



East
Northamptonshire
Council

Policy and Resources Committee – 11 April 2011

Payroll Changes

Purpose of report

This report sets out a recommendation to outsource payroll to Corby Borough Council from 1 April 2011 to achieve efficiency savings.

1.0 Background

1.1 Payroll is currently provided internally by the Payroll Officer. The budget to deliver this service in 2011/12 is £32,355 per annum. The payroll service includes:

- payment of staff salaries
- payment of staff expenses and benefits
- payment of members allowances
- payment of members expenses
- all the associated tax, pension, and year end processes

1.2 The Payroll Officer gave one month's notice of her intention to leave at the beginning of March. Her last day in post was 1 April 2011.

2.0 Challenge and opportunity

2.1 The Payroll Officer's resignation creates an opportunity for the council to deliver payroll in a different way. This would provide the following benefits:

- reduced cost of delivering the service
- a more resilient service (not reliant on one person)

2.2 The challenge is to set this up quickly so that there is minimal disruption to the delivery of the payroll service.

3.0 Recommended solution: Corby Borough Council (CBC) delivering East Northamptonshire Council (ENC) payroll from April 2011

3.1 CBC already runs the shared finance service ENCOR, which delivers a service to both ENC and CBC. There is capacity in its current payroll team to deliver ENC's payroll as well as its own.

3.2 CBC has agreed in principle (subject to ratification by their members) to run ENC's payroll service on an outsourced basis. The benefits of outsourcing payroll to CBC are as follows.

1. Total savings of £18,173 in 2012/13 (a saving of 51% of the budget)
2. Additional knock on efficiencies in ENCOR (payroll data is currently manually entered into the ledger - in the future it will be electronic).
3. A better, more efficient and joined up HR and payroll IT solution with links between HR, payroll and finance (we currently have 3 separate IT systems)
4. It can start immediately (vital as the Payroll Officer has already left)

4. Alternative solution: Outsourcing payroll to another provider

- 4.1 Current ENC procurement rules require that at least 3 quotes are obtained when considering contracts between £10k and £50k.
- 4.2 Two quotes from local Northampton firms were obtained. They were both very cheap (around £6,000 per annum). However, neither firm had any experience of running a public sector payroll, or making public sector pension payments, nor did they make the BACS payments. Their experience was essentially running payroll for small local firms. Entering into an agreement with either organisation would be very risky, and could end up being costly if mistakes have to be remedied or an alternative provider has to be found.
- 4.3 A third quote was obtained from CVS Northamptonshire, a much larger charitable organisation. It would be able to run the payroll, but would be more expensive than CBC, and not able to provide the additional efficiency with finance.

5.0 Equality and Diversity Implications

- 5.1 There are no anticipated equality and diversity implications of this proposal.

6.0 Legal Implications

- 6.1 Personal information will be shared between the two organisations, therefore officers will need to set up and implement a data sharing protocol between ENC and CBC for the purposes of delivering payroll to ensure that the council meets its responsibilities under the Data Protection Act 1998.
- 6.2 A contract of services or service level agreement will need to be set up and signed between CBC and ENC. The proposal is to enter into a 2 year arrangement initially, with a 6 month break clause for either party. The arrangement will be reviewed at the end of 2 years.

7.0 Risk Management

- 7.1 There are two main risks associated with a change to payroll services.
1. Being unable to pay staff and members in April and beyond.
 2. An increase in payroll errors.
- 7.2 By acting quickly, and setting up an outsourced service with a local council that already delivers our financial services, the first risk is significantly mitigated.
- 7.3 The second risk is mitigated by:
1. Running a dual payroll in April (via the current and new systems), and comparing the outcomes.
 2. Extra audit processes and checks, including checking every payslip.

8.0 Financial Implications

- 8.1 There are costs associated with setting up the new payroll service, and notice will have to be given to our current HR and payroll IT providers. Therefore whilst payroll will be delivered in the 2011/12 budget, savings will be minimal. However, from 2012/13 onwards, savings of £18,173 per annum are anticipated. This would be a saving of 51% of the current projected budget.

9.0 Corporate Outcomes

- 9.1 The corporate outcomes this proposal will help deliver are:
- Good Value for Money

- Effective Partnership Working
- Effective Management

10.0 Recommendation

10.1 The committee is recommended to agree to enter into a 2 year contract/service level agreement with Corby Borough Council to deliver payroll services.

(Reason - the recommended course of action is the most cost-effective and has the least risk.)

Legal	Power: Local Government Act 1972 - section 111	
	Other considerations:	
Background Papers:		
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Date: 25/03/11		
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