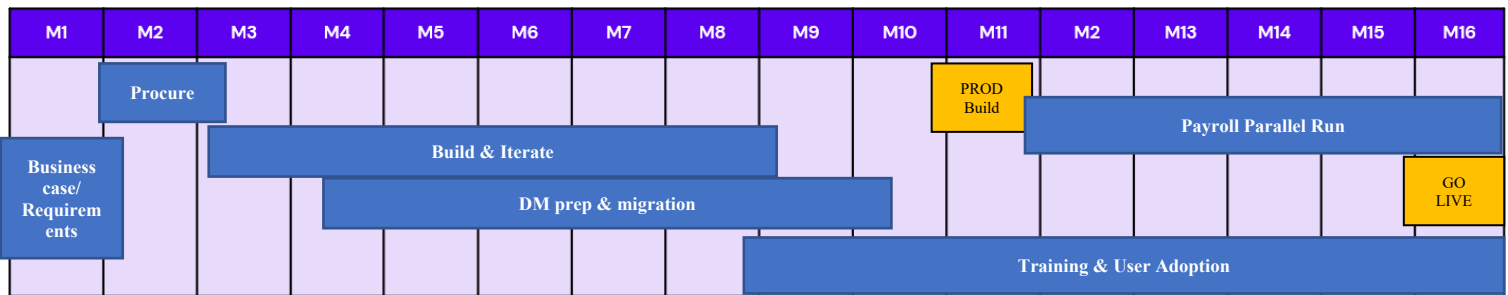
2.31   The Assistant Director (HR and OD) will have responsibility for effective contract management of the service provider. This will be conducted through regular contract management meetings (CMMs) where performance issues, risks and commercial matters

can be discussed. This will broadly mirror the existing contract management machinery used to manage delivery of the Payroll service under the Capita contract.

Timeline

2.32   Given the complexity of the payroll solution required, the delivery timeline is likely to be a 16 month period from project initiation to Go-Live of a Fusion payroll solution. Overlaying this against the core Fusion timeline would make delivery against an April '24 core implementation unfeasible at this stage. Expediting procurement through change control and design/build in an agile or iterative fashion will help ensure the 16 month timeline. Any further squeezing of the timeline is not recommended as it adds risk to the Fusion implementation and delivering a stable payroll solution for staff.

2.33   The exit from the Capita contract also presents challenges to understand, extract and transform the data and given this criticality it is not advisable to make compromises on the data migration approach. The recommendation is for 4 payroll parallel runs (minimum) to take place. This allows the team a training opportunity. There are also TUPE and procurement for a managed service provider activities to be considered.

M1	M2	M3	M4	M5	M6	M7	M8	M9	M10	M11	M2	M13	M14	M15	M16
	Procure									PROD Build					
Business case/ Requirements			Build & Iterate								Payroll Parallel Run				
				DM prep & migration											GO LIVE
								Training & User Adoption							

3. Options Considered

3.1   Options have been assessed against a number of criteria, set out below. There are also technological constraints which have been assessed against the individual options. However, the decision on the preferred option and timeline is largely driven by two factors: (1) complexity of the Barnet payroll and (2) lack of in-house payroll knowledge.

3.2   Despite the Barnet payroll administering a relatively small workforce, it holds some of the complexities of much larger councils, adding risk to the design and build. These include:

- Mix of contractual arrangements – variable hours, zero hours multipliers and timecard recording
- Multiple Terms and Conditions and payroll providers
- Multiple assignments
- Weekly, monthly and mid-month payrolls

3.3   These factors limit the ability to easily expedite implementation or quickly build in house expertise. They require early engagement with potential suppliers and preclude those without knowledge of local government (or at least public sector) payrolls.

3.4   The longstanding arrangements with Capita represent the most significant challenges to the replacement of the payroll solution. These include a lack of organisational payroll knowledge to undertake design, build and test; no current formal collaborative working relationship with the Capita team; and multiple touch points between HR administration and payroll which could cause complications.

