

Payroll Contract

Cabinet Member for Innovation, Commercialisation & Corporate Services

Date: Tuesday, 9 February 2021

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Key Decision? Y

Local Ward Members If any Wards are particularly affected insert the name of the Ward Members and their Ward. Ensure that the Ward Members have been consulted.

Lichfield
district council
www.lichfielddc.gov.uk

Cabinet

1. Executive Summary

- 1.1 On 1 November 2020 Stafford Borough Council (SBC) gave notice of their intention to cease their provision of payroll processing to Lichfield District Council that has been in place for since April 2008. The agreement provides for a 9 month notice period, which will end on 31 July 2021.
- 1.2 This report seeks authority to award a 3 year contract to an alternative provider to ensure a payroll processing services contract is in place from April 2021 to begin paying staff before services cease.

2. Recommendations

- 2.1 That Cabinet approves the award of the payroll processing contract to the preferred supplier.

3. Background

- 3.1 We currently pay SBC £56,000 per annum for the payroll agreement which included funding for a payroll officer of around 30 hours per week. We also pay a per payslip fee for processing of the elections payroll which averages at around £3,000 per election year.
- 3.2 Each month we pay around 400 employees, 47 member's allowances and ad hoc payments for up to 450 staff completing election duties as required.
- 3.3 The new system must be in place system for at least 2 months prior to the end of the contract to allow the payroll to be dual processed (shadowing the current system) to manage any project risks and ensure pay is not interrupted before the existing system is switched off.
- 3.4 Soft market testing of alternatives has shown a wide range of costs and options for alternative provision as outlined in confidential Appendix 1. Many of the options require an upfront capital investment and development of our own systems, which is not the recommended approach given the ambitions of our digital strategy. Due to the timescales involved and the project risks associated with this, including our limited capacity and lack of specialist payroll knowledge, we do not wish to pursue development of our own system but seek instead to buy in a fully managed service from a supplier or partner with a proven track record of delivering district council payroll services.
- 3.5 In line with our Contract Procedure Rules we have sought quotes from a minimum of three providers; the incumbent software provider of SBC via their managed service option (this is the risk managed option SBC has negotiated with their supplier and offered to mitigate the cessation of their agreement); a neighbouring local authority seeking to develop shared service arrangements; another local authority who currently provide payroll processing to a number of other Staffordshire districts and public bodies; and one other payroll bureau processing service. The soon to be implemented finance system was also considered, however development and implementation of payroll modules in this system would take

significantly longer than we have available and pull on the resources already committed to support the finance system roll out so was discounted at an early stage.

- 3.6 Each of the options brings forward a range of issues and opportunities for us to consider in line with our digital strategy and people strategy aims and ambitions. An options appraisal has been undertaken that takes all of these factors and costs into account and is attached as confidential Appendix 1.
- 3.7 From this options appraisal, there is a clear preference for us to enter into a service level agreement with the City of Stoke on Trent Council, who have successfully provided payroll services to several Staffordshire districts for almost a decade along with many other local public sector bodies, schools and academies. Their business model supports the ongoing provision and resilience for payroll services that forced us to move away from in-house payroll provision over a decade ago and find us exposed to risk now.
- 3.8 Their payroll product provides an online account accessible for all those paid by the service to manage information and securely access their payslips and make claims. This functionality, coupled with a dedicated team to support the configuration of the system, development of our processes and training of staff and managers, offers the most cost effective and assured option. They have agreed to work with us to roll out the self-service aspect of the system at a pace to suit the organisation, given the other pressures we will have this year due to the pandemic and other pressures. This work will require internal support that was not previously identified in work programmes.
- 3.9 Fortunately, the cost of the system allows sufficient budget for us to appoint an apprentice to this area to support the roll-out of the system and transition of key payroll processes, providing resilience to the HR Systems Officer who currently oversees this area of work in isolation. This apprentice role replaces the 30 hour Payroll officer contract that was included within the SBC agreement. This would be a temporary appointment for approx. 2.5 years for them to complete their apprenticeship. This would allow consideration of longer term solutions and further integration of key HR systems to increase efficiency and reduce costs in the long term.

