

To: Cabinet
Date: 11 February 2026
Report of: Stephanie Nichols – People Operations Manager
Title of Report: HR and Payroll system procurement and delegation to award contract

Summary and recommendations	
Decision being taken:	To approve the procurement of a new HR and Payroll management system to replace the Council's current iTrent platform provided by Midland HR.
Key decision:	Yes http://mycouncilpages.oxford.gov.uk/mglIssueHistoryHome.aspx?Id=41521&PlanId=572&RPID=64928162&\$LO\$=1
Cabinet Member:	Councillor Nigel Chapman, Cabinet Member for Citizen Focused Services and Council Companies
Corporate Priority:	A Well-run Council
Policy Framework:	Well-run Council

Recommendation(s): That Cabinet resolves to:

1	<p>Approve the initiation of a competitive procurement process for a modern HR and Payroll management system to replace the existing platform, noting that final contract details (including duration and value) will be confirmed in a future report and will take account of Local Government Reorganisation (LGR).</p>
2	<p>Note a further 'Recommendation to Award' report will be presented to Cabinet following the conclusion of the procurement process, detailing the proposed supplier, confirmed contract duration, contract value, and award rationale, for approval prior to entering into any contract.</p>
3	<p>Delegate authority to the Chief Executive, in consultation with the Group Finance Director (Section 151 Officer) to:</p> <ul style="list-style-type: none"> ▪ Determine the final form and content of the procurement exercise; ▪ Determine the duration of the contract; and

	<ul style="list-style-type: none"> ▪ Delay or halt the procurement, if necessary, due to developments in respect of Local Government Reorganisation.
4	<p>Note the anticipated financial commitment and resource implications associated with the procurement and implementation of a new HR and Payroll system, as set out in this report and approve the inclusion of an additional £250k to cover implementation costs in addition to the £75k already approved.</p>

Information Exempt From Publication	
	Not applicable

Appendix No.	Appendix Title	Exempt from Publication
Appendix 1	Risk Register	No
Appendix 2	Equalities Impact Assessment	No
Appendix 3	Data Impact Assessment	No

Introduction and background

5. This report seeks approval to initiate the procurement of a new HR and Payroll management system to replace the Council's existing platform currently provided by Midland HR. The original contract commenced in 2018 for an initial five-year term, with options for extensions of +2 years, +2 years, and +1 year. The Council is currently in the second two-year extension, which runs until March 2027, and has agreed to exercise the final one-year extension, taking the contract to its maximum permitted term of 10 years, expiring in March 2028. This decision was made to ensure continuity and stability during the implementation of other major corporate systems, avoiding unnecessary disruption to critical HR and payroll functions.
6. In line with statutory obligations and to ensure compliance with procurement rules, the Council is required to retender the service. The final 12-month extension to March 2028 has been agreed to provide sufficient time for mobilisation and a phased transition from the current system to the new platform. While implementation of the new system is planned for 1 October 2027, the extension ensures continuity and mitigates risk by allowing a six-month parallel running and contingency period before full decommissioning of the existing system. This approach guarantees uninterrupted HR and payroll services, supports thorough testing and data validation, and retains the current system as a fallback option should unforeseen delays occur, thereby safeguarding business continuity during a critical transition phase to a new system at a time of broader organisational change, as a result of LGR.

7. The current HR and Payroll system supports approximately 1,500 employees across both the Council and Oxford Direct Services Ltd (ODSL), delivering a wide range of critical functions. These include core HR administration throughout the employee lifecycle - such as onboarding, internal movements, and leavers - alongside payroll processing, recruitment, absence management, and employee self-service. The system also underpins statutory reporting and compliance, ensuring both organisations meet their legal and operational obligations.
8. Re-procuring a modern HR and Payroll management system provides an opportunity to implement a solution that better aligns with the Council's evolving needs and strategic objectives. This initiative supports the Council's wider digital transformation programme, ensures compliance with statutory requirements, and improves operational efficiency and service delivery for employees. Advances in technology mean the current system is increasingly outdated and no longer meets operational requirements, reinforcing the need for a modern, responsive solution that supports improved functionality, user experience, and integration with other corporate systems.
9. The initial phase of this procurement will focus on developing a detailed specification and exploring market options. Timelines will be carefully managed to avoid overlap with other major system changes, ensuring coordinated delivery and minimal disruption. Following completion of the procurement process, a further report will be presented to Cabinet recommending contract award, including details of the proposed supplier, contract duration, estimated value, and award rationale.