3.5   Options have been considered, short-listed and a preferred option selected. The below table sets out the advantages, disadvantages and risks of each option. Additionally, a set of guiding principles and assessment criteria have been used to assess and score the different options. These link to the context and strategic direction of the Council:

- Users at the centre:
    - Criteria 1: Safeguards/de-risks payroll for staff
    - Criteria 2: Supports self-serve user experience
- Rationalises and Simplifies:
    - Criteria 3: Protects timeline for core Fusion delivery
    - Criteria 4: Ease of integration/interoperability with Fusion
- Supports operational model:
    - Criteria 5: Value for Money
    - Criteria 6: Supports LBB establishing strategic control
- Future proofs the services
    - Criteria 7: Builds a resilient service

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Option	Advantages	Disadvantages	Risks	Shortlisted?
Do nothing: Capita Managed Service	• Currently provides stable payroll service for staff • No additional payroll implementation costs • Holds the payroll knowledge & expertise	• Requires a complex integration to ensure payroll and new Oracle systems are in sync • HR admin burden completing 'check' activity with hand offs • Does not fully realise benefits and investment in single ERP solution	• System will become unsupported by March 2025 • Likely Capita will not continue to offer this service beyond then – only 2 clients including LBB remain on the Core HR platform • Potential for inflated cost increases	No
In-house – Apr '24 (Oracle)	• 2 complex integrations into external payrolls could be de-scoped • No system sync issues • Potential intangible benefits of having in-house payroll team to support strategic activity in Council • Rationalises ICT infrastructure estate • No additional extension required to Capita contract • Maximises investment in single ERP solution and benefits	• Timeline is not feasible without accelerated procurement and even then delivery will be difficult • Relies heavily on SI • Currently no in-house payroll skills and scaling a service this quickly is challenging	• Any delays in the core programme would impact significantly • Design activities would be likely be compromised without a client-side team • High risk of not being able to source the right skills in this timeframe • Risks to delivery of core Fusion project due to interactions	Yes
In-house – Sep '24 (Oracle)	• Likely to be the first feasible time to Go-Live if core Fusion meets Apr '24 timeline • Reduces the period a Capita extension will be required • Maximises investment in single ERP solution and benefits	• Likely to be a period of stabilisation where focus of resources/organisation will be on other areas • Focus may be on ensuring 2 complex integrations are functioning correctly and correcting payroll errors	• HR admin burden to ensure systems are in sync • Remains a residual risk to transfer knowledge from incumbent payroll provider • Risk remains around securing right skills to this timeframe	Yes

	• Potential intangible benefits of having in-house payroll team to support strategic activity in Council • Allows additional time to recruit payroll expertise – still a challenge		• Risks to delivery of core Fusion project due to interactions	
In-house – Apr '25 (Oracle)	• Maximises investment in single ERP solution and benefits • Allows for a longer period of core Fusion stabilisation before undertaking a complex payroll migration • Potential intangible benefits of having in-house payroll team to support strategic activity in Council • Affords longer period to build organisational capacity	• Assumes a longer extension to Capita arrangements, may result in an increased cost • Longer HR admin burden to ensure systems are in sync and potential further SI costs who would need to provide additional support beyond Hypercare	• Remains a residual risk to transfer knowledge from incumbent payroll provider • Risk remains around securing right skills to this timeframe • Risks to delivery of core Fusion project due to interactions	Yes
Public Shared Service (Oracle)	• Retains expenditure within the public purse • Maximises investment in single ERP solution and benefits • Potential to revisit this if and when the market emerges	• Currently no/immature market place providing LG Oracle Fusion based payroll traded service	• Risk of non-delivery due to lack of marketplace	No
Public Shared Service (non-Oracle)	• Allows access to industry payroll expertise • Potential for longer term cost savings	• Complexity of integrations required • Does not maximise investment in single ERP solution and benefits • HR admin burden to ensure systems are in sync	• Overcomplicated system which does not put user at the centre • Could cost more for a less desirable and more complex solution which does not leverage benefits of HR/finance programme	No

