



**SOUTH
KESTEVEN
DISTRICT
COUNCIL**

Cabinet

Tuesday, 3 June 2025

Report of Councillor Ashley Baxter
Leader of the Council, Cabinet Member
for Finance, HR and Economic
Development

Procurement of Integrated HR and Payroll Hosted System

Report Author

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Purpose of Report

To award a new contract for the HR and Payroll system

Recommendations

The Cabinet is recommended to award a five-year contract to Midland HR (MHR) via Softcat at an annual cost of £67,770.97 for the provision of the iTrent HR and Payroll system.

Decision Information

Is this a Key Decision?	Yes
Does the report contain any exempt or confidential information not for publication?	Yes – the appendix is exempt under Section 100A of the Local Government Act 1972, under Schedule 12A, Part 1, Paragraph 3 (sensitive financial information) on the basis that, having regard to all the circumstances, the public interest in maintaining an exemption outweighs the public interest in disclosing the information
What are the relevant corporate priorities?	Effective council
Which wards are impacted?	All wards

1. Implications

Taking into consideration implications relating to finance and procurement, legal and governance, risk and mitigation, health and safety, diversity and inclusion, safeguarding, staffing, community safety, mental health and wellbeing and the impact on the Council's declaration of a climate change emergency, the following implications have been identified:

Finance and Procurement

- 1.1 The annual cost of the new contract will be circa £68k which is an increase of £16k against the current budget. The part year increase for 2025/26 equates to £6k which will be funded from the corporate training budget (£3k) and the remaining (£3k) from the ICT reserve, with the future years budgets increased according at budget setting time to allow for the ongoing increase across the length of the contract.
- 1.2 There is also an initial cost of £41,682.27 which is a standard charge across all MHR contracts, which is paid in year 1 to make the remainder of the contract term less expensive. There is also additional consultancy costs of £10,370.83 that is part of the contract for its duration to continue to improve the system. Both these one off costs will be funded from the ICT reserve.

Completed by: David Scott – Assistant Director of Finance (Deputy S151 officer)

Procurement

- 1.3 The Integrated HR and Payroll Hosted System commenced in 2017 with MHR via Softcat. To ensure the continuity of existing services from an awarded supplier, it was agreed to direct award to Softcat for another five years. The Software Products and Associated Services framework (Framework Number: Y23065 / FTS award notice [Notice/007870-2024](#)) was established by Procurement Services who is part of Commercial Services Group Ltd and is a registered trading function of Kent County Council. This framework is compliant with the PCR 2015.

- 1.4 Full cost of contract -

Initial Cost	£41,682.27
Annual Cost (multiplied by 5 Years)	£338,854.85
Total Contract cost	£380,537.12

Completed by: Helen Baldwin, Procurement Lead

Legal and Governance

1.5 Cabinet is the correct body to make this decision.

Completed by: James Welbourn, Democratic Services Manager

2. Background to the Report

- 2.1. The current contract for the Council's HR and Payroll system, with MHR via Softcat, is due to expire at the end of July 2025, following a 3-year agreement which commenced in 2022. Previous to this, the Council had a contract with MHR for a 5-year term, which commenced in 2017. The MHR iTrent platform is an industry leader and used by a number of neighbouring authorities and private sector companies throughout the country.
- 2.2. Following the framework via Procurement Services who is part of Commercial Services Group Ltd and is a registered trading function of Kent County Council, the Council is able to direct award again to MHR, via Softcat, to maintain the HR and Payroll system.
- 2.3. The MHR iTrent system also provides the Recruitment module, which the Council uses with an implemented recruitment website, and a learning module, which now fully integrates with the Council's new Learning Management System. This learning module was previously procured separately, on another contract, but the opportunity has been taken to consolidate these contracts into a single contract to align contract periods.
- 2.4. Two pricing options have been considered, with one being a 5-year contract providing better value for money and providing stability with a longer contract period.
- 2.5. The pricing model can be found within Appendix A of this report pack. This appendix is exempt due to the breakdown of the pricing model being deemed commercially sensitive.
- 2.6. When compared to the current annual cost, there is an increase of £16,695.26 (for a 5-year contract). This is due to inflation, price indexing, and the inclusion of additional new operating modules which are of benefit to the Council. The proposed contract also combines the learning management platform and reporting software as referenced earlier in the report.

3. Key Considerations

- 3.1. The costings for a longer 5-year contract provide better value for money, with it costing £56,102.86 for an additional two years, whereas via 3-year contract, each year is £93,044.80.

- 3.2. Local Government Re-organisation is also a key consideration, with the current timeline of a new authority commencing in April 2028. Whilst a 3-year contract make seem to make more sense in this aspect, MHR are aware the proposed re-organisation, and will be working with all Councils, who will be in the same situation, in terms of contract lengths and contract terms and conditions. It will also be easier to migrate with other neighbouring authorities who are on the same system, therefore a 5-year contract is a low risk.
- 3.3. As part of the implementation of the MHR iTrent system in 2017, included in the initial set up costs was a sum of £55,360.32 for training / consultants across all of the modules (including System Admin / HR / Payroll). This included knowledge transfer, training on setting up systems, and consultants. There is a risk of having to pay these implementation costs again, and potentially higher, if we move to a new system.
- 3.4. Using the identified compliant framework will mean the Council is able to purchase MHR iTrent via Softcat who are an approved reseller. The contract itself will be with Softcat, and they in turn will provide the iTrent system to the Council.

4. Other Options Considered

- 4.1 Going out to tender for new potential bidders. This could result in potentially implemented a new HR and Payroll system that does not integrate with current systems such as the Recruitment or Learning system as detailed above. There would also be huge additional training costs, and potential costs of migrating to another system again after local government re-organisation. There is also not enough time to go out and procure a new system, before our current contract ends, which would result in higher costs for the Council.
- 4.2 Do nothing. The contract with MHR would come to an end, and the Council would have no HR/Payroll system, losing employee records and details, and the Council would have no payroll system, resulting in employees not being paid.

5. Reasons for the Recommendations

- 5.1. The recommendation is to direct award to MHR, via Softcat, using the identified compliant framework on a 5-year contract.
- 5.2. The reason for this recommendation is that the Council needs to continue to use its current HR/Payroll system for employee details and payment information.
- 5.3. The 5-year contract is more cost effective, provides stability, and brings multiple contracts under one term.

- 5.4. Local government re-organisation has been a key consideration, but on the basis of cost, and low risk due to neighbouring authorities being on the same system, a 5-year contract is the recommended option.

6. Appendices

- 6.1 Appendix A – Breakdown of pricing model (exempt from public)