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Report of **Head of HR, IT and CS**

Report No.106/09

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None

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Review of payroll administration

Recommendations

- 1. that the basis of the payroll administration service be changed to that of a shared service, subject to South Oxfordshire District Council being in agreement;*
- 2. that, should recommendation (1) be agreed, the payroll administration service continues to be part of the Ridgeway Shared Service Partnership; and*
- 3. that the authority to agree the date of any such change be delegated to the Strategic Director and Chief Finance Officer*
- 4. to authorise the Legal Services Manager to vary the existing agreement between South Oxfordshire DC and the Vale to incorporate the new arrangements for the payroll service.*

Purpose of report

1. This report concerns the way the Council administers payroll at present and recommends a change from a client-contractor basis to become a shared service in the same way that Accountancy, Audit, Fraud and the Revenues and Benefits Client Team are.

Relationship with corporate plan

2. This report supports the corporate plan in that it helps to manage the council's business effectively and provides value for money that meets the needs of our residents and service users.

Background

3. When the joint financial services contract with SODC came into operation in July 2006, Capita took on part of the processing of payroll, while the in-house staff remained responsible for other activities such as inputting of data. To improve resilience and operational efficiency, it was agreed with SODC that SODC would take on the non-Capita activities of the Vale's payroll from February 2008 in return for an index-linked payment of £40,000pa. One member of staff transferred to SODC under the TUPE regulations.
4. Under the current contractual arrangement, SODC bears all of the risks associated with running the payroll service, including the financial risk of increased costs, whilst the Vale can exercise very little control over the service. This is seen now as being inequitable given the closer working of the two authorities. Since the transfer, various staffing and technical difficulties have arisen in Payroll which are being addressed by South, at South's cost. In order to ensure that the difficulties and risks are jointly owned and managed it is sensible to change the nature of the relationship between the councils in respect of the Payroll service.
5. What is therefore proposed is to change this to being a shared service under the umbrella of the Ridgeway Shared Service Partnership. This will better reflect the arrangements needed for future development of the service. It would also allow for a sharing of any additional costs/savings which arise.

Options

6. The alternative would be to leave the arrangement as one of contractor-client. William Jacobs, as the SODC contractor head of service, has indicated that it would not be possible for the current level of service to continue to be provided at the current level of payment. He would therefore need to recommend that SODC cease to provide the service. If this were to occur, Vale would have to procure another payroll provider at short notice and significant disruption.
7. Irrespective of any short term solution, both councils are keen to explore long-term solutions, including outsourcing, and a further options report will need to be considered by both councils within the next year.

Financial, legal and any other implications

8. Financially, the Payroll service is under review currently to ensure it is adequately resourced. The change to a shared service, sharing the increased costs since the contract sum was agreed, will increase the Vale's annual payroll costs by £10,000, which is the subject of a revenue growth bid.
9. In legal terms, the current arrangement is based around an acceptance by the Vale of a proposal from South. The arrangement can therefore be altered by mutual agreement. The recommended shared service arrangement would mirror those shared services already formed under the Ridgeway Shared Services Partnership agreement as Payroll would formally become part of the joint Finance service area.

Conclusion

10. This report recommends a revised SODC-Vale Payroll shared service arrangement rather than continuing a formal contractor-client split.

Background papers: Delegated Executive Decision Form 03.12.07
SODC proposal to manage/ administer a payroll service for vale of white horse district council and others dated 13.09.07