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		● User experience may be compromised with 2 systems		
Private Managed Service (non-Oracle)	● Retains expenditure within the public purse ● Allows access to industry payroll expertise ● Potential for longer term cost savings	● Requires procurement activity and commercial arrangement ● HR admin burden to ensure systems are in sync ● Does not maximise investment in single ERP solution and benefits ● User experience may be compromised with 2 systems ● Complexity of integrations required	● Overcomplicated system which does not put user at the centre ● Could cost more for a less desirable and more complex solution which does not leverage benefits of HR/finance programme	No
Private sector Managed Service (Oracle)	● Allows access to industry payroll expertise ● Potential for longer term cost savings ● Ownership of Oracle licences and LBB solution which allows longer term in-house strategy to be achieved ● Maximises investment in single ERP solution and benefits ● Allows for a longer period of core Fusion stabilisation before undertaking a complex payroll migration ● Affords longer period to build organisational capacity ● Will be embedded in the programme to support implementation ● Service can easily be transitioned in-house at a later date	● Requires procurement activity and commercial arrangement ● Maintains an outsourced arrangement albeit LBB would own licences and technology ● Change journey required to move users to self-service	● Risks to delivery of core Fusion project due to interactions	Yes

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Lowest scoring options

3.6   The below options have been assessed as those with the highest risk profile. Due to complexity of the integrations for a third party payroll solution (non-Oracle) these have been discounted. This increases the chances of the Council realising the benefits from their investment in Oracle Cloud technologies. In line with Council priorities, there is a desire to retain public expenditure within the public purse. However, the market for Oracle based local government payroll traded services is immature. Over time, this may change and could form part of a broader strategic roadmap.

3.7   Based on the risks and complexity of the Fusion implementation and the backdrop of the exit from Capita, it would be a high risk approach to align any move to bring payroll under public management to the April '24 Go-Live without payroll skills in the programme or the organisation. These risks will be only partly mitigated by delaying to a September 2024 or April 2025 timeline.

Option/Criteria	Safeguards payroll for staff	Protects Fusion delivery	Ease of integration & interoperability	Supports LBB strategic control	Builds resilient service	Supports self-serve UX	Total
Weighting	*20%*	*20%*	*15%*	*15%*	*15%*	*15%*	*100%*
Private Sector Managed Service (non-Oracle)	2	3	0	0	2	2	**44**
In-house – Apr '24	0	0	3	3	0	3	**54**
Public Shared Service (Oracle)	0	3	3	2	0	3	**60**
Public Shared Service (non-Oracle)	0	3	0	2	0	2	**36**

Highest scoring options

3.8   Based on the analysis of the options against the agreed criteria, there are two options with the lowest risk profile. Both are Oracle based solutions allowing for the full benefits of a single ERP platform to be realised (these are outlined in section 4). The timing of each of these options – in-house or private managed service – can be undertaken across two Go-Live dates.

3.9   Option 1: In-house: Under this option, the Council builds an in-house payroll team responsible for the full service of payroll administration currently provided by Capita. It operates on the core Oracle Fusion solution which will require procurement, design, build, test and implementation. The Council will TUPE staff from Capita but will require capacity through the project implementation and during the stabilisation period. September 24 is the earliest possible period of time after the core implementation is complete. April 25 provides

the Council with a longer period of stabilisation of the core platform and time to build internal capabilities and capacity. This would require a commercial dialogue with Capita to extend its contract. However, significant risks remain against this timeline and the ability of the Council to be able to resource and manage a payroll team.

3.10   Option 2: Hybrid-Private Sector Managed Service: Under this option, the payroll team is staffed by a new private sector managed service who undertake the administration of the payroll solution. This operates on the Council's Oracle Fusion solution. The Council owns the licences and will undertake the design, build, test and implementation of their Fusion payroll solution. Specialist design input could be supported by the chosen partner. This solution allows the possibility for the Council to fulfil its strategic ambition to build an in-house solution over a longer period of time or continue to procure payroll as a service. A decision on timing is required against a September 2024 or April 2025 implementation.