Alternative Options	An options appraisal has been undertaken taking into account possible costs, risks and future opportunities for the service.																														
Consultation	Consultation has been undertaken with relevant teams – Finance, ICT and HR as well as Heads of Service. The cessation of the contract and review of options has been discussed with employee representatives.																														
Financial Implications	<p>The current revenue budget for payroll services is £58,290 per annum. Cost for the proposed solution show a pressure next year due to legacy fees that would be applicable to all providers, but are overall within the allocated revenue budget for the life of the project.</p> <table border="1" data-bbox="406 1534 1316 1892"> <thead> <tr> <th>Year</th> <th>New Payroll Service Fees*</th> <th>Legacy Fees*</th> <th>HR Systems Apprentice</th> <th>Total</th> <th></th> </tr> </thead> <tbody> <tr> <td>2021/22</td> <td>£31,500</td> <td>£18,600</td> <td>£23,100</td> <td>£73,200</td> <td>-£14,910</td> </tr> <tr> <td>2022/23</td> <td>£29,000</td> <td>£3,000</td> <td>£23,300</td> <td>£55,300</td> <td>£2,990</td> </tr> <tr> <td>2023/24</td> <td>£29,000</td> <td>£3,000</td> <td>£13,100</td> <td>£45,100</td> <td>£13,190</td> </tr> <tr> <td>Total</td> <td>£89,500</td> <td>£24,600</td> <td>£59,500</td> <td>£173,600</td> <td>£1,270</td> </tr> </tbody> </table> <p>*System set up of £2,500 is payable at the start of the contract. ** Legacy fees are payable for dual processing runs to July 2021 and for access to the historic employee data to allow for HMRC and Pension queries until April 2024.</p>	Year	New Payroll Service Fees*	Legacy Fees*	HR Systems Apprentice	Total		2021/22	£31,500	£18,600	£23,100	£73,200	-£14,910	2022/23	£29,000	£3,000	£23,300	£55,300	£2,990	2023/24	£29,000	£3,000	£13,100	£45,100	£13,190	Total	£89,500	£24,600	£59,500	£173,600	£1,270
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Contribution to the Delivery of the	This decision will support the aspirations of both the digital strategy and people strategy to streamline key HR processes and provide a better employee experience.																														

Strategic Plan	This in turn supports our aspiration to be a good council.
Equality, Diversity and Human Rights Implications	Assessment of the preferred option shows greater transparency and access for individuals and managers to the key data we hold about them. Training will ensure that all staff can access the system effectively and support will be given to any employee who may need additional assistance.
Crime & Safety Issues	There are none flagged as part of this report. All monies paid to staff are transferred via BACS payment and access to the system follows relevant security protocols.
Environmental Impact	The move to an online system should further reduce any paper processing of payroll claims and any transit of such forms from one council location to another.
GDPR/Privacy Impact Assessment	The proposed system has been fully impact assessed and necessary controls are in place to secure sensitive and personal data. The ability for employees to see and amend their own personal data in real time ensures the integrity of the data as required by GDPR.

	Risk Description	How We Manage It	Severity of Risk (RYG)
A	That a system cannot be developed and implemented before the July cessation of contract	A supplier has been selected with a proven track record of implementation of systems. A project board has been established and meets on a weekly basis to ensure delivery of the project to timescales. Risks to the project are managed effectively	Green (tolerable) Likelihood (low) Impact (med).
B	That we lack sufficient capacity and payroll expertise to manage the project and the ongoing contract effectively.	A supplier has been selected with sufficient capacity and expertise in local government payroll to support us effectively. The supplier has a stable business model with a wide customer base and good resourcing.	Green (tolerable) Likelihood (low) Impact (med).
C	That we choose a system that limits our ability to move the organisation forward in line with our ambitions	A supplier has been chosen that provides a system that meets our aspiration and has capacity to develop in the future.	Green (tolerable) Likelihood (low) Impact (low).
D	Employees, Managers and Members do not adjust to a self-service system.	We have significant experience of rolling out self-service systems to staff now. Training and communication throughout the process is key and both will form integral parts of the project.	Green (tolerable) Likelihood (low) Impact (low).
E	That we cannot afford a replacement system without additional capital and or revenue funding.	The preferred option falls within budget	Green (tolerable) Likelihood (low) Impact (low).

Background documents

Relevant web links