WYRE FOREST DISTRICT COUNCIL

CABINET
16TH NOVEMBER 2010

Review of Payroll Services Arrangements

OPEN	
SUSTAINABLE COMMUNITY STRATEGY THEME:	Stronger Communities
CORPORATE PLAN AIM:	A Better Quality of Life
CABINET MEMBER:	Councillor N J Desmond
DIRECTOR:	Director of Resources
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APPENDICES:	None

1. **PURPOSE OF REPORT**

1.1 To present a proposal in relation to the transfer of payroll function from Wyre Forest District Council to Redditch Borough Council with effect from 1st April 2011.

1.2 This proposal is being progressed in order to achieve the following:

> ➢ Increased efficiency for the Council in the cost of delivering the service;
> ➢ Increased resilience in the service;
> ➢ Improve information to Service Managers;
> ➢ Reduced cost of implementing self service technology.

2. **RECOMMENDATION**

   The Cabinet is asked to RECOMMEND TO COUNCIL that:-

2.1 **That the proposal to transfer the payroll services to Redditch Borough Council be approved and a contract agreed until 31st March 2016.**

2.2 **That the cost of the implementation identified at paragraph 5.1 be met from the Council's general fund reserves.**

3. **BACKGROUND**

3.1 The Council currently employees 450 staff and has a further 42 Councillors. During the year this figure fluctuates due to the seasonal nature of services provided such as summer play schemes and the Tourist Information Service.

3.2 During early 2010 the Council has moved all weekly paid staff to monthly pay, whilst reducing the number of pay runs required there are implications for some of the Council's casual employees who now could be expected to wait as long as six weeks for pay when this has previously been provided weekly.

3.3 In addition to the Council employees the Council also provides a payroll service to Stourport Town Council, Bewdley Town Council and the Kidderminster Charter Trustees.

3.4   The payroll section currently comprises of 2.5 FTEs structured as follows:

1FTE – Payroll Officer (1 post)
1.5 FTE – Payroll Assistants (2 posts)

3.5   The main functions of the team are as follows:

- System Maintenance of Chris 21 – the Council's integrated HR/Payroll system.
- Maintenance of the payroll permanent records.
- Input of temporary data such as overtime claims and mileage claims.
- Administration of specified deductions from payroll including Give as your Earn schemes.
- Monthly payroll procedures on behalf of Council and external bodies.
- Verification of payroll output including the production of the costed Gross to Net pay.
- Submission of BACs run on behalf of Council and external bodies.
- Monthly payments to HMRC and other deductions.
- Monitoring and maintenance of the Payroll Control Accounts.
- Production and distribution of payslips.
- Completion of all necessary returns to HMRC including the P35 and P60s.
- Completion of P45s upon termination of employment.

3.6   In addition to the standard payroll activities the following duties are also undertaken:

- Provision of sensitive information such as severance calculations.
- Production of performance indicators.
- Liaison with the County Council in relation to the Local Government Pension Scheme.
- Liaison with HMRC in relation to co-operating with inspections as and when required.
- Provision of information to comply through specifying and development of reports to extract management information from CHRIS21.
- Payroll related advice to Managers, employees and Members.
- Provision of payroll information for external queries e.g. mortgage applications.
- Close liaison with Human Resources.

3.7   The section currently is self contained and is located in the Civic Centre, Stourport on Severn, and are within the Resources Directorate of the Council.

4.   <u>KEY ISSUES</u>

4.1   Four detailed proposals have considered in relation to the future delivery of the payroll function, with the view of meeting of the objectives identified within paragraph 1.2. These being:

➢ **Option 1 - Continue to deliver the service in-house, although reduce staffing levels**
This is not being pursued given the failure to address the issue of resilience for the Council.

Option 2 - Shared Service arrangement with the County Council
Although savings that would be achieved are comparable with the other options considered, this option would necessitate a major implementation of a new payroll system.

➢ **Option 3 - Shared Service with Redditch Councils**
Again this option provides savings, increased resilience and does not involve a major system implementation, and was therefore selected as the option to propose.

➢ **Option 4 - Shared Service with Community Housing Group**
This approach would involve an SLA and again a major implementation of a new system.

4.2 Each of the options have been evaluated against the following criteria:

Non Financial Comparison of Options

	Option 1	Option 2	Option 3	Option 4
Requirement to increase resilience to the service	0	10	8	6
Improve information available to Service Managers	5	8	9	7
Implementation of new technologies including self service to complement to the Admin Review	8	10	9	8
Ease of Data Conversion	10	5	10	5
Training Requirement	10	5	10	5
Total	33	38	46	31

4.3 Under the proposal with Redditch Borough Council there will need to be a reduction of 1FTE in the role of Payroll Assistant. In relation to the remaining 0.5FTE this would be relocated to the exchequer section within the accountancy section of Resources. The accountancy section will continue to ensure that all opportunities for efficiencies are achieved through this arrangement and expect greater savings with the full implementation of self service in the future. The Payroll Officer would transfer under TUPE regulations to Redditch Borough Council from 1st April 2011. Annual savings of £28,010 have been assumed from this option, this proposal identified the largest level of savings of all of the options considered.

4.4 The Council would work with Redditch on the development of the Kiosk system, thereby reducing the cost of implementation. At the same time service managers will be provided greater access to the CHRIS system to allow improvement in issues such as sickness monitoring etc. This option also required the least training for other members of staff within the authority who are currently using the CHRIS system.

4.5 A consultation paper was produced on 22nd September 2010 identifying the options and the implications for the staff concerned. This was accompanied by a briefing to the section, the consultation period closed on 22nd October 2010 and no concerns or comments have been received.

5. <u>**FINANCIAL IMPLICATIONS**</u>

5.1 This proposal sees a reduction in cost of £28k pa, however, there are additional implementation costs which include the cost of severance amounting £68,500 which will need to be met from general fund reserves.

5.2 The option to proceed with Redditch Borough Council provided the largest on-going savings and ensured that the investment that the Council had made on the CHRIS system was not lost.

6. <u>**LEGAL AND POLICY IMPLICATIONS**</u>

6.1 The Council has the authority within the S101 of the Local Government Act 1972 for such functions to be undertaken by another local authority.

7. <u>**EQUALITY IMPACT NEEDS ASSESSMENT**</u>

7.1 An initial screening has been undertaken and found that a full impact assessment is not required.

8. <u>**RISK MANAGEMENT**</u>

8.1 This proposal provides additional resilience and support to the Council from the payroll function.

9. <u>**CONCLUSIONS/ACTIONS**</u>

9.1 This proposal meets criteria set out within the objectives of the review and will generate on-going savings for the Council whilst significantly improving the resilience of the service. The proposal also means that the Council can share in the cost of system development thereby assisting all participating authorities.

10. <u>**CONSULTEES**</u>

10.1 Corporate Management Team.
10.2 Councillor N J Desmond.
10.3 All staff and Unions.

11. <u>**BACKGROUND PAPERS**</u>

11.1 None.