Option/Criteria	Safeguards payroll for staff	Protects Fusion delivery	Ease of integration & interoperability	Supports LBB strategic control	Builds resilient service	Supports self-serve UX	Total
Weighting	*20%*	*20%*	*15%*	*15%*	*15%*	*15%*	*100%*
Private Sector Managed Service (Oracle) - Apr '25	3	3	3	2	3	3	90
In-house – Apr '25	3	3	2	3	2	3	84
Private Managed Service (Oracle) - Sep '24	2	2	3	2	3	3	82
In-house – Sep '24	2	2	2	3	2	3	76

Preferred option

3.11   Building an in-house solution is possible but the risk of doing so too quickly is high given the complexity of the exit from Capita, the consequences of getting it wrong and lack of in-house payroll expertise. The option to continue to use an outsourced provider for 2 years, with the option to extend for an additional year, provides a phased and de-risked option. This will allow access to payroll expertise during the design and build stage of the payroll, with a transition manager working alongside the Systems Integrator and subject matter expert for the duration of the project to ensure the technology is fit for purpose. The 12 months after go-live are also critical as this is when issues will be surfaced and systems stabilised. Going live with new technology and an in-house team would be too risky and an external provider will help to mitigate this. It will also reduce costs compared to running a service in house.

3.12   The preferred option allows the Council to bring its IT solution in-house with the build and implementation of the payroll solution, along with licences owned by the Council. The last remaining element would be the people element of the payroll service, with a later decision needed on whether and when to bring the service in-house. Currently the marketplace for local government traded services using Oracle Fusion is immature. A phased approach could potentially allow this to grow and stabilise with the ability to transfer the solution to a public managed service provider later on as an alternative to in-house service provision.

3.13   The timeline for putting in place the preferred option is dependent on the successful Go-Live of the core Fusion programme in April 2024. The earliest possible date for a payroll Go-Live would be September 2024. This would involve some re-planning activity of the core programme and assumes a start date of implementation activity in July 2023. Given the known challenges with Capita and resourcing, putting a client-side team in place to oversee the SI development may be challenging.

3.14   Delaying the timing of the payroll go-live allows additional time to undertake procurement, TUPE or recruitment activity. It would also protect the core timeline for implementation and resource constraints during Hypercare as no replanning activity would be necessary. However, it would entail greater costs as implementers would be needed on a longer timescale than currently planned. Because of this, the preferred option is to reduce the timescale and aim for a September 2024 Go-Live.

3.15   In order to ensure continuation and stability of service and protect against any risks due to unforeseen delays to the go-live date, the preferred option also includes an extension of the Capita payroll contract until the end of March 2025. This will ensure a continued service with enough overlap time to hand responsibilities over and address initial problems. It allows for a parallel running of payrolls to compare data and ensure quality of service, as well as a monitoring of the success of the new payroll system against the current payroll system in real time, using the measures set out in section 4.

4. Intelligence and Insight

Performance issues and gaps to address

4.1   Current KPIs for payroll services, whilst generally reporting positive performance, only measure payroll accuracy through a very narrow lens. A number of recent performance issues with the payroll service have created significant disruption to staff and managers, whilst not being within scope of KPI definitions. For example, the failure to provide accurate hard-copy payslips to those staff that require them, problems with the timely despatch of payslips, responsiveness of the service provider to enquiries, the ongoing reliance on manual uploads of data, and the failure to provide accurate data to the council's pensions administrator. A new system should seek to minimise such errors and ensure a smooth service.

4.2   The quantity and quality of management information currently provided by Capita could also be improved. A new system should ensure high quality information is readily

available. Payroll has not been rationalised in many years, which can cause inefficiencies and require more resource as a result. A new system should therefore aim to rationalise payroll build and processes, allow for greater automation and reduce the number of staff required to operate payroll.

Risks

4.3 An initial assessment of the risks to the programme are below. A full risk log is being kept and regularly reviewed as part of the programme documentation.

