

**TITLE OF REPORT: PAYROLL SERVICES 2014 ONWARDS**

REPORT OF THE STRATEGIC DIRECTOR CUSTOMER SERVICES  
PORTFOLIO HOLDER: COUNCILLOR MRS L.A. NEEDHAM

**1. SUMMARY**

- 1.1 This report outlines proposals to outsource NHDC's Payroll Service, subject to the development of a detailed business case, following receipt of notice from our current IT supplier of their intention to de-support their software.

**2. RECOMMENDATIONS**

It is recommended that Cabinet:

- 2.1 Notes and endorses the development of a business case for the provision of Payroll Services and subject to this;
- 2.2 Agrees to enter in to an agreement under the Hertfordshire County Council Framework Agreement for this provision.

**3. REASON FOR RECOMMENDATIONS**

- 3.1 To ensure a cost effective Payroll Service is available following withdrawal of support for the system.

**4. ALTERNATIVE OPTION CONSIDERED**

- 4.1 The available alternative option of upgrading the current Payroll system and directly managing this has been considered and details of this are contained in the body of the report.

**5. CONSULTATION WITH EXTERNAL ORGANISATIONS AND WARD MEMBERS**

- 5.1 This report relates to an internal service and there has been no consultation with external organisations and ward members.

**6. FORWARD PLAN**

- 6.1 This report does not contain a recommendation on a key decision.

**7. BACKGROUND**

- 7.1 The current payroll service is an in house payroll service managed by HR. The provision of Payroll is, in the main, handled by the Payroll Administrator, with assistance from the HR Services Manager working a small number of hours. The current service receives a substantial level of Audit assurance.

7.2 We have received notice from Midland, our current Payroll software providers to terminate our software licence agreement for the Trent6 Payroll System. Midland will not be doing any year end updates for Trent6 and they have served notice to all their Trent6 customers. We must therefore implement a new payroll service ahead of the financial year 2014/15.

**8. ISSUES**

8.1 The very short period of time we have to implement a payroll service naturally limited our options to those that can be procured and implemented quickly. The two options that were considered were:-

- Upgrade the current solution to iTrent the latest one that is provided by the present supplier.
- Join the HCC Framework Agreement for outsourced Payroll Services via their contract with Serco.

8.2 The table below shows the key cost comparisons of the two options.

<b>iTrent</b>	
Upgrade Costs	<ul style="list-style-type: none"> <li>• Total Initial Software Costs £9,974</li> <li>• Implementation £23,171</li> <li>• <u>Total £33,145</u></li> </ul> <p>On 19<sup>th</sup> June Midland provisionally offered a 10% reduction on both the initial software set up cost and the annual iTrent Charge. This would reduce the total by £974 to £32,171</p>
Annual costs and estimated cost per employee per year (Assuming 450 employees)	<ul style="list-style-type: none"> <li>• iTrent Annual Charge (payable from year 1) £11,771</li> <li>• Total Staff Costs £39,946 (Inc Pension and NI)</li> <li>• <u>Total £51,717</u></li> </ul> <p>On 19<sup>th</sup> June Midland provisionally offered a 10% reduction to the annual iTrent Charge. This would reduce the total by £1,771 to £50,540 - <b>£112.31 per employee per year</b></p>
<b>Serco</b>	
Serco business case Costs	No charge is to made for the detailed business case but it will require NHDC specialist resources from HR/Payroll, IT and other support services.
Other costs	Transition Costs have been provided by Serco; estimated at £2,000. these can be spread over the lifetime of the contract.

	<p>The system will need configuring to our pay rates and policies; the transition costs may not cover this. These costs could be spread over the lifetime of the project so the impact may be limited.</p> <p>There may be redundancy and pension costs in year 1 that need to be qualified through the detailed planning stage.</p>
<p>Annual costs and estimated cost per employee per year (Assuming 450 employees)</p>	<ul style="list-style-type: none"> <li>• The annual charge will range from £9,112 to £14,017 per annum</li> <li>• Staff costs for contract management £11,712 (Inc Pension and NI)</li> <li>• <u>Total £20,824, to £25,729</u> (inc retained staff costs)</li> <li>• Based on cost, including in house contract management <b>£46.28 to £57.18 per employee per Year</b></li> </ul>

8.3 The Senior Management Team considered a detailed options business case on Monday 1<sup>st</sup> July. It was decided to proceed to the detailed business case work with Serco, in planning to join the HCC framework agreement for outsourced payroll services.

