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**To: ELT**

# HR SYSTEMS REPLACEMENT

## ISSUE

1. The main HR system (iTrent) has some key issues including high cost and low integration with the core MIS platform.
2. HR also use a separate system called Ozola for managing sessional resources which is functionally adequate but high cost.
3. There are suppliers who can provide a unified HR system that would replace both systems which has the potential to deliver many effectiveness, efficiency and economy benefits.
4. Given the current point in the academic cycle in respect of planning of budget and resources for 2020/21 a decision is required now about whether to proceed from feasibility to phase one of the procurement cycle.

## RECOMMENDATION

1. The recommendation is to commit to starting a procurement exercise within the framework of the Crescent Purchasing Consortium.
2. It is recommended that the procurement exercise progress to the point where all the supplier responses are evaluated and costed and at that point a further ELT review be held to decide whether to proceed to contractual engagement[[1]](#footnote-1).

## TIMING

1. The recommended timing is to begin immediately.
2. The precise timing of any systems implementation will be established during the first stage of the procurement cycle if the recommendation is accepted.
3. However, it is likely that any systems migration would be targeted for a natural break in the academic cycle, for example October or February half term, and that parallel running would take place for one calendar quarter to verify payroll calculations and other key outputs.

## BACKGROUND AND ANALYSIS

1. iTrent has been the incumbent HR system since 2010/11.
2. Licensing costs have risen during that time due to several factors –
   1. The initial contract did not include many of the optional modules which were later found to be required and the associated costs of additional modules has accumulated.
   2. As new HR legislation is introduced like RTI and LGPS iTrent charge a non-negotiable amount during the year of the change and then add the same amount to the recurring license costs. Other suppliers like Advanced adapt to legislative changes within the standard contract.
   3. The license model is based on staffing headcount and as we have used iTrent for external catering, external payroll services etc. the user count has crossed another threshold that will see costs increase by another £5k in 2020/21.
3. Total iTrent costs have increased from £32k in 2014/15 to £48k in 2020/21.
4. In addition to concerns around rising costs there are other factors that give rise to an exploration of other options.
5. There is no integration with the core ProSolution MIS system. The data representation of the organisation structure has been created manually in iTrent which has caused inevitable differences and inconsistencies. This leads to an inability to join data across the systems which is a pre-requisite for accurate, timely and consistent consolidated analytics and reporting.
6. The iTrent account management has been poor. The account managers will not engage with respect to challenges in FE budgets creating the perception that they take us for granted as a customer.
7. iTrent is difficult and unintuitive to use for the non-HR users and the newer and more graphical look-and-feel has not resolved this issue.
8. There are no embedded workflows in iTrent meaning that tasks like on-boarding new starters often involves semi-manual steps with e-mails being generated and actioned manually.
9. Also, many tasks like yearly and half-yearly reviews involve managers creating reports in separate Word documents and then storing and maintaining the reports themselves on H: drives rather than being an integrated feature of the HR system.
10. iTrent has several issues. However, there are some positive factors –
    1. Midland HR who supply iTrent have many years’ experience and their systems are designed from the ground up to work for the education sector.
    2. Further Education has a requirement for HR systems to support split and term time only contracts. For example, a staff member may have a 0.3 FTE contract in one role and a 0.5 FTE contract in another, potentially with different line-managers and different terms and conditions. This requirement rules out many of the high-end HR systems that are common in other sectors.
11. The Ozola sessional recruiting and staff management system also has some significant concerns.
12. It was purchased when we exited the corporate relationship with Protocol and brought the work in-house. At the time we needed a software solution to manage the new function and Protocol offered to license theirs.
13. There were no other systems available at the time, hence the commercial terms were less favourable than they would have been in a competitive market.
14. In the intervening period HR systems have entered the market that can accommodate split contracts and also accommodate sessional recruitment and sessional staff management.
15. The Crescent Purchasing Consortium is a framework that is commonly used by Lincoln College that has recently been used to procure a 5 year contract for printer-copiers and a 3-5 year contract for corporate insurance.
16. The CPC framework is well understood, easy to use, fully compliant with UK and EU legislation, reduces procurement timescales and ensures competitiveness and value for money
17. There are specific CPC Lots for HR and Payroll systems that includes both the incumbent (iTrent) and several systems identified as being of interest during the feasibility study (see <https://www.thecpc.ac.uk/suppliers/categories/framework.php?categoryID=5&frameworkID=211#lot2>).
18. These CPC lots are defined and structured as a “mini-competition” which provides the ideal framework for specifying critical requirements like integration and sessional capability whilst retaining all of the UK and EU compliance and other benefits.
19. Clearly there is an opportunity to replace the HR software systems. However, the initial investigation has explored the technology, people and process triangle and concluded that an opportunity exists for a genuine transformation that, whilst prompted by software and cost factors, will focus on improving on all 3 axes.