Alternative Options Considered

- 10. Option 1 - Short-Term Transition Contract with a Different Provider:** The Council could seek a temporary solution from another supplier for 1–2 years before undertaking a full-scale procurement for a long-term replacement. While this may appear to offer flexibility, it presents a high risk of disruption due to limited time for system onboarding and implementation. Any short-term arrangement would also incur additional costs for set up, configuration, and data migration - with limited value beyond the interim period. Diverting internal resources to manage a stop-gap solution may hamper progress towards broader transformation objectives. Therefore, this option is not recommended.
- 11. Option 2 – Custom built in-house system:** An in-house bespoke HR and Payroll system could be developed to meet the Council's specific needs. While this option offers complete customisation, it demands significant investment in technical expertise, project management, and long-term maintenance. It also carries risks around system scalability, security, and resilience - particularly when compared to commercially available platforms that benefit from continuous development and support. Given these challenges, this option is not recommended.

12. Option 3 – Consortium Procurement with other Local Authorities: The Council could explore a joint procurement approach with nearby local authorities to deliver a shared HR and Payroll solution. This could offer economies of scale and foster regional collaboration. However, the ongoing local government reorganisation introduces additional complexity. Differing timelines, governance models, and organisational priorities between transitioning councils may hinder alignment and delay implementation. There is also uncertainty around future service structures and decision-making responsibilities, which could affect long-term viability and accountability for shared systems. Consortium arrangements may also reduce flexibility and responsiveness to the Council's evolving needs. For these reasons, this option is not recommended.

13. Option 4 – Attempt to extend the Contract Under PCR2015 Allowances: There may be limited scope under PCR2015 for a 10% (1-year) extension in time and value. This would require legal review and agreement from the current supplier, who is transitioning to a new platform and may not support an extension for this legacy product. Additionally, the Council would need to assess total contract spend against the original OJEU notice to ensure compliance with the 10% financial threshold. This option is not recommended because of the challenges around system capability and system support but could be a contingency option and explored further if necessary.

14. Option 5 – Do Not Exercise the Final One-Year Extension: The Council considered not taking up the final one-year extension to accelerate implementation of a new HR and Payroll system and avoid diverting resources during Local Government Reorganisation (LGR). However, this approach was rejected because of the high risk of disruption due to an overlap with other major corporate system changes, and limited time for procurement and mobilisation. While the extension introduces a longer timeline where slippage must be managed, it provides stability and mitigates immediate risks. Therefore, this option was not recommended.

15. Option 6 – Defer Procurement Until LGR Decision in July: The Council considered delaying procurement until the LGR decision in July to avoid unnecessary spend if the outcome does not result in 3 unitary authorities (3UA). This approach would ensure that expenditure is only committed if the new structure requires a replacement HR and Payroll system. This option was rejected because it would leave insufficient time to complete procurement and implementation by April 2028, creating significant delivery and compliance risk.

Other implications

16. Post-Implementation Support: The contract will include provisions for long-term support, service levels and performance monitoring to ensure the system continues to meet operational and strategic needs and adapts to future requirements.

17. Supplier Engagement: A Supplier Engagement Day is scheduled for 24 March 2026 to inform the procurement process, align supplier offerings with Council

requirements, and reduce risks related to market readiness and solution suitability, in compliance with procurement regulations.

