Agenda Item	**14**
Report No	**RES/40/26**

The Highland Council

Committee: **Corporate Resources**

Date: **27 August 2026**

Report Title: **Corporate Systems Update – HR & Payroll Programme**

Report By: **Assistant Chief Executive – Corporate**

1. Purpose/Executive Summary

1.1 This report provides an update on progress, financial position, risks and impacts of the HR & Payroll Programme, which is delivering modernisation of the Council's core people and payroll systems.

The programme is working towards the agreed vision to deliver an **ambitious**, user-focused HR and Payroll experience that empowers users and streamlines operations through **connected** technology and **sustainable** practices.

The programme can help support wider organisational transformation and financial sustainability and continue to maintain secure, compliant handling of personal data.

1.2 The HR & Payroll Transformation Project formally commenced in April 2026 and is on track. Stage 1 (Consolidation and Planning) is now complete, and Stage 2 (System configuration, upskilling & knowledge transfer) commenced in July 2026. The TalentLink Recruitment Systems Improvement Project is formally closed, with significant benefits realised.

Updates on these projects are provided in this report.

Updates are also provided on change management and stakeholder engagement activity that supports the technical delivery within the programme.

1.3 Overall, the programme is on track, within approved budgets, and operating within the Council's risk appetite.

1.4 Members are reminded that this positive progress is in addition to the completion of other major key Corporate transformation projects delivered over the last 2 years, notably the replacement of the Council's financials system, pensions system and web site.

2. Recommendations

2.1 Members are asked to:

i. **Note** progress, financial position, and risk management of the HR & Payroll Programme.
ii. **Note** the summary in **section 4.5** to support the decision-making process.

3. Implications

3.1 **Resource:** Investment funding is held within the Council's earmarked reserves.

2025/26

The Programme Financial position as at the end of financial year 2025/26 was:

	Programme Budget at 1 April 2025	Actual Spend 2025/26	Underspend at Year End 2025/26
End of Financial Year 25/26 position (£)	**775,945**	**610,171**	**165,774**

2026/27

An additional investment of £0.926m was agreed in the council budget for 2026/27 to deliver further transformation. The programme remains fully funded and is forecast to be delivered within its approved 2026/27 investment funding of c.£1.092m to fund project staffing, implementation costs, and contingency provision. The contingency provides flexibility to manage emerging requirements and risks as the programme progresses through delivery.

Actual expenditure at the end of Month 3 is £112,679 and further detail is shown below.

	Budget (£)	Total Forecast Spend (£)	Spend to 30 June 26
Investment funding	1,091,774		
Staffing		344,012	77,787
Project Implementation Costs		467,301	34,892
Uncommitted/Project Contingency		280,461	
Total	**1,091,774**	**1,091,774**	**112,679**

Financial forecasts and resource profiles continue to be reviewed regularly with internal teams and suppliers to ensure spend remains aligned to the approved delivery plan, programme milestones and affordability assumptions throughout 2026/27.

3.2 **Legal:** The Council has a statutory requirement to pay staff and suppliers and record payments for tax and other audit purposes. Systems and processes need to comply with these statutory duties.

3.3 **Risk:** The systems being replaced are critical corporate systems that support core aspects of service delivery (paying staff, paying suppliers, receiving income, etc). It is essential therefore that successful implementation is achieved, and risk is managed and mitigated given the critical impact risks could have on Council business.

The Programme Board continues to manage ongoing key risks and issues using the Corporate Risk Management Process which include:

- Programme Affordability
- Competition between “business as usual” activity and remaining project delivery work.
- Cultural change requirements
- Supplier engagement to support our transformation.

There are no risk implications arising as a direct result of this report.

The project also directly contributes to the risk response to the Corporate Risk in respect of Financial Sustainability (CR1).

3.4 **Health and Safety (risks arising from changes to plant, equipment, process, or people):** There will be process changes and as a result implications for staff using the new systems. Effective change management will be imperative and there is a dedicated Change Manager undertaking this role to mitigate any risks to the organisation.