## SUMMARY

1. iTrent and Ozola were purchased some time ago and at different times. Market conditions, organisational size and scope and other factors have changed in the meantime and these systems no longer represent the best available in terms of quality or cost.
2. The exact and full costs for the migration year have not yet been established (see FINANCIAL IMPLICATIONS and RECOMMENDATION). However, an initial review has indicated the potential to reduce software licensing costs by ~£50k per year from year two onwards.
3. The cost saving is not the only consideration; there are significant opportunities to transform the people and process aspects as well as the technology and to deliver organisation-wide benefits in effectiveness, efficiency and economy.
4. The HR, Information Services and IT functions have all been involved in an early feasibility investigation and are all agreed and aligned on the current issues and potential future benefits.

## FINANCIAL IMPLICATIONS

1. The total annual license costs are £48,148.32 for iTrent and £46,080.00 for Ozola[[2]](#footnote-2), £94,228.32 in total.
2. The initial investigation has concluded that a saving of ~£50k per year could be realised in the income and expenditure by changing and consolidating the two HR systems.
3. The full saving cannot be realised during the year the transformation is delivered because of several factors –
   1. In addition to the annual license there will be a purchase component associated with any software procurements of this scale which will be a one-off cost in year 1.
   2. If we change providers there cannot be a completely clean break between the end of the existing contracts and the start of a new contract –
4. iTrent alone consists of 15 separate agreements of different lengths and start and end dates with Ozola being different again.
5. Also, there will need for one full calendar quarter of parallel running in order to verify that payroll and other key outputs are accurate and correct.
6. Given these complexities it is not currently possible to accurately quantify the year 1 costs, hence the recommendation to authorise the procurement process to the point of supplier selection and then review at ELT before either accepting or cancelling the implementation.

## INFRASTRUCTURE AND HEALTH AND SAFETY ISSUES

1. Dependent on the approach of the successful supplier there may be a need for additional IT infrastructure like virtual servers, databases and storage etc. all of which can be provided within existing capability and capacity.
2. There are no direct health and safety issues although a change on this scale will impact the daily working of many stakeholders. Hence comprehensive and inclusive change management and communications management strategies will be required.

## CLIMATE CHANGE AND SUSTAINABILITY

1. No climate change and sustainability issues have been identified.

## INTERNAL AND EXTERNAL COMMUNICATIONS CONSIDERATIONS

1. Internal communications will need to be carefully planned to inform staff of any impending change without causing concern and then by supporting staff through any large-scale change.
2. There is also a need to ensure that any external communications to CPC approved suppliers are fully compliant with the procurement framework regulations and guidelines.

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**Annexes:** No annexes

1. CPC procurements cycles can be stopped at any time by the customer up to the point where a single supplier is selected and contracts are signed. [↑](#footnote-ref-1)
2. It should be noted that moving the Protocol work in-house removed £236k per year management fee in 2013/14 at the time when the software licensing cost was added. [↑](#footnote-ref-2)