

HR/ Payroll Shared Service

Final Decision-Maker	Policy and Resources Committee
Lead Head of Service/Lead Director	Stephen McGinnes, Mid Kent Services Director
Lead Officer and Report Author	Dena Smart, Head of Human Resources
Classification	<p>Private – The report contains information that is commercially sensitive. It would not be in the public interest to release this information as it could put both this authority, and the authority engaged in negotiations, in a weaker position in the market when procuring or selling these services. Therefore the public interest in keeping this information private outweighs the public interest in disclosing this information.</p> <p>The relevant paragraph in schedule 12A of the Local Government Act 1972 is paragraph 3 - Information relating to the financial or business affairs of any particular person (including the authority holding that information).</p>
Wards affected	All

Executive Summary

Following the successful implementation and operation of a shared HR/Payroll service with Swale BC and Maidstone BC, opportunities continue to be explored to expand the service to deliver on behalf of other local authorities.

In order to facilitate that expansion, delegation is sought to enable the Mid Kent Services Director to negotiate and enter into such agreements as are necessary for the HR/Payroll Service to provide services for other Councils.

This report makes the following recommendations to this Committee:

1. That delegation is given to the Mid Kent Services Director to negotiate and enter into such agreements as are necessary to expand the HR/Payroll Service in order to provide services for other Councils.

Timetable	
<i>Meeting</i>	<i>Date</i>
Committee (Policy and Resources)	22 nd November 2017

HR/ Payroll Shared Service

1. INTRODUCTION AND BACKGROUND

- 1.1 Following the successful implementation and operation of a shared HR/Payroll service with Swale BC and Maidstone BC, opportunities continue to be explored to expand the service to deliver on behalf of other local authorities.
- 1.2 In order to facilitate that expansion delegation is sought to enable the Mid Kent Services Director to negotiate and enter into such agreements as are necessary for the HR/Payroll Service to provide services for other Councils.
- 1.3 The opportunity to expand the service has been considered and is supported by the Mid Kent Services Board. The opportunity is consistent with the strategic priorities of the partnership to expand income opportunities and cross-organisational working.
- 1.4 Maidstone BC is the host and employing authority for the service. As such any future agreements to expand the service will be entered into by Maidstone BC on behalf of the partnership, with a supporting collaboration agreement between MKS Partners ensuring that risks and benefits are shared.
- 1.5 In July 2017 Dartford Borough Council asked all Kent councils for details of their HR/payroll systems and services. This was then followed by a request for expressions of interest from any council offering to supply services to them. The MKS proposal is set out at Appendix I.
- 1.6 Three councils submitted proposals and it has now been confirmed that we are the preferred provider although the precise nature of the agreement, the term and agreed costs have yet to be finalised.
- 1.7 The benefit to the partners include:
 - Income to offset the cost of the HR shared service (circa £33,000 p.a.)
 - Increased resilience in payroll as the proposal includes the cost of an additional 0.5fte to be able to deliver the new service
 - Opportunity to share the costs of further iTrent developments
 - Closer working with the North Kent cluster which meets a strategic intention for Maidstone and Swale councils.
- 1.8 There is a degree of urgency to the agreement to proceed as Dartford have given notice to the current commercial provider that they wish to terminate the current contract due to performance failures and once this notice is served they will have only six months during which a new system and service will need to be built and implemented. This should be achievable as the Swale implementation was achieved in four months but the timescales are already demanding with a required 'go live' of 01 April 2018.

- 1.9 Delegation is sought to enable the Mid Kent Services Director to negotiate and enter into such an arrangement with other local authorities if further opportunities arise.
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2. AVAILABLE OPTIONS

- 2.1 Do Nothing – the service has met its objectives providing the partner authorities with initial savings and an effective service for HR, Payroll and Learning and Development.
- 2.2 Service Expansion – the council has demonstrated its ability to provide an effective Payroll service to partners and the expansion to include Dartford BC will be modelled on the same service delivery principles so should be at no threat to the current arrangements.
- 2.3 The primary risks associated with the service expansion are:-

Legal challenge – That a legal challenge is brought against the council or a partner authority by a private sector provider on the basis that the arrangement fails to meet procurement legislation. To mitigate the risk legal advice has been sought throughout the process with formal agreements to be put in place before starting any activity.