3.5 **Gaelic:** There are no specific Gaelic implications arising from this report. All projects will ensure the Council’s bilingual policy is appropriately applied.

4. Impacts

4.1 In Highland, all policies, strategies or service changes are subject to an integrated screening for impact for Equalities, Poverty and Human Rights, Children’s Rights and Wellbeing, Climate Change, Islands and Mainland Rural Communities, and Data Protection.

4.2 An Integrated Impact Assessment and associated full Data Protection Impact Assessment was conducted by the HR & Communications service as part of the procurement of the council’s HR & Payroll Solution. Further assessments will be conducted as required during the planned HR & Payroll Transformation Project.

4.3 Considering impacts is a core part of the decision-making process and needs to inform the decision-making process. When taking any decision, Members must give due regard to the findings of any assessment.

4.4 An Integrated Impact Assessment screening was undertaken in November 2025. The conclusions have been subject to the relevant Manager Review and Approval.

A full Data Protection Impact Assessment (DPIA) was required due to risk associated with holding and sharing of personal data. Some of the HR data collected is considered special category (sensitive) personal data under UK GDPR, requiring increased security measures, such as restricted access and robust encryption, to prevent breaches.

Members are asked to note the summary in section 4.5 to support the decision-making process.

4.5 Data Protection Impact Assessment – Summary

The HRP Programme enhances the current HR/Payroll system to improve automation, accuracy, security and compliance.

Positive Impacts

- Improved data accuracy through automation and reduced manual processing.
- Strong GDPR compliance supported by retention schedules and built-in system routines.
- High security standards, including ISO 27001 and Cyber Essentials Plus.
- Increased transparency and employee self-service.

Negative Impacts & Mitigation

- **Historic data quality issues**, mitigated by dedicated data cleansing and specialist support.
- **Risk of incorrect retention or deletion**, mitigated by configuring GDPR rules within HR & Payroll Solution in line with Council schedules.
- **Potential payroll errors** during implementation, mitigated through comprehensive testing and contingency plans.

5. HR & Payroll Projects

5.1 HR & Payroll Transformation Project

5.1.1 Overall Project RAG

5.1.2 Key Milestones & Requests for Change

MILESTONES		CURRENT STATU:
Starts Feb 26 / Completes Apr 26	Project: HR & Payroll Transformation Project:1 Pre-project preparation	**M12 25/26 Completed**
Starts Apr 26 / Completes Jun 26	Project: HR & Payroll Transformation Project:2 Consolidation & Planning with Supplier	**M4 26/27 Completed**
Starts Jun 26 / Completes Feb 27	Project: HR & Payroll Transformation Project:3 HR & Payroll Solution Redesign & Configuration & Testing	**M4 26/27 On Target**
Starts Feb 27 / Completes Mar 27	Project: HR & Payroll Transformation Project:4 Further Solution Module Development	
Starts Apr 27 / Completes Jun 27	Project: HR & Payroll Transformation Project:5 Project Closure	

5.1.3 Financial Summary

i) Savings
Recurring annual savings as shown below were brought through the council's 2026/27 budget and will be enabled by delivering the HR & Payroll Transformation Project.

2026/27	2027/28	2028/29
£50,000	£100, 000	£150,000

ii) Income
No direct income directly attributed to this project have been identified.

iii) Investment

INVESTMENT		STATUS
£	HR P&P: Investment: EMR (Current FY Forecast)	**£ 1,091,774**

iv) Mitigations
Identify all known Programme costs and source appropriate funding for duration of Programme.