Risk/Issue Theme	Risk/Issue Description	Controls and Mitigations	Target date	Inherent Risk		Inherent Risk Score	Risk profile over time		
				Impact	Likelihood	Impact x Likelihood	Apr '24	Sep '24	Apr' 25
Ease of integration/ interoperability	**Pensions Administration** In-sourcing project took place to transfer services from Capita to West Yorkshire Pensions Service and other pensions providers. This may introduce additional complexity of required interactions for payroll design and statutory reporting	1. Early engagement with Pensions Admin providers 2. Requirements identified prior to procurement activity 3. Internal Pensions Team form part of design process	1-3 months	3	3	**9**	Not time impacted		
Builds resilient service, VfM	**Reliance on interim resources** Given the issues in recruiting quickly and building an in-house team. There will need to be a reliance on interim resources to design, build and test the LBB payroll solution. This will add additional cost and likely will need to be retained for until Go-Live and into stabilisation	1. Confirm the TUPE arrangements as soon as possible 2. Consider FTC to replace interim arrangements 3. Recruitment campaign to commence 12 months before payroll implementation	3-6 months	4	5	**20**	M	H	M
Builds resilient service	**Limited in-house skills relating to Payroll** Due to length of time of outsourcing, there is limited understanding across core and payroll to define the service in detail and review the complexity of the potential design. Capita will need to be collaborative in knowledge transfer	1. A formal agreement should be put in place for knowledge/data transfer	Immediate	5	5	**25**	H	H	M
Safeguards payroll for staff	**Fusion implementation delays risk to payroll The timelines are tight to implement Fusion for Apr '24 go-live. Any delays will have a negative impact on payroll timelines.**	1. Close monitoring of the critical path to assess impact on payroll if this is re-planned 2. Checkpoint at the end of design to confirm Payroll Go-Live date	Ongoing	4	3	**16**	H	M	L

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Risk/Issue Theme	Risk/Issue Description	Controls and Mitigations	Target date	Inherent Risk		Inherent Risk Score	Risk profile over time		
				Impact	Likelihood	Impact x Likelihood	Apr '24	Sep '24	Apr' 25
Protects Fusion Delivery	**Service Design Architecture** There is a lack of definition and ownership of the overarching target operating model for the services being disaggregated from the Capita contract which may result in difficulties in agreeing design for individual components	1. Risk is accepted as no central transformation programme - service based model 2. Ensure close alignment of governance and project delivery for payroll and Fusion programme to minimise	Immediate	5	4	20	Not time impacted		
Protects Fusion Delivery	**Payroll Requirements** The programme is currently undertaking a discovery phase. There is limited understanding of functional payroll requirements which will need to be provided by Capita	1. Specialist payroll resource should work closely with the Capita Payroll Manager and SI to determine the data requirements 2. To be picked up by the programme as part of wider approach to data migration and Capita engagement	Immediate	4	5	20	H	H	M
Ease of integration/ interoperability	**Expenses – future in Oracle** Currently delivered through e-form into payroll system with Capita and not yet clear how this fits into the overall design	1. Options assessment on potential solutions should be undertaken by the Fusion Programme Team	1-3 months	3	2	12	Not time impacted		
Builds resilient service	**Recruitment lead times** Local government approvals and recruitment lead times may not allow for quick on-boarding of staff to take part in the design phase	1. Secure agreement to sit alongside the Programme Team in Design/Build/Test phases 2. Confirm TUPE arrangements as soon as possible	Immediate	4	5	20	H	M	L