18. **Business Continuity:** Transition planning will prioritise uninterrupted delivery of payroll and HR services, particularly during critical pay periods. Robust contingency measures, including parallel running and fallback arrangements, will be put in place.
19. **Change Management and Staff Readiness:** The implementation will affect all staff and will require a coordinated change management approach, including stakeholder engagement, clear communication, training, and support to ensure smooth adoption and minimise disruption.
20. **Data Migration and System Integration:** Migrating from the legacy platform will require careful planning to ensure secure, accurate, and seamless integration with existing Council platforms such as the Finance system. This carries implications for data accuracy, continuity, and security, and will be managed in compliance with GDPR and robust cyber security standards to protect sensitive employee information.
21. **Insights from other Local Authorities:** Intelligence gathered from neighbouring councils shows mixed experiences with HR and Payroll systems, including some dissatisfaction with current providers. Approaches vary: some outsource services, others use the same Midland HR platform as the Council, and one uses an alternative supplier. These insights will inform the procurement approach to ensure the chosen system is flexible, scalable, and capable of supporting future local government structural changes and shared service opportunities.
22. **LGR Flexibility and Contractual Safeguards:** The procurement approach will include provisions to accommodate potential changes arising from Local Government Reorganisation (LGR). A key safeguard is that the procurement will be subject to a go/no-go decision once the LGR outcome is confirmed. If the decision does not result in 3 unitary authorities (3UA), the procurement will be halted. In addition, the contract will include measures such as a break clause, options to flex up or down in terms of user licences, and scalability to support shared service arrangements if required. These steps ensure the approach remains adaptable and cost-effective in the event of organisational restructuring.

Financial implications

23. A capital bid for £250,000 has been submitted to support the procurement and implementation of a modern, integrated HR and Payroll system to replace the Council's existing legacy platform. This is in addition to £75,000 previously approved, bringing the total planned capital allocation to £325,000. The £250,000 bid is an estimate phased over two years as follows:

2026/27 (£100,000) – procurement and initial implementation activities, including supplier engagement, specification development, and project setup.

2027/28 (£150,000) – system configuration, data migration, integration with existing platforms, and parallel running for up to eight months to ensure business continuity and thorough testing.

Expenditure in both 2026 and 2027 will be at risk until the Local Government Reorganisation (LGR) decision is confirmed in summer 2026. If the decision does not result in three unitary authorities (3UA), the procurement will be halted. To mitigate this, spend prior to the LGR decision will be limited to essential preparatory activities, and the budget allocation will allow for recovery of unspent funds should the project not proceed.

24. Capital funding will cover costs directly related to implementation and making the new system operational, including:

- Initial software licensing (first year only, as required for go-live)
- Implementation and configuration services
- Internal project team resourcing attributable to delivery
- Consulting fees for system deployment and integration
- Data migration and testing costs
- Essential vendor support during mobilisation (pre-go-live only)

25. Revenue expenditure will cover activities not directly required to make the system operational such as staff training, change management, ongoing support and maintenance beyond implementation, and any costs incurred in evaluating or developing alternative solutions that are not ultimately adopted. These will be managed within existing budgets or identified as part of future revenue planning.

26. Initial implementation costs are expected to be contained within the proposed capital allocation of £325,000, subject to detailed confirmation during procurement and planning. The current contract for the existing HR and Payroll system is valued at £715,915 for the full contract period of 10 years i.e approximately £79,000 per annum; however, this figure will need to be reviewed to reflect potential additional costs arising from LGR, including additional users, extended duration, integration complexity and contingency. Equally additional costs need to be allowed for within the up to 8-month parallel running period pending full implementation of the procured product in April 2028. Further work with Finance is required to validate and finalise costs as part of the procurement process, noting that while preparatory work will be undertaken before procurement, the final cost position will only be confirmed once procurement has concluded.

27. The procurement will include provisions for Local Government Reorganisation (LGR), such as contractual flexibility to accommodate changes in scope, novation rights, and break clauses to mitigate financial risk. Pricing structures will be designed to scale with potential increases in user volumes or entities, ensuring cost transparency and affordability. Drawdown of capital will be governed through project gateways, with re-profiling managed through the annual capital programme refresh.

Legal issues

28. Under Rule 18.12 and Part 4.5 (10) Cabinet is the authorising body for projects valued at £750,000 or over.

Under Part 4.5 (11) and Rule 19 (17) of the Constitution Cabinet is responsible for the award of contracts valued at £750,000 and over. Under section 9E(3)(c) of the Local Government Act 2000 Cabinet is empowered to delegate its functions to officers.

29. Due to the estimated value of spend, the procurement of a new HR and Payroll management system will need to be carried out in accordance with the Procurement Act 2023 and the Council's Constitution. Legal services are instructed to support and advise on the procurement process and provide the contractual documentation needed. This will include consideration of LGR implications for the procurement and contract.

