



Cabinet

Title	Future of Payroll and Account Payable Services
Date of meeting	26 June 2023
Report of	Councillor Barry Rawlings, Leader of the Council and Portfolio Holder for Resources & Effective Council
Wards	All
Status	Public
Key	Key
Urgent	No
Appendices	Appendix A – Payroll Full Business case
Lead Officer	Anisa Darr, Executive Director of Strategy and Resources (S151 Officer), anisa.darr@barnet.gov.uk , 0208 359 7634
Officer Contact Details	Jon Bell, Assistant Director of Human Resources and Organisational Development , jon.bell@barnet.gov.uk , 0208 359 2330

Summary

This report presents the full business case on the future of Payroll Services at the London Borough of Barnet. It concludes that the Payroll Services regarding technology and processes should be moved in house, whilst resources should be procured through an external payroll company for a period of time to enable Barnet to build capacity to minimise the risk to the service.

It also seeks to confirm the direction of travel to return Accounts Payable services in-house and provide the necessary delegations to smoothly transition for April 2024 in conjunction with the Go live of our new Oracle ERP system.

Recommendations

1. That Cabinet note the Payroll Services full business case in Appendix A and approve the preferred option to do a phased insource with the processes and systems coming in house using the Oracle Fusion platform and to contract a new managed service provider to provide the people and expertise to operate the payroll for 2-3 years, with a go live date at the end of August 2024;
2. That Cabinet delegate authority to the Portfolio Holder for Resources and Effective Council in consultation with the Executive Director of Strategy and Resources (S151 Officer) to take all actions to implement the recommendation inclusive of procurement on the preferred Payroll Services option;
3. That Cabinet delegate authority to the Portfolio Holder for Resources and Effective Council in consultation with the Executive Director of Strategy and Resources (S151 Officer) to take all actions to implement the return of Accounts Payable Services inclusive of procurement;
4. That Cabinet delegate authority to the Portfolio Holder for Resources and Effective Council in consultation with the Executive Director of Strategy and Resources (S151 Officer) to negotiate the extension of the current payroll contract for a period of 6-12 months, if necessary, to safeguard the implementation.

1. Reasons for the Recommendations

1.1 Introduction

1.2 Policy and Resources Committee approved an extension of the Capita contract for one year to ensure the future of Payroll and Account Payable services, both high risk, could be clearly mapped in the context of the implementation of a new finance, human resources and Procurement system called Oracle ERP.

1.3 This paper provides analysis that will ensure smooth transition from the previous Capita model and asks Cabinet for the necessary delegations to execute the preferred options.

1.4 Accounts Payable

1.5 The direction for travel for Accounts Payable was to return the service In-house utilising Barnet's new Oracle ERP system. In these services minimising council staff time on processing, reconciling and administering is important in order to improve supplier experience and council insight.

1.6 The table below outlines the impact on the council budget against the current model and goes further to look at external providers.

	As is £'000		Lift and Shift £'000		Restructure £'000	
	Low	High	Low	High	Low	High
LBB current resources	0.516	0.516	0.516	0.516	0.551	0.551
Service Provider	0.369	0.369	-	-	-	-
In-source of contract provider staffing costs	-	-	0.368	0.368	0.343	0.343
Direct Debit / BACS	-	-	0.005	0.014	0.005	0.014
Scanning Solution	-	-	0.025	0.025	0.025	0.025
Total Revenue Annual Charge	0.885	0.885	0.914	0.923	0.924	0.933
Capital Implementation (one-off)	-	-	0.033	0.033	0.033	0.033
Total Capital Implementation	-	-	0.033	0.033	0.033	0.033

- It should be noted the Capita model assumed current prices but would be subject to commercial negotiations.

- 1.7 Whilst returning the service in-house will cause a small budget pressures the overall improvement to the quality element justifies the cost. In addition, as part of analysis it is confirmed Oracle ERP can implement Accounts Payable ready for 1st April 2024. This will may enable further efficiencies, which if available will form part of the Medium Term Financial Planning processes.
- 1.8 In due diligence it was discovered the Capita Contract includes a Bureau, Direct Debit and BACs contracts. To ensure the best value for money the recommendation is to procure these services in the summer either as a single contract or separate ready for 1st April 2024 go live. These values have been factored into the table above.
- 1.9 Payroll
- 1.10 The payroll service is complex and impacts every employee and paid member of the council, as a result is deemed high risk. To minimise the risk the council commissioned an external specialist to provide market insight and produce a full business case (See Appendix A).
- 1.11 The analysis recommends a phased approach to in-sourcing the service with the system and processes coming in-house utilising Oracle ERP. Whilst the resources should be procured for a period of time, with a specialist payroll provider who have experience using Oracle, until the inhouse capacity and capability is built up.
- 1.12 As part of a phrased approach, Barnet will build our payroll expertise to enable, at the appropriate time, for the service to either return completely in-house or part of a public service shared services dependant on the market maturity.
- 1.13 The financial analysis shows one off costs in the range of £1.089m - £1.144m, including a 10% contingency, to be funded through Capital as part of the normal business planning process. In year 2 there is a £100k revenue pressure caused by the dual running of services and in year 3, it is expected that the council will be able to secure a saving of £100k against current service provision.
- 1.14 The current Capita contract runs to 31 Aug 2024, as the Project Manager starts working through all the dependencies, it may be necessary for that contract to be extended to provide some security that the council will not be left without a payroll provision. If this is deemed necessary, an extension will be sought and approval is requested in the recommendations.