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Benefits

4.5   There are several benefits with moving to a single integrated ERP platform:

Single integrated ERP	Integration with 3rd Party Payroll

● The complete ERP solution is tightly integrated with each module and talks to each other, in order to provide better user experience.
● Example Core HCM, where we record all employee related and self-service information gets seamlessly integrated with all other HR modules including Finance and EPM.
● In case employee raises any absence (Sickness that flows to payroll system to calculate the payment and entitlement and at the same time in case employee revises those details then the system will automatically calculate the retro aspect of it)
● The financial details that are required from HCM side can be integrated with Planning/Budgeting to carry out the budgeting & forecasting as an integrated payroll system can provide all the direct and indirect costs associated to employees.
● Core HCM is the master record which holds all the necessary information around the employee record (Address, Bank account details, continuous service date, over time entry, Absence etc.) and it also enables self-service transaction for employees and line managers, hence any changes that employee's or line managers carry out before the payroll run reflects on the payroll solution and the payment gets calculated automatically.
● One integrated system gives better user experience as all info is accessible in the same place.
● Employees getting their Payslip, P60 file on self-service or sharing P45 information to employees via their personal email.
● It will be easy for the HR and Payroll team to pull the financial data with regards to employee payment related details.
● Payroll costing details information can easily get transferred to general ledger.
	● Having 2 different systems for HR and payroll is challenging, as the payroll system always requires correct employee related information in order to process their payment correctly.
	● Establishing the integration between 2 systems requires a change management process to be built within the HR system so that both systems will be in sync.
	  1. No one should delete any transactions once it moves to 3rd party payroll system
	  2. Rules need to be set up to identify the difference between correction and update of any transaction.
	  3. This process cannot be automated hence after hiring or after making any changes to employee record, the payroll team cannot validate their payment and they will have to wait until the next day or agreed frequency of the system synchronisation process to be run.
	  4. At the same time, we need to put some rules around the timing of Self-service transactions.
	  5. In case during the transfer process any information errors out the mechanism to resolve them, otherwise the standard key in process might un-sync both systems.
	● Again 3rd party payroll system needs to interact with Finance and Planning/Budgeting module to provide necessary details.
	● There will be a compromise on the user experience and number of clicks/screens.
	● Will add more workload to the existing team, to carry out their daily BAU operations.

Monitoring benefits

4.6 The main aspects of the project which will need to be monitored are the success of the technology and the success of the managed service provider. Below is a table of expected benefits, and how they will be measured and monitored.

Expected benefit	Measure	How these will be produced and monitored
Improved accuracy	Number of payroll runs with errors ÷ total number of payroll runs.	1. Identify the number of errors in the payroll processing function. 2. Calculate the percentage of errors in payroll processing. 3. Compare the percentage of errors with the previous percentage of errors to determine the improvement in accuracy.
Improved efficiency	Regular payroll processing time	1. Identify the starting and ending times of the payroll processing function. 2. Calculate the total time taken to process payroll for all employees. 3. Compare the total time taken with the previous payroll processing time to determine the reduction in payroll processing time.
Improved performance	Time to complete payroll runs/productivity (to be provided by MSP)	Breaking down the details of time taken and the process overall to see any areas that are lacking. • Payments processed (by individual processors) • Payments outside of the regular cycle • Problems leading to retro-active payments • Time spent fixing data errors • Enquiries vs time taken to respond/rectify
	Employee efficiency	Internal staff dealing with partner should keep a tally of time spent chasing them to resolve issues generating from the provider's service.
Cost savings	Cost per payroll payment	Calculate performance on a cost of payroll/cost of payment performance basis. Compare the cost of payroll outsourcing against the size of organisation/workforce, using the totals of: • Payroll errors • Overtime paid • Software services and other payroll associated expenses
Improved user experience	Employee engagement and satisfaction	Staff surveys addressing all aspects of technology and service.

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Lessons from other Councils

Aspect	Lesson	Potential Solutions
Data	The split between suppliers or oganisational roles across the Extract, Transform and Load (ETL) created 'hand offs' and delays in the process	▪ Single supplier to conduct end to end ETL of data migration
User Adoption	Limit the number of changes to the design and challenge to drive out complexities and customisations which risk adoption of Fusion standard product	▪ Business process owners providing strong sponsorship on process adoption rather than adaption ▪ Encouragement of a less flexible approach from System Integrator partner, Programme Management and Governance groups
Reporting	Increased focus and understanding of business intelligence reporting. 'Like for like' reports requests without clear articulation of the business requirement and outcome to be achieved	▪ Review of all reports requested to distil the 'core' reporting needed to satisfy statutory, audit and financial reporting requirements. ▪ Up-skilling of internal reporting capacity for Oracle BI
Commercial & Procurement	To deliver complex change at pace Procurement & Commercial functions need to be set up with appropriate grip and oversight. Oracle licensing model is complex and needs strong oversight and scrutiny	▪ A dedicated specialist resource familiar with complex projects and programmes ▪ Commercial governance to be defined ▪ Review of how commercial and procurement services should be provided to projects and programmes to support timely delivery
Process	Project delivery surfaced embedded workarounds which had become accepted standard practice	▪ Service improvement review of off system processes ▪ Strong controls around changes to Oracle Fusion to prevent a highly customised 'SAP v2'
User Adoption	The change journey from on-premises to cloud service was not fully understood or engaged with by the appropriate stakeholder	▪ Refresher training to equip the organisation to meet this challenge