30. Any decision, following the procurement process, to award a contract of £750,000 or greater will be a Key Decision and will need to comply with the procedure for taking Key Decisions set out in the Council's Constitution.

Level of risk

31. See Risk Register at Appendix 1. The project carries several delivery and strategic risks, including:

- Data security during migration
- Budget uncertainty and potential cost escalation
- Limited internal capacity and continuity of the project team
- Potential disengagement from the current supplier
- System performance issues during implementation
- Structural changes arising from Local Government Reorganisation (LGR), which may require scope adjustments and integration readiness
- Restrictions on the procurement of new contracts resulting from LGR

32. Failure to deliver the project would have severe operational and compliance consequences. The current HR and Payroll system cannot be lawfully extended beyond 31 March 2028, and failure to implement a replacement in time would jeopardise payroll processing, statutory reporting, pension contributions, and core HR functions. This would result in significant disruption to employee payments and workforce management.

33. Delays would also compromise readiness for LGR, where a modern HR and Payroll system is critical for organisational change and integration. Without this investment, the Council faces risks of inefficiencies, compliance failures, reputational damage, and higher costs due to emergency procurement and compressed implementation timelines. As integrating HR and payroll systems across the existing authorities after LGR will take time, the Council will need a system that continues to support Oxford City Council's current pay structures and employment terms beyond April 2028. Additionally, failure to include contractual provisions such as break clauses and

scalable pricing could expose the Council to significant financial risk if service requirements change within the first year of the contract.

34. In addition to the risks outlined above, further risks include data quality issues during migration, change management challenges, supplier performance concerns, integration complexity, and compliance with GDPR. These risks will be actively managed through robust governance, early data cleansing, comprehensive testing, and contractual safeguards.

Equalities impact

35. An Equalities Impact Assessment (EQIA) has been completed (see Appendix 2) and will be updated throughout the project lifecycle. This ensures compliance with the Equality Act 2010 and supports the Council's commitment to fairness and inclusion. Key considerations include:

- Ensuring the new HR and Payroll system is accessible and inclusive for all employees, including those with disabilities, neurodiverse needs, or limited digital literacy.
- Designing processes so that no protected group is disadvantaged by system functionality, implementation approach, or user experience.
- Embedding equality requirements into procurement specifications, including accessibility standards (e.g., WCAG compliance) and language options.
- Considering the diverse needs of the workforce in system configuration, self-service functionality, and training materials.
- Ongoing monitoring and engagement with staff networks and stakeholders to identify and address any emerging equality impacts during implementation and post go-live.

Carbon and Environmental Considerations

36. The project is expected to have minimal direct environmental impact. The new HR and Payroll system will be delivered through a hosted/cloud-based solution, which reduces reliance on physical infrastructure and associated energy consumption compared to on-premises servers. Additional sustainability measures include:

- Digital-first approach to minimise paper usage and physical storage requirements.
- Assessment of supplier sustainability credentials during procurement, including compliance with environmental standards and carbon reduction commitments.
- Remote implementation and training options to reduce travel-related emissions.
- Ongoing monitoring to ensure the system supports efficient processes and reduces resource consumption over its lifecycle.

This approach aligns with the Council's Net Zero targets, supporting a transition to lower-carbon digital services and reducing the environmental footprint of HR and

payroll operations.

Conclusion

37. Replacing the existing HR and Payroll platform is a strategic and statutory requirement to ensure continuity of critical services beyond the current contract expiry in March 2028. The agreed extension provides the necessary time for a phased transition and parallel running, safeguarding payroll continuity and compliance during implementation.
38. The recommended procurement approach will:
 - Ensure the Council meets public procurement requirements and avoids potentially unlawful contract extensions.
 - Maintain uninterrupted HR and payroll services for approximately 1,500 employees across the Council and Oxford Direct Services Ltd.
 - Deliver a modern, integrated solution that improves operational efficiency, user experience, and statutory reporting.
 - Support the Council's digital transformation programme and readiness for potential structural changes, including Local Government Reorganisation.
 - Align with the Council's Net Zero commitments through sustainable, hosted technology.
39. This investment mitigates significant operational, and compliance risks, positions the Council for future organisational change, and delivers a secure, future-proof HR and Payroll solution.

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Background Papers:

Not applicable

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