



To: Executive Councillor for Customer Services and Resources: Councillor Julie Smith  
Report by: Director of Resources  
Relevant scrutiny committee: Strategy & Resources 8/7/2013  
Scrutiny Committee  
Wards affected: All Wards

## **PAYROLL - SHARED SERVICES**

### **Not a Key Decision**

#### **1. Executive summary**

- 1.1 Cambridge City Council (CCC) and South Cambridgeshire District Council (SCDC) both operate in-house payroll services for approximately 1,100 and 550 employees respectively. Both organisations utilise the same integrated Payroll & HR System, called Resourcelink, which was selected and independently implemented by each authority following a joint procurement exercise in 2004.
- 1.2 The potential benefits from operation of a shared payroll service have been explored by officers from the perspective of the need to reduce the costs of delivering 'back office' services and also to improve the resilience of the service, reducing the risk of possible service failure as a consequence of staff absence or key person dependency. SCDC's payroll service is currently provided by 1.62 full time equivalent staff. The payroll service at CCC is provided by 2.1 full time equivalent payroll staff (plus some data input support following the Council's recent Departmental Support Service Review).
- 1.3 This report summarises the detailed Draft Business Case which has been drawn up by officers of both authorities and seeks in principle approval for the establishment of a shared payroll service in partnership with South Cambridgeshire District Council.

#### **2. Recommendations**

The Executive Councillor is recommended to:

- 2.1 Approve in principle the establishment of a shared Payroll Service with South Cambridgeshire District Council as detailed in this report.
- 2.2 Approve the delegation of authority to the Director of Resources, in consultation with the Executive Councillor for Customer Services and Resources, to implement the shared service subject to the viability of the Final Business Case.
- 2.3 Approve the delegation of authority to the Director of Resources and the Head of Legal Services, to agree legal protocols to govern the shared services arrangements.

### **3. Background**

- 3.1 Cambridge City Council (CCC) and South Cambridgeshire District Council (SCDC) operate in-house payroll services utilising the same Payroll / HR software Resourcelink from Northgate Arinso UK Ltd which was procured through a joint project in 2004.
- 3.2 SCDC's payroll service is provided by 1.62 full time equivalent staff (FTE). The payroll service at CCC is provided by 2.1 FTE (plus some additional data input support following the Council's Departmental Support Service Review).
- 3.3 CCC pay just over 1,100 employees and SCDC pay approximately 550 employees (including Councillors).
- 3.4 Both authorities have invested significant time and resource in their existing systems, which provide not only payroll functionality but also fully integrated Human Resource systems dealing with key functions including recruitment and absence management. The systems are also utilised to provide crucial business intelligence through its reporting capabilities using Business Objects.
- 3.5 SCDC and CCC share concerns regarding the resilience of their respective payroll services and the need to reduce the costs of back office services.
- 3.6 The key objectives of the proposed shared service are to improve the resilience of the payroll service by pooling resources and expertise and to reduce the on-going costs of the service in the longer term.
- 3.7 Legal protocols to manage and govern the future operation of the shared service will need to be agreed between respective partners. The recommendations request delegated authority to the Director of

Resources and the Head Legal Services to agree these protocols in consultation with colleagues from SCDC.

- 3.8 SCDC has already sought and obtained approval from its Cabinet (April 2013) to proceed with arrangements to implement a shared payroll service.

### **Options Considered**

- 3.9 The project team for the delivery of a payroll service has considered a number of options:

(a) Maintain existing services within each Council – Both organisations have concerns about the resilience of their payroll teams; with these concerns and the desire to reduce the costs of back office services it has been deemed this is not a preferred option.

(b) Share IT system (one organisation to host and maintain) - Both organisations would utilise the same payroll system (Resourcelink from Northgate Arinso), an option would be to share the costs and maintenance of the system (including statutory legislation upgrades) but retain payroll teams in each of the Councils. Sharing the costs of IT would have some financial benefits but would not address the issue of resilience for both teams. For the hosting organisation it would put additional pressure on a small team and would not address concerns regarding key person dependency.