2. Alternative Options Considered and Not Recommended

- 2.1 Accounts Payable
- 2.2 Continue as is: this was considered un-desirable as the contract would only allow extension for a limit period and therefore price negotiations are limited. It would reduce the benefits of Oracle ERP as Barnet would need to maintain a separate Accounts Payable system and would not increase strategic control of the service.
- 2.3 Outsource: although a rich market of providers, there were limited suppliers with expertise and wiliness to do the service utilising our Oracle ERP, those that were came at a premium price. In addition, would not increase strategic control of the service or internal expertise.
- 2.4 Payroll

2.5 Analysis considered keeping the service in-house, outsourcing including a shared service and returning the services completely. See Appendix A detailed analysis of why these options were not recommended.

3. Post Decision Implementation

3.1 Accounts Payable

3.2 The Council will start the smooth transition of Services from Capita to the Council for 1st April 2024.

3.3 The scope of the Oracle ERP Programme will include Accounts Payable configuration as opposed to an Integra 2 (current Finance system) integration.

3.4 Procurement will commence as soon as possible for BACs, Direct Debit and Bureau services.

3.5 Payroll

3.6 A programme will commence as soon as possible that will encompass set up for Oracle ERP to perform payroll functions, procurement of resources to test and run the service on Barnet's Oracle ERP system and recruitment of internal capacity.

4. Corporate Priorities, Performance and Other Considerations

Corporate Plan

4.1 The corporate plan sets out a priority of being an engaged and effective Council. The continuing review of services and ensuring they are right directly contributing to providing an effective council.

4.2 The future of the Payroll directly impacts a great place to work by ensuring our employees are paid timely and accurately.

4.3 The future of Accounts Payable directly impacts working in partnership by ensuring our suppliers are paid timely and continue providing essential council Services.

Corporate Performance / Outcome Measures

4.4 The performance of these services was included in contract performance reports in regards key performance indicators. During the transition new relevant performance indicators will be developed and form part of Barnet's internal performance framework.

Sustainability

4.5 NA

Corporate Parenting

4.6 NA

Risk Management

4.7 A comprehensive risk assessment was carried out of each option detailed in Appendix A.

4.8 Post Decision a programme will be formed utilising the corporate risk framework where appropriate these will be added to the corporate risk register and be managed and reported accordingly.

Insight

4.9 Detailed analysis of the insight used can be referenced in the full business case in Appendix A.

Social Value

- 4.10 Social Value will be considered in the procurement of the BACS, Direct Debit, Bureau and Payroll resources contracts in line with our procurement best practice.

5. Resource Implications (Finance and Value for Money, Procurement, Staffing, IT and Property)

- 5.1 The full business case in Appendix A details the resource implications for Payroll. Paragraph 1.14 lists the funding sources for the preferred option. It is anticipated a programme team will need to be formed to implement the decision. This will be a one-off cost listed in Paragraph 1.14.
- 5.2 Staff currently within Capita will be eligible for TUPE to the new provider and details will be included in the procurement.
- 5.3 Section 1.6/7 lists the financial implications of the returning Accounts Payable in-house inclusive of funding sources. It is anticipated there will be a sufficient draw on the Head of Finance- Exchequer role to ensure the smooth transition. As part of the transition TUPE will apply to those staff in Capita who work over 50% of their time on the Barnet contract.

6. Legal Implications and Constitution References

- 6.1 Cabinet is responsible for the following responsibilities:
- Development of proposals for the budget (including the capital and revenue budgets, the fixing of the Council Tax Base, and the level of Council Tax) and the financial strategy for the Council;
 - Monitoring the implementation of the budget and financial strategy;
 - Recommending major new policies (and amendments to existing policies) to the Council for approval as part of the Council's Policy Framework and implementing those approved by Council;
 - Approving policies that are not part of the policy framework;
 - Management of the Council's Capital Programme;
- 6.2 Staffing matters for those staff graded below deputy chief officer are a matter for the Head of Paid Service. This report outlines the options and steps required for the payroll service.
- 6.3 Any extension of the existing Capita contract, and the procurement of resources for the Payroll and Account Payable Services, will need to comply with the Public Contracts Regulations 2015 and the council's Contract Procedure Rules.
- 6.4 The council must comply with The Transfer of Undertakings (Protection of Employment) Regulations 2006 (as amended) (TUPE) where TUPE applies in relation to any procurement activity.

7. Consultation

- 7.1 Any staff consultation required will be exercised in line with the council's HR policies and procedures.

8. Equalities and Diversity

- 8.1 Decision makers should have due regard to the public sector equality duty in making their decisions. The equalities duties are continuing duties, they are not duties to secure a particular outcome. Consideration of these duties should precede the decision. The statutory grounds of the public sector equality duty are found at section 149 of the Equality Act 2010 and are as follows:
- 8.2 A public authority must, in the exercise of its functions, have due regard to the need to:
- Eliminate discrimination, harassment, victimisation and any other conduct that is prohibited by or under this Act.
 - Advance equality of opportunity between persons who