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In-house case studies:

	LB Croydon	Birmingham City
Background	• Croydon had a longstanding outsourced payroll provision with Liberata – this was brought in house prior to their implementation of Oracle Fusion • One Corporate payroll with 3,800 employees, no schools • Went live with Fusion HCM, ERP inc. Payroll in 2019 with Evosys (Mastek) as their SI • Large period of unstable payroll – larger team was recruited to handle additional workload • Currently restructuring now payroll has stabilised	• Birmingham had a longstanding inhouse payroll team developed using SAP over a 20 year period • Multiple corporate payrolls including schools • Went live with Fusion HCM, ERP inc. Payroll in 2022 with Evosys (Mastek) as their SI • Period of payroll service that underperformed the SAP based service due to the knowledge transfer and familiarisation process. The team was supplemented to support the additional workload • Currently restructuring now payroll has stabilised
Payroll Team	1 x Payroll Manager 2 x Technical Payroll Support Specialists 1 x Senior Payroll Controller 7 x Payroll Controller/Admin	1 x Payroll Manager 2 x Technical Payroll Support Specialists 2 x Senior Payroll Controller 8 x Payroll Controller/Admin
Cost of Service	Establishment: 11.67 FTE, £665k pa	Establishment: 14.5 FTE, c £765k pa

5. Procurement

5.1   Under the preferred option, external suppliers will be needed to (1) integrate a new payroll solution and (2) provide a managed service to administer payroll. Additionally, (3) new Oracle licences will need to be procured to access the system.

Systems Integrator

5.2   Two procurement options have been considered:

Process	Advantages	Disadvantages	Potential Lead times
Option 1) bring integration into scope of the Oracle Fusion	• Quicker option • 1 single provider with clear accountability	• May not achieve VfM through competition	Could be expedited to 2-4 weeks

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project through a change request with Mastek (preferred option)	● Understands the organisational context and has existing relationship ● Simplified governance arrangements	● Dependent on current performance of SI in core programme	
Option 2) go to market for another SI: (RM6193 Software Design and Implementation Services Framework - further competition only)	● Competition may lead to cheaper quotes	● Requires rapid engagement with other SIs ● More than one SI means additional complexity/may not work well together ● Likely to prove challenging managing 2 different SI partners, compounded by Capita challenges ● Introduces complexity to Programme Management and Governance	8-10 weeks

5.3   The preferred option is to align to the Core Fusion project (Option 1), to leverage the knowledge of the Council's systems the current Systems Integrator has already gained, ensure maximum accountability, minimise associated complexities including the risk of issues potentially slipping between gaps between providers. The current supplier (Mastek) has indicated they would be able to expand current responsibilities to include payroll. This would require a change request to the core Fusion project, rather than full procurement. Use of consultancy TPX Impact's 'intelligent client' function and knowledge of the marketplace will help to ensure that a lack of competition does not result in inflated prices.

Managed service provider

5.4   A managed service provider is needed in the short-term while the Council builds its knowledge base in order to bring payroll in-house. The preference is to use the Crown Commercial Service framework. Payroll managed services are provided under RM6181: Outsourced Contact Centre and Business Services Lot 2. However, the minimum contract for this service is 4 years, with a recommended 7 years. This would not allow for in-sourcing of the service in the desired timeframe of 2-3 years.