(c) Outsource payroll service to a bureau / direct payroll service - The option to outsource the payroll service for both organisations has been considered.

Outsourcing would bring some financial benefits and provide some reassurance on resilience; however each organisation would need to ensure it retains staff with payroll knowledge to ensure it complies with PAYE legislation, complies with each organisation terms and conditions and policies. Retained staff will also need to collate, validate and pass the information to the payroll provider.

(d) Implement shared payroll service - Sharing the payroll service will provide financial benefits and ensure the continuity and resilience of the service for both organisations. Additional benefits of a shared payroll service include:

- (i) Retention of skilled and knowledgeable staff
- (ii) Improvements in service quality
- (iii) Providing service users with access to specialist staff and systems

## **Implementation**

- 3.10 Implementation Options - The recommended model assumes one payroll database hosted by CCC; SCDC employee would become what is referred to as a 'control group' on the CCC Resourcelink software.
- 3.11 Implementation Costs - Northgate have supplied indicative costs after consulting with their development, sales and consultancy teams. Northgate's offer assumes a contract which expires in 2018. There is no upfront payment to purchase the software. Instead a fee is paid each year to cover the software licence and the support and maintenance provided by Northgate.
- 3.12 On-going Support -The model assumes support from Northgate. This delivers software upgrades, service packs, access to a Support Team and the Northgate HR Customer Extranet web site, including a technical database.
- 3.13 Software Upgrades - Vendors release new versions of their software and de-support older versions. The Business Case model allows for this through annual contributions to a Repairs & Renewals Fund.
- 3.14 Employees and Councillors of both organisations will see no change to the service and pay days / processes will remain the same for each authority. Once the service is established we will take the opportunity to learn from each other in respect of best practice and review the processes and procedures accordingly.
- 3.15 Once the service is established there may be further opportunities to promote the payroll shared service with other authorities to increase income.
- 3.16 It is anticipated that the shared payroll service will be in operation for the start of the 2014/2015 financial / tax year subject to the viability of the Final Business Case.

## **4. Implications**

### **(a) Financial Implications**

- 4.1 The draft business case highlights the potential one off 'set up' costs to implement the shared service. It is unknown at this stage what support will be required from Northgate for set up, consultancy and

data migration work, the estimated 'worst case' set up costs will be £14,400 per authority.

- 4.2 In respect of savings, the 'worst case' scenario would result in no savings but a more resilient service; the 'best case' would result in savings just over £15,000 per authority per annum

**(b) Staffing Implications**

- 4.3 If the Councils proceed with the shared service option there will be a period of consolidation to ensure that all processes and procedures are working and established. After this consolidation period there is likely to be an Economical Technical Organisation (ETO) restructure, as a result of this ETO restructure it is envisaged that there will be a small reduction in staff numbers. Both payroll teams are very small, the current total FTE level for both Council payroll teams is 4.18 FTE, following the ETO restructure the FTE level for the shared service may reduce to 3.14 FTE. We are unable to quantify at this stage whether this would result in redundancies, it is likely that the proposed structure will include positions that would qualify as suitable alternative employment for existing staff, with this and the use of temporary or fixed term staff we are optimistic that there will be no redundancies.

**(c) Equal Opportunities Implications**

- 4.4 An equality Impact Assessment was considered but deemed not relevant.

**(d) Environmental Implications**

- 4.5 There are no environmental implications from this proposal.

**(e) Procurement**

- 4.6 There are no procurement implications from this proposal

**(f) Consultation and communication**

- 4.7 Staff providing the payroll service are aware of the initial discussions that have been taking place between the two councils. Formal consultation with staff will be held prior to any agreed TUPE transfer and restructuring.

4.8 The trade unions are aware that the council is considering shared service arrangements and will be formally involved in any future consultation activity.

(g) **Community Safety**

4.9 There are no additional implications from this proposal

## **5. Background papers**

5.1 Shared Payroll Services - Draft Business Case

## **6. Appendices**

## **7. Inspection of papers**

To inspect the background papers or if you have a query on the report please contact:

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