5.1.4 **Key Risks**

KEY RISKS ASSESSED	CURRENT RISK RATING	RESPONSE
HRP&P Transformation: Risk 1 Programme Affordability	8	Tolerate
HRP&P Transformation: Risk 2 Competing tensions and priorities between operational and project work	16	Treat
HRP&P Transformation: Risk 3 Cultural change required for transformation	12	Tolerate
HRP&P Transformation: Risk 4 Supplier engagement and appetite to support transformation	12	Treat

5.1.5 Existing controls are in place alongside further mitigation actions for each of these risks.

Each risk is proactively managed using the council's Corporate Risk Management Process and risk appetites with assurance being provided by the Strategic Improvement Team Project Management Office and the Programme Board assurance officer.

5.1.6 The principle focus of risk actions at the present time is mitigating the competing demands on Subject Matter Experts and the operational teams who are involved in delivering the changes within the next stage of the project.

5.1.7 **Progress Update & Forward Plan**

This project formally commenced in April 2026 and is split into three delivery stages:

1) Consolidation & Planning
2) System configuration, upskilling & knowledge transfer
3) Further solution module development

5.1.8 Stage 1 of the project (Consolidation & Planning) completed in early July 2026. The activity in this stage included:

- A review of the outcomes from the HR & Payroll Data & Process Enablement Project recommendations, process maps & supporting information with our HR & Payroll solution supplier, Zellis UK.
- Several workshops with Zellis UK specialists and council Subject Matter Experts to agree priorities and discuss the options and recommendations to transform our use of the system, including our Core HR & Payroll modules and opportunities to make greater use of other system modules such as Onboarding to improve our processes to bring new staff into the organisation.
- Gap Analysis – An assessment of the differences between current processes and the proposed future operating model.
- Mapping these gaps to delivery tasks & a detailed Technical Review of the proposals.
- Delivery of detailed & validated plans to deliver the transformative changes in Stage 2 of the project.

5.1.9 Stage 2 (System configuration, upskilling & knowledge transfer) commenced in July 2026. This first part of this stage will consist of three key workstreams:

Pre-requisite Changes: Removing some bespoke functionality and implementing re-joiner functionality will create a single, continuous employee record throughout the employment lifecycle, improving data quality, reporting accuracy, compliance, operational efficiency, system integration reliability and employee experience, while reducing ongoing effort to maintain bespoke functionality.

Foundational Changes: Establishing a standardised and sustainable organisation management model, delivering improved data quality while reducing manual effort, system complexity and operational risk. These foundational improvements will enable the successful delivery of subsequent transformation workstreams including Leave Management, Self-Service for staff & managers, Reporting & Insights and Integrations.

Leave Management: Implementing employee self-service absence recording will reduce manual payroll administration, improve data accuracy, provide real-time absence visibility, automate sickness pay calculations, enhance employee and manager self-service, and deliver better absence reporting and workforce insight. Opportunities will also exist for improving & standardising the annual leave request process across services.

Several subsequent workstreams will then be undertaken in Stage 2, including:

- Self Service/MyView Enhancements for staff & managers
- Onboarding Module Implementation
- Payroll Improvements
- Reporting & Insights Development

5.1.10 The Programme team continue to engage closely with the Data Foundations Project, another project within the Corporate Solutions Portfolio of the Delivery Plan, to ensure changes to HR & Payroll processes and data align with the principles and requirements of the data platform being delivered.

This will inform critical data cleansing priorities and the required strategic decisions to be made. At a future stage there will also be the opportunity for the HR & Payroll Programme to inform Data Foundations of the data and insights sought from the data platform that is being delivered.

5.2 TalentLink Recruitment System Improvements Project

5.2.1 Overall Project RAG

5.2.2 A detailed update on this project was included in the 4 June update report for Corporate Resources Committee. Project closure was approved by the HR & Payroll Programme Board on June 1st 2026.This was accepted by the Corporate Solutions Portfolio Board on June 22nd 2026.The learning and foundations developed have provided strong foundation for taking forward the remainder of the programme.

5.2.3 **Post Project Follow-On Activity**

As part of closure a list of follow-on actions were agreed between the programme and the HR & Payroll service. These actions focus on continual improvement to the system, such as implementing automated Microsoft Teams appointments for online interviews, and change management activities to ensure continued uptake of the improvements by recruiting managers.

