

NEWCASTLE-UNDER-LYME BOROUGH COUNCIL

EXECUTIVE MANAGEMENT TEAM'S REPORT TO

Finance Assets and Performance Scrutiny Committee
19 March 2020

Report Title: Outsourcing of the Payroll Service

Submitted by: Interim Executive Director of Resources and Support Services

Portfolios: Corporate Service Improvement Partnerships and Performance

Ward(s) affected: All

Purpose of the Report

To update the Committee on the outsourcing of the Council's payroll service to Stoke on Trent City Council.

Recommendation

That the report be noted.

Reasons

The Council has a duty to secure best value in the use of resources. The outsourcing arrangement will improve the resilience and value for money offered by the payroll service and facilitate enhanced employee and manager self-service.

1. **Background**

- 1.1 The Council's payroll service was outsourced to Stoke on Trent City Council (SOTCC) in November 2019. Prior to this, the service was delivered in house by a single officer. This single point of failure represented a serious operational risk due to the lack of resilience in the event of unexpected absence or exceptional demand. In addition, there was no mechanism for checking the accuracy of payroll data and use of systems and processes was inconsistent. Following an internal audit in 2018/19, the service was determined to be "less than adequately controlled".
- 1.2 The council appointed an interim Payroll Manager to provide oversight of the service from January 2019 and in April 2019 it was agreed to outsource the service to SOTCC. Outsourcing took place on 1st November 2019.
- 1.3 SOTCC operate payroll services through use of a web based application (MyView) to which all members of staff have access. Through this system, individuals can access details of their own pay and timesheets, amend personal details and request annual leave. Managers can access team level information as well as authorise leave, timesheet information, mileage and expenses and staff changes.
- 1.4 The system also has functionality to produce employee reports such as sickness absence figures, monitoring information and pay data, however not all of these capabilities are at present being used, in part due to the co-running of the Mitrefinch system which most staff are using to request and authorise annual leave, sickness and flexitime.
- 1.5 Payroll cut off is the 5th- 6th of each month, after which an initial payroll run is sent to HR Administrators who check the submission and respond with any required amendments. A final

version of the payroll run is then submitted by the 13th-14th of the month with pay date a constant 20th of the month.

1.6 Monthly contract meetings are held between the contract holder (Head of People and Organisational Development) and SOTCC to highlight concerns and ensure compliance with contractual obligations.

1.7 All managers have received training in use of the MyView system and the HR team have provided additional support as required during the transition to the new arrangements.

2. **Issues**

2.1 The first four payroll runs from November to February were successfully completed with only a small number of issues arising, all of which were resolved swiftly with no impact on any individual's pay.

2.2 Sickness, annual leave and flexitime reporting have not yet been fully migrated to the new system with some services using Mitrefinch, some using spreadsheets and some already starting to use MyView. Use of the Mitrefinch is currently under review and the Council has committed to ensuring all absence is recorded in MyView from 1st April. It is likely that Mitrefinch will be retained for clocking in and clocking out and recording flexitime only. A communications and roll out plan is in development.

2.3 Development work is continuing to ensure that HR and managers have access to a full suite of reports, correct start dates for all staff are populated in MyView and leaver information is removed from the system at the date of leaving.

2.4 The contract is being closely monitored moving forward and a log of issues maintained with HR to ensure that any problems are addressed and resolved in a timely fashion. The contract will be reviewed in April following the issue of P60s.

2.5 SOTCC are conducting their own audit of the service. This will provide NULBC and the external auditors with assurance that the service is fit for purpose, key controls are operating effectively and legislative and best practice requirements are being met.

3. **Options Considered**

3.1 The option of retaining the payroll service in-house was considered. However, this would have entailed additional ongoing costs and exposed the Council to unacceptable operational risk. There would also have been costs associated with upgrading the Council's payroll system and user interface which have been avoided by migrating to the MyView system hosted by SOTCC.

4. **Legal and Statutory Implications**

There are no direct legal implications arising. There are a number of indirect implications arising if a payroll process is not managed properly, but the introduction and proper use of the MyView system addresses those concerns.

5. **Equality Impact Assessment**

5.1 There are no equality impact issues arising from the outsourcing of the payroll service.

6. **Financial and Resource Implications**

6.1 The initial set up cost for the outsourcing arrangement was £2,000. The ongoing revenue cost is £25,000 and there will be a net annual saving of £26,000 per annum on staffing and software maintenance costs. These savings have been reflected in the 2020/21 revenue budget.

7. **Major Risks**

7.1 The main risks are that payroll processes will not be operated effectively resulting in staff not being paid correctly or on time and failure to adhere to relevant legislative and best practice requirements including accounting properly for income tax, national insurance and other deductions. These risks can be mitigated by having effective controls and oversight arrangements in place. The planned audit of the service will provide assurance that this is the case.

8. **Sustainability and Climate Change Implications**

8.1 There are none.

9. **Key Decision Information**

9.1 This report is provided for information purposes only.

10. **Earlier Cabinet/Committee Resolutions**

10.1 None

11. **List of Appendices**

11.1 None

12. **Background Papers**

12.1 None