



South
Cambridgeshire
District Council

REPORT TO: Cabinet 4 December 2019

LEAD CABINET MEMBER: Cllr John Williams

LEAD OFFICER: Susan Gardner-Craig, Interim Corporate Director

Shared Payroll Service

Executive Summary

1. The Payroll shared service with Cambridge City Council and South Cambridgeshire District Council went live in April 2014, it was established quickly and is often referred to as the most successful shared service to date.
2. Prior to the shared service Cambridge City Council and South Cambridgeshire District Council operated in-house payroll services utilising the same Payroll / HR software which was procured through a joint tendering project in 2004.
3. The payrolls at both Councils were operated by between 1.6 and 2.1 full time equivalent (FTE) staff. This was an area of concern in terms of ensuring sufficient team resilience and capacity.
4. The demands on the payroll teams has increased with the introduction of Pensions Auto enrolment, changes to tax deductions and National Insurance and other employment and pensions legislation.
5. Other considerations included the need for Councils to seek efficiencies and make cost savings.
6. The shared service was established in 2014 and has fully met its initial objectives and achieved more than expected. It continues to identify and implement improvements through system and process changes and new ways of working including self-service.
7. This is not a key decision.

Recommendations

8. It is recommended that:
 - a) Cabinet is asked to note that the Payroll Shared Service Agreement has been extended and will be reviewed in line with other 2C's shared services arrangements.
 - b) It is recommended that the service looks to appoint a payroll apprentice to support the team and invest in the future of the service.

Background

9. Prior to the shared service Cambridge City Council and South Cambridgeshire District Council operated in-house payroll services utilising the same Payroll / HR software system Resourcelink from Northgate Arinso UK Ltd, procured through a joint tendering project in 2004. Each Council had a separate contract with the software provider and operated the system on separate servers. This meant that any systems changes, enhancements and updates were performed separately by each Council.
10. The payroll service at Cambridge City Council was provided by just 2.1 full time equivalent staff (plus some limited data input support following the Council's Departmental Support Service Review). In South Cambridgeshire District Council the payroll service is provided by just 1.62 full time equivalent staff. The structures are attached at Appendix A for information.
11. The number of employees paid has reduced slightly overall since the shared service came into operation with the number in the region of 1,500 employees and Elected Members paid across both Councils plus all election staff. However, the demands on the payroll teams had increased with the introduction of Pensions Auto enrolment, changes to tax deductions reporting and National Insurance and other pensions and employment legislation changes.
12. One of the main drivers for the shared service was create greater resilience which was a concern for both Councils with significant key person dependency.
13. In addition to this both authorities recognised the need to seek efficiencies in, and reduce the costs of, back office services wherever possible.

Shared Service Performance

14. The shared payroll service has been a significant success for both Cambridge City Council and South Cambridgeshire District Council achieving all it set out to and more. Since the shared payroll service went live all payment dates have been achieved for both Councils, all PAYE payments to HMRC and pension payments to LGSS have been made on time (including reconciliations).
15. All new legislation relating to PAYE and Pensions has been implemented and communicated in line with required deadlines.
16. The shared service is constantly reviewing its processes to streamline and increase efficiency, to facilitate this process CCC and SCDC work together to ensure that all colleagues have an input into process design and implementation, the service has consolidated and aligned a number of processes and forms.
17. There is a focus on continuous improvement by reviewing system developments and enhancements, since the implementation of the shared payroll service the team has rolled out Self Service at SCDC, further work on this generate benefits to employees and managers as well as creating a more efficient service.

18. The shared service has created greater resilience in the provision of a payroll service for both Councils.
19. The cost of the service is split using a number of factors including number of employees paid, this means that the overall apportionment of the cost will fluctuate each year, however the costs are maintained within the overall budget.
20. The creation of the shared service generated savings of over 19% across the combined payroll service, in addition further system savings were generated as the system is a joint HR / Payroll system.
21. The SCDC HR & Payroll teams continue to work extremely well together with regular meetings and updates. This also facilitates the prompt response to queries from employees and Elected Members.

Changing Environment

22. Payroll is subject to continuous change with new legislation and constant changes to practices and processes. Since the inception of the shared payroll service the following changes have been introduced and absorbed within the existing resources:
 - Significant changes to the LGPS Pension Regulations with the introduction of the CARE (Career Average Revalued Earnings).
 - Introduction of iConnect for LGPS and increased year end reporting
 - Pensions Automatic Enrolment and RE-Enrolment
 - The introduction of the Apprenticeship Levy
 - Gender Pay Gap Reporting
 - Holiday Pay on Overtime Calculations and Payments
 - GDPR
 - Numerous TUPE transfers
 - Introduction of Self-Service including support and maintenance
 - Electronic Expense Claims
 - Election payments made through the payroll
23. In addition to the legislation and process changes the demands on the team grow due to the increased complexity of payroll and pensions.
24. The service continues to perform to an extremely high standard however, the payroll industry service will continue to evolve and we need to ensure that we remain at the forefront of changes.

Key Headlines and Observations

25. The shared payroll team is a small close-knit team with a tremendous work ethic but they are struggling to keep up with increased demands with a reliance on the goodwill of the team at peak times in the year.

26. In addition to the increased complexity there will be a requirement to backfill colleagues who are working on the procurement and implementation of the new Human Resources Information System (HRIS).
27. It is recommended that the service looks to appoint a payroll apprentice to support the team and invest in the future of the service. The training costs will be met from the apprenticeship levy with the remaining costs required to be met from the shared service. It is anticipated that the shortfall in the budget to be meet the costs will be in the region of £13,298.

Based on the current apportionment split this would be met as follows:

Cambridge City Council £7,580

South Cambridgeshire District Council £5,718

Implications

28. In the writing of this report, taking into account financial, legal, staffing, risk, equality and diversity, climate change, and any other key issues, the following implications have been considered:

Financial

29. There is a small cost associated with the introduction of a Payroll Apprentice as set out in point 27 above. This can be found from within existing budgets.

Legal

30. None at this stage

Staffing

31. None at this stage

Risks/Opportunities

32. Payroll errors and failure to meet legislative requirements are not only severely disruptive for staff but also costly in terms of rectifying mistakes and the possibility of HMRC inspection and potential fines.
33. The ongoing development of the service and in particular the implementation of a new HR/Payroll system in 2021 provides further opportunity to realise efficiencies through business process changes and extending self service facilities.

Equality and Diversity

34. None at this stage

Climate Change

35. None identified.

Consultation responses

36. Members and managers at Cambridge City Council have been consulted and agreed to the continuation of the shared service and the addition of a new apprentice post.

Effect on Council Priority Areas

Growing local businesses and economies

Housing that is truly affordable for everyone to live in

Being green to our core

A modern and caring Council

37. The shared Payroll Service has already achieved its initial objectives in terms of efficiencies. Continuation of this arrangement and the implementation of a new system will enable further efficiencies and cost savings to be realised.

Background Papers

a) None

Appendices

Appendix A: Staffing structures

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