



ARTICLE NO: 2B

**CORPORATE OVERVIEW AND SCRUTINY
COMMITTEE**

**MEMBERS UPDATE 2012/13
ISSUE:2**

Article of: Transformation Manager

Relevant Managing Director: Managing Director (Transformation)

Relevant Portfolio Holder: Councillor I Grant

**Contact for further information: Michelle Ashton ext 5027
(E-mail: michelle.ashton@westlancs.gov.uk)**

SUBJECT: HR/PAYROLL SYSTEM UPDATE

Wards affected: Borough wide

1.0 PURPOSE OF ARTICLE

1.1 To update Members on progress in making arrangements for the introduction of a new integrated HR/Managed Payroll system with effect from 1st November 2012.

2.0 BACKGROUND

2.1 As part of the MSR process for 2013/14 it was identified that an estimated £49,500 annual efficiency saving could be realised if the Payroll Service was migrated to a managed payroll provider once the current contract provided by Northgate expired on 31st October 2012. Council at its meeting on 18th July 2012 agreed authority to take all action in connection with entering into such an arrangement.

2.2 Detailed discussions had previously taken place with One Connect Limited, our partners, to provide a replacement Payroll Service. Unfortunately agreement could not be reached on delivering this service as part of the wider partnership. This left a short period of time in which to find and replace the payroll system before the Northgate contract expired.

2.3 Consequently proposals were sought from 2 other providers; Logica, an HR/Payroll service provider who had satisfied OJEU procurement processes to win the preferred tenderer status under the OGC framework; and Wigan MBC,

who had the advantage of being a neighbouring authority who offered a Managed Payroll Service and HR system;. the latter being under a 'Council to Council' partnership arrangement that would not conflict with EU Procurement Legislation. Using these options, would enable the Council to achieve the implementation deadline of 1st November 2012.

2.4 Consideration was also given to extending the current agreement with Northgate.

3.0 PAYROLL SYSTEM OPTIONS

3.1 Officers appraised three options: "stay the same", by extending the Northgate arrangement; option 2, via Logica, and option 3, the Wigan Option, in great detail, as set out below.

3.2 **Option 1 - Stay the same** was to extend the agreement with Northgate for a further 3 years and retain the Payroll system (including the integrated Northgate HR system) and the payroll staff team. However, there would have been no efficiency savings by pursuing this option.

3.3 **Option 2 - Logica Managed Payroll** – Logica's proposal was to manage 80% of the Payroll service for a 7 year period using Logica payroll staff and system. This would have required a 0.5 FTE payroll employee to be retained within the West Lancs HR Team to collate and prepare payroll documentation for transfer to Logica managed payroll.

3.4 However, once the Northgate contract came to an end the Council would be without a functioning HR system to maintain its establishment and employee records. This was not considered sustainable.

3.5 Logica could have provided a modern HR system with manager and employee self-service but this would have incurred additional set up and annual on-going processing costs, greatly reducing the scope for savings.

3.6 Under this option the Council would have allowed 2 x FTE Voluntary Redundancies and there would have been 1 x 0.5 FTE compulsory redundancy.

3.7 **Option 3** – Shared Service Partnership with **Wigan MBC** – Wigan MBC use iTrent, Midland - an integrated HR/Payroll system; a very efficient system whereby changes made to the HR system feed payroll directly which reduces duplication. The Wigan MBC proposal is for a 5 year period. This option provides HR/Payroll system functionality, (also including HR establishment and record management information), and a managed Payroll service, with the facility to roll out self-service at a later date at small system development cost.

3.8 This type of arrangement is one where only the costs of the arrangement are recovered by Wigan MBC on a not for profit basis.

3.9 This option involves the voluntary redundancies described above plus the TUPE transfer of 1 FTE employee to Wigan MBC on the same Terms & Conditions with continuity of employment.

4.0 PROCUREMENT AND BEST VALUE

- 4.1 Appraisal of the options together with a Sensitivity Analysis was conducted in line with Procurement requirements.
- 4.2 In accordance with the Council resolution of July 2012 the Managing Director (People and Places) signed off the procurement on the basis of the shared service arrangements set out at option 3 above.
- 4.3 An exemption to contract procedure rules requiring the seeking of tenders for the reasons stated above was approved by the Managing Director (People and Places) in consultation with Councillors Grant, Hopley and Westley.

5.0 CONCLUSION

- 5.1 A suitable process was used to explore and evaluate the market for managed payroll services within the timescale available.
- 5.2 Option 1 to stay the same and extend the contract for Northgate would have resulted in increased costs due to an uplift in annual licence fees. Option 2 provided by Logica would have offered a saving but not at the level anticipated in the July report to Council, and in addition there would have been no HR system available from 1st November 2012. Wigan MBC Shared Service Arrangement, Option 3, enables the Council to achieve the required savings and meets both HR and Payroll service/system requirements, whilst providing for an appropriate transfer of staff.

6.0 IMPLEMENTATION

- 6.1 **Phase 1 - Payroll Service** - The Payroll and HR team have been working closely and successfully with colleagues in Wigan to build the new system. A briefing note was issued recently to both Members and employees updating them on the forthcoming changes. All staff and Councillor's will receive a new style payslip and payroll number, and an example payslip will be circulated before implementation for information purposes.
- 6.2 There will also be a period with temporary changes to payroll stationery and processes before self-service is activated. Further guidance will be issued in due course.
- 6.3 **Phase 2 - HR Service** – Going forward there will be opportunities to offer a self-service facility which will, for example, allow employees to view their pay slip on line. The new system will also facilitate more cost effective performance management reporting. Further updates will be provided before the system is developed.

7.0 SUSTAINABILITY IMPLICATIONS/COMMUNITY STRATEGY

- 7.1 There are no significant sustainability impacts associated with this article and, in particular, no significant impact on crime and disorder. The article has no significant links with the Sustainable Community Strategy.

8.0 FINANCIAL AND RESOURCE IMPLICATIONS

8.1 The decision to enter into a Shared Service arrangement with Wigan MBC for a managed payroll service, as described within this Article, will enable savings in the region of £50,000 per annum to be made.

9.0 RISK ASSESSMENT

9.1 This item is for information only and makes no recommendations. It therefore does not require a formal risk assessment and no changes have been made to risk registers as a result of this report.

Background Documents

There are no background documents (as defined in Section 100D(5) of the Local Government Act 1972) to this Report.

Equality Impact Assessment

The decision does not have any direct impact on members of the public, employees, elected members and / or stakeholders. Therefore no Equality Impact Assessment is required.