## 9. LEGAL IMPLICATIONS

### Procurement

#### Single Tender

9.1 Contract Procurement rules (at 12.1 (b)) state that, below the EU Threshold, currently £173k, a single tender may be obtained when the works, goods, or services to be supplied consist of repairs to or the supply of parts or upgrading of existing proprietary machinery, equipment, software, hardware or plant and the repairs or the supply cannot be carried out practicably by alternative contractors.

9.2 A variation may apply (section 26 of the Procurement rules) in addition to the Single Tender option. There are two variation procedures: where the contract has provision and procedures relating to variations; and where the contract has no provision for variation.

9.3 A Strategic Director may authorise variations to a contract where the variation procedure and the resulting change in price is determined in accordance with the contract terms – this may be through the use of agreed formula or through serving and agreeing change notices.

9.4 For non contractual variations, approval is determined according to financial thresholds.

#### Frameworks

9.5 Procurement Rules (section 19) state that the maximum duration of a Framework Agreement is four years. The term of a framework agreement may not exceed four years, save in exceptional cases, duly justified. Call off contracts may extend beyond the life of the Framework Agreement . The terms of the Framework and the maximum length of call-off will need to be considered on a case by case basis.

## **10. FINANCIAL IMPLICATIONS**

- 10.1 In terms of annual running costs, the Serco option is at least £25,988 less than the in-house iTrent option. However, if the Serco option was implemented, redundancy costs may be incurred in year one. It should also be noted that the Serco option would not fully replace the existing solution and so further costs will be incurred in plugging that gap. These costs include items such as Adhoc charges for non standard management information, an on-line recruitment solution and historical payroll records, for retention purposes.
- 10.2 The only implementation cost quoted by Serco is £2k for IT transition. This is a very low implementation cost and requires further validation. Other costs may emerge through the detailed planning phase but Serco will spread the costs over the life of the contract.
- 10.3 All estimates assume 450 employees and also that some part-time hours would need to be retained for contract management, if the Serco option was implemented.

## **11. RISK IMPLICATIONS**

- 11.1 The Payroll Service Project is a Top Risk.
- 11.2 There are risks identified in the Serco proposal, but in order to deliver required efficiencies for NHDC, these have been deemed to be acceptable to the authority. Sufficient resources should be applied to ensure these identified risks are mitigated to an acceptable level.

## **12. EQUALITIES IMPLICATIONS**

- 12.1 The Equality Act 2010 came into force on the 1<sup>st</sup> October 2010, a major piece of legislation. The Act also created a new Public Sector Equality Duty, which came into force on the 5<sup>th</sup> April 2011. There is a General duty that public bodies must meet, underpinned by more specific duties which are designed to help meet them.
- 12.2 In line with the Public Sector Equality Duty, public bodies must, in the exercise of its functions, give **due regard** to the need to eliminate discrimination, harassment, victimisation, to advance equality of opportunity and foster good relations between those who share a protected characteristic and those who do not.

## **13. SOCIAL VALUE IMPLICATIONS**

- 13.1 As the recommendations made in this report do not, in themselves, constitute a public service contract, the measurement of 'social value' as required by the Public Services (Social Value) Act 2012 need not be applied.

## **14. HUMAN RESOURCE IMPLICATIONS**

- 14.1 The chosen option will require significant resources from HR and IT for detailed business case planning, technical planning work, training, communications and advice. Initial HR resourcing changes have been discussed and agreed. Further project resource funding for both IT and HR may be sought via the strategic priorities fund.
- 14.2 There will be HR staffing matters to resolve as part of the implementation of the new service. HR Staff will be supported by the Corporate Human Resources Manager and relevant HR polices and procedures will be applied.

## **15. CONTACT OFFICERS**

### **Author**

15.1 Kerry Shorrocks  
Corporate Humana Resources Manager  
Tel: 01462 474224  
[kerry.shorrocks@north-herts.gov.uk](mailto:kerry.shorrocks@north-herts.gov.uk)

15.2 John Robinson  
Strategic Director Customer Services  
Tel: 01462 474655  
[John.robinson@north-herts.gov.uk](mailto:John.robinson@north-herts.gov.uk)

### **Contributors**

15.3 Andy Cavanagh  
Head of Finance, Performance & Asset Management  
Tel: 01462 474243  
[Andrew.cavanagh@north-herts.gov.uk](mailto:Andrew.cavanagh@north-herts.gov.uk)

15.4 Anthony Roche  
Acting Corporate Legal Manager  
Tel: 01462 474588  
[anthony.roche@north-herts.gov.uk](mailto:anthony.roche@north-herts.gov.uk)

## **16. BACKGROUND PAPERS**

16.1 Report to Senior Management Team - 1<sup>st</sup> July 2013.