The change management activity will include development of an easily navigable and searchable "one stop shop" SharePoint site to provide guidance for recruiting managers, facilitated drop-in sessions and communications to continue to build knowledge and capability in using the system. These activities aim to further reduce the effort required by teams such as the HR Team Transactions Team in providing guidance to recruiting managers and move towards more use of self-service functionality.

5.2.4 **Benefits Realisation**

The below table details benefits realisation to date and the benefits to be measured and monitored by the service after project closure.

1.	Increase compliance with the Council ICT policy by implementing Single Sign-On (SSO) for hiring managers and hiring panel, eliminating account lockout incidents and decrease time resolving account access issues.
	Benefit measurement: • SSO adoption rate - 100% of users using SSO vs legacy login method, measured by the number of accounts migrated to SSO.
Status	**Realised**
2.	Create products that will improve customer experience of recruiting managers and prospective employees by developing TalentLink, dashboards and notifications to better inform managers, reducing queries.
	Benefit measurement: • Number of products created: create two dashboards - Recruiting Team and Recruiting Manager. • Customer satisfaction survey to TalentLink recruiting managers, pre and post change implementation.
Status	**Partially realised.** The customer satisfaction survey is to be undertaken by the HRP Change Manager post project to fully measure success and confirm realisation.

3.	Create processes to conform with the application's ways of working, by changing existing processes, so that there are fewer processes conducted outside of the platform, so that processes are quicker to complete, so that we can save 1.42 in FTE hours.
	Benefit measurement: • Process step changes - reduction in processing steps for back-office team resulting in time savings of 50 hours per month. equating to 1.42 FTE efficiency.
Status	**Partially realised.** As at June 2026 processing time reduction of 12 hours per month have been realised. A further reduction of 38 hours per month could be realised post project. Some previously identified time savings have been identified by the HR Transactions Team as being offset by increases in activity to provide guidance and undertake housekeeping, this is reflected in the agreed baseline. The aim of further change management activity is to reduce these offsetting disbenefits to the HR Transactions Team by December 2026.

5.3 **Stakeholder Engagement and Communications**

Change management activity has continued to progress across the HR & Payroll Programme, with readiness assessment feedback being gathered and reviewed to inform programme planning and implementation. Actions arising from the readiness assessments are being progressed to address identified risks and strengthen organisational preparedness for upcoming changes.

Benefits management work has advanced, with benefit mapping completed and benefit owners identified to support ongoing tracking, accountability and realisation of programme outcomes. Development of the overall programme narrative has also continued to ensure a clear and consistent understanding of the programme's objectives, benefits and strategic outcomes.

Communications activity has focused on supporting the implementation of TalentLink changes, including staff communications and drop-in sessions to raise awareness and provide support. In addition, the Improvement Hub page have been updated to ensure stakeholders have access to the latest programme information, resources and key messages.

Change management activity during the next quarter will focus on completing readiness assessment feedback and progressing any remaining actions to support organisational preparedness. Work will also continue on benefits management, including engagement with benefit owners to agree performance measures and establish baseline positions to support future benefits realisation and reporting.

In addition, the Stakeholder and Communications Plan will be reviewed and updated to align with the Programme Delivery Plan, ensuring engagement activity remains targeted and supports successful programme delivery.

6. **Programme Governance**

6.1 An HR & Payroll Transformation Steering Group is being established to support delivery during the implementation stages, below the Programme Board with delivery working groups reporting into this group to ensure delivery decisions are made in a timely manner to ensure progress.

6.2 Sponsored by the Chief Officer – HR and Communications, The Programme Board remain responsible for the overall delivery of the project within budget. The responsibilities include ensuring appropriate linkages are made and dependencies managed between the projects within the new structure and controlling programme budgets.

Designation: Assistant Chief Executive - Corporate

Date: 6 August 2026

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