Agenda Item	12
Report No	RES/52/26

The Highland Council

Committee: **Corporate Resources**

Date: **19 November 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 is essential in supporting wider organisational transformation and financial sustainability while also ensuring statutory obligations are met, and the Council maintains secure, compliant handling of personal data.

1.2 The HR & Payroll Transformation Project formally commenced in April 2026 and continues to make progress through Stage 2 (System Configuration, Upskilling and Knowledge Transfer), following successful completion of Stage 1 (Consolidation and Planning). Significant progress has been made across the foundational workstreams that will improve data quality, support future system enhancements and reduce long-term operational risk.

During the detailed discovery and elaboration phase, previously unidentified complexities relating to legacy system configuration and data structures have emerged resulting in some slippage against the planned activity, leading to the overall programme being RAG rated as 'amber'. In mitigation, planned milestones have been reviewed so that later activities can be run concurrently.

Close monitoring and reporting will continue, to ensure changes are implemented safely and sustainably. This report also provides updates on programme change management, stakeholder engagement and organisational transformation activity that support successful delivery and long-term sustainability of the Council's HR and Payroll services.

1.3 Overall, the programme remains within its approved budget and continues to operate within the Council's risk appetite. While some delivery milestones are being reassessed following the identification of previously unknown system and data complexities, appropriate governance, risk management and mitigation

arrangements are in place. The Programme Board is actively managing these issues and assessing any cost implications for revised timescales. Sufficient programme contingency is currently available to accommodate modest delivery slippage.

2. Recommendations

2.1 Members are asked to:

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

3. Implications

3.1 **Resource:** Earmarked reserve and budget pressure funding alongside the existing budgets for the current systems in use has provided project funding to support the programme implementation. The programme remains fully funded and is currently forecast to be delivered within its approved 2026/27 budget of c.£1.092m.

The 2026/27 forecast is fully balanced at c.£1.092m, including 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 6 is £261,478. Expenditure to date is in line with expected programme mobilisation and supplier activity. 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.

	Budget (£)	**Forecast Spend (£)**	**Actual Spend to Month 6 2026**
Earmarked Reserves	1,091,774		
Staffing		382,703	151,938
Project Implementation Costs		549,943	109,540
Uncommitted/Project Contingency		159,128	
Total	**1,091,774**	**1,091,774**	**261,478**

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 consider 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 processing 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 The project is currently rated Amber. This reflects the emergence of previously unidentified complexities within legacy system configuration and data structures which are affecting delivery timescales. The project remains within budget, governance arrangements remain effective and recovery planning is underway.

5.1.3 Key Milestones & Requests for Change

MILESTONES		CURRENT STATUS
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	**M7 26/27 Some Slippage**
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	

5.1.4 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.

5.1.5 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	12	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
HRP&P Transformation: Risk 5 Emerging Information Risk (Foundational Data)	12	Issue

5.1.6 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.

5.1.7 An issue has been raised that previously unidentified information relating to system complexity has emerged during the foundation work of the HR & Payroll Transformation Project, requiring reassessment of assumptions and rework of planned activities.

This is due to and highlights the Programme operating within a highly complex environment where historical data structures, business rules, process variations, system dependencies and data quality issues may not be fully understood at the outset. As detailed analysis and discovery progress, new information will surface that materially alters the understanding of requirements, scope, effort, sequencing, solution design or change management.

5.1.8 The principle focus of risk actions at the present time are:

1. 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
2. Addressing the emerging information issue.

5.1.9 **Progress Update & Forward Plan**

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

1) Consolidation and planning - **complete**
2) System configuration, upskilling and knowledge transfer
3) Further solution module development

Due to the issue of new information regarding historic and legacy system configuration and data complexity being identified several times during the pre-requisite and foundational changes elaboration work, some slippage has been encountered.

It is essential to ensure that the foundational work is undertaken carefully and in a manner that mitigates against any adverse impacts of failed changes, such as impacts on payrolls or negative impacts on teams who currently undertake key processes within the Council.

5.1.10 By delivering the pre-requisite and foundational changes successfully this will provide an excellent foundation to proceed with functionality such as Leave Management, Self-Service and Onboarding.

Stage 2 (System configuration, upskilling & knowledge transfer) commenced in July 2026. This first part of this stage consists of three key workstreams with updates presented below.

Pre-requisite Changes – Employee IDs & Re-joiner Process

Despite slippage progress on the Employee ID Change pre-requisite work continues to gain momentum. Key achievements so far include completion of the initial integration dependency assessment, updates to the Employee ID Discovery Report and development of testing governance approach.

Good progress has also been made on the business and system impact assessment (70% complete), the RRS reporting catalogue (95% complete), General Ledger file integration changes are now agreed and being scheduled with the system supplier.

The immediate focus is on finalising technical design and impact assessments, completing the process and integration design and establishing business readiness activities to support implementation and progression into user testing.

Foundational Changes

Progress has been made on the foundational preparation work for the Post Maintenance and Data Validation Exercise. This is a crucial step in ensuring that core data is at the required quality to progress with later workstreams. Data files for validation by managers and the Education Workforce Planning team have been distributed and are being reviewed. This exercise has supported by strong communications to launch the validation exercise successfully and support provision for the managers and teams undertaking the exercise, including “drop-in” sessions with project team experts.

This exercise is due to complete in November 2026.

Alongside the completed work, several important tasks are actively progressing, including:

- Position Management Principles and Position Management Framework development – this will provide the “rules” by which HR data structures will be maintained into the future.

- Position Management Framework scenario development which will support the teams responsible for implementing the framework.
- Post description standardisation.
- Post Status narrative definition.
- Ongoing communications and support for the data validation exercise.
- Data migration, loading and update approach definition for the validated data returned by managers.
- User Defined Field assessment and review – this will allow the team to significantly reduce the current bespoke configuration within the system and move to a simpler, more "out of the box" configuration which in turn will make reporting from and support of the system more sustainable.

Leave Management
An elaboration session between council subject matter experts and the system supplier has been held. This will now allow detailed planning for the development and rollout of adoption of this part of the system for various types of leave to be considered and planned.

5.1.11 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 HR & Payroll Organisational Transformation Project

5.2.1 In addition to the project addressing data, process and system configuration a parallel HR & Payroll Organisational Transformation Project has now started to develop capability to fully support and undertake continual improvement of the HR & Payroll processes and systems beyond the life of the current programme.

The objectives of the project include:

- Providing in-house specialist system support resources
- Creating Clearly Defined Roles & Responsibilities
- Governance and Standards Across the HR & Payroll "Eco-System"
- Review and Realignment of HR & Payroll Tasks
- Review and update support and development arrangements with Council staff and partners.

5.2.3 The project team is currently undertaking a gap analysis exercise and mapping roles and responsibilities for the relevant solutions, process and data to the established ICT Support Model framework.

This will lead to an options appraisal being presented to the HR & Payroll Programme Board in late November 2026 before moving into implementation stages.

5.3 Stakeholder Engagement and Communications

Change Management activity is a core part of the programme. The recent focus of the Change Management Team has been:

- Undertaking Change impact assessments evaluate options, impacts, likely process change requirements and mitigations for staff concerns for several foundational changes.
- Communications and engagement support for the data gathering and validation exercise currently in progress with managers and the Education Workforce Planning team.
- Involvement in HR & Payroll planning discussions.

6. Programme Governance

6.1 The Programme Board remain responsible for 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: 30 October 26

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