Partner leaves – That staffing for the service is increased to meet an increased workload and a partner authority then withdraws from the service. To mitigate the risk an agreement will be put in place to formalise the commitment, set out a minimum notice period and provision for the transfer of staff before starting any activity.

- 2.4 Sell services to other organisations but not Dartford BC - there is a very limited market as set out above and this is anticipated to be the only option for income generation at this time.

3. PREFERRED OPTION AND REASONS FOR RECOMMENDATIONS

- 3.1 Service Expansion – the council has demonstrated its ability to provide an effective HR/Payroll service to partners and the expansion to include Dartford BC will provide the following benefits.

- Income to offset the cost of the HR shared service (circa £33,000 p.a.)
- Increased resilience in payroll as the proposal includes the cost of an additional 0.5fte to be able to deliver the new service
- Opportunity to share the costs of further iTrent developments
- Closer working with the North Kent cluster which meets a strategic intention for Maidstone and Swale councils.

There is a very flat market for such services in local government, most councils wish to have direct control of their payroll/ HR services or are already in well-established shared arrangements, this means that an

alternative opportunity may not arise in the future and the option for income generation will be lost.

4. RISK

- 4.1 The risks associated with this proposal, including the risks if the Council does not act as recommended, have been considered in line with the Council's Risk Management Framework. We are satisfied that the risks associated are within the Council's risk appetite and will be managed as per the Policy.
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5. NEXT STEPS: COMMUNICATION AND IMPLEMENTATION OF THE DECISION

- 5.1 There will be a thorough process of communication within the existing HR/Payroll team members and with Dartford BC staff and trade unions.
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6. CROSS-CUTTING ISSUES AND IMPLICATIONS

Issue	Implications	Sign-off
Impact on Corporate Priorities	We do not expect the recommendations will by themselves materially affect achievement of corporate priorities. However, they will support the Council's overall achievement of its aims as set out in section 3.	Dena Smart, Head of HR
Risk Management	Refer to paragraph 4.	Dena Smart, Head of HR
Financial	We expect accepting the recommendations will result in an additional contribution to corporate overheads of £33,000. This income is above amounts already accounted for as part of the budgeting process for 2018/19 and subsequent years.	Section 151 Officer & Finance Team

Staffing	We will need access to extra expertise to deliver the recommendations, as set out in section 3. The cost of will be met through income received from Dartford BC.	Dena Smart, Head of HR
Legal	<p>The powers to charge for the provision of services, subject to certain limitations and restrictions is set out in s.3 Localism Act 2011. [S.93 LGA 2003 also provides a power to charge for the provision of discretionary services.]</p> <p>S.1 Local Authorities (Goods and Services) Act 1970 gives local authorities powers to enter into agreements with each other to provide goods and technical services on a commercial basis.</p> <p>The agreement between MKS and other local authorities shall be drafted in liaison with MKLS.</p>	[Legal Team]
Privacy and Data Protection	Accepting the recommendations will increase the volume of data held by the Council. We will hold that data in line with Policy.	[Legal Team]
Equalities	The recommendations do not propose a change in service therefore will not require an equalities impact assessment.	[Policy & Information Manager]
Crime and Disorder	No impact.	Dena Smart, Head of HR
Procurement	The council will extend the current contract with its supplier to ensure the license is	Dena Smart, Head of HR

	co-terminus with the agreement with Dartford BC	
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7. REPORT APPENDICES

The following documents are to be published with this report and form part of the report:

- Appendix 1: Proposal for Dartford Borough Council

8. BACKGROUND PAPERS

None