5.5   ***The preference is therefore to use framework G-Cloud 13 Lot 3 (RM1557.13): Cloud Support.*** Standard contracts for this framework are 2 years, with the option to extend twice, each time by one year. As this framework has over 5,000 suppliers, a mini-competition should be run between a small number of suppliers. Pre-scoping work has highlighted Symatrix, Liberata, PCL and HR Connect as these potential partners. Symatrix, Liberata, and PCL all have public sector experience and run Oracle Fusion payrolls. HR Connect does not yet run Oracle Fusion and initial costs appear higher than other providers. However, they are wholly owned by Kent County Council which would help fulfil Barnet's objectives of bringing services within the public purse.

5.6   Through the selection process, suppliers should be judged on the depth of relevant local government or public sector and Oracle Fusion experience, including during the build stage, competitive pricing, good engagement, and any other benefits, vs relative disadvantages of going with another supplier.

Oracle licences

5.6   The number of Oracle licences will need to be decided and requirements written. Oracle will provide quotations for current/ coterminous licences, so that all licences run to the same renewal timeline. Sign off will be needed from the delegated authority to raise a purchase order and issue a change request.

Annex 1: assumptions

Heading	Description
Capita extension: timing	Current payroll extension is to August 24, however an additional 7 months will be sought to prevent a cliff edge on a Sep 24 go-live. This will run alongside the new Oracle payroll solution and MSP. Exact model for parallel runs to be determined in the future.
Capita extension: costs	The HR element (Payroll / HR Core and Establishment Mgt) is £0.734m prior to indexation, Capita agreed the split is a third of this value. Contracts will be extended on current conditions and costs, with an assumed increase of 20%
Capita: engagement	Engagement will be forthcoming and facilitated through a commercial agreement
Cost of current service	Understanding from commercial is that the agreed figure for the current payroll service is aggregated into an overall cost model for financial/HR services - a cost of 1/3 split of total provided.
Sep '24 Payroll Go-Live	Dependent on the Core Fusion Go-Live of April '24 being realised and minimal disruption during Hypercare
Resource: HR Admin	HR admin team currently supporting the payroll process will not be in scope for TUPE to a future MSP and will be transitioned into LBB under TUPE terms
Governance for payroll project	A payroll project will be initiated with a Project Manager, client side Functional SME and inter-linked governance to the Core Fusion programme with a Project Board aligning to this
Scope: schools payrolls	There has been no engagement to understand how schools payroll functions. This is out of scope and schools will need to determine their own payroll provision
Costs: payroll volumes	Financial costings will be based on 2600 employees to account for additional TUPEs undertaken by LBB and potential new starters, plus 200 BELS staff. No year on year uplifts have been assumed
Scope: TBG	TBG have decided not to implement Oracle Fusion. A cost line for payroll (based on 5 payrolls and 1000 employees) has been annexed for if they reconsider but otherwise they will progress their own

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payroll and service solution, and LBB will no longer provide this service.

Scope: BELS	BELS are in scope for HR and payroll services from LBB. Charges for provision of service will be determined by LBB
Integrations	All integrations to support the preferred direction of travel for a Sep '24 Go-Live have been scoped and will be fully delivered under the Core Fusion programme
Impact of TBG removal on Fusion project	No wider Oracle Fusion programme benefits will be lost because of no/delayed TBG implementation
Scope: development of longer term options	BC focuses on payroll solution when Capita contracts end. Timeline allows for development of longer term options in the future.
Costs: Payroll SME	Assumed at market rate of £750/day
Costs: LBB Project Manager	Assumed at market rate of £600/day
Oracle Licensing	LBB will address the Oracle licensing shortfall and ensure the requisite number of Hosted Employee and payroll licenses are in place

Annex 2: TBG costs (info only)

	TBG (info only)	
Cost Line	Low	High
Revenue		
Managed Service (Unit/payslip)	£3.10	£7.00
Managed Service (Annual)	**£37,200**	**£84,000**
Fusion Payroll Licence Unit Price	£1.51	£1.51
Fusion Payroll Licence Annual licence	**£18,120**	**£18,120**
Hosted Employee Licence	£3.27	£3.27
Annual Hosted employee	**£39,240**	**£39,240**
TOTAL REVENUE (per year)	£94,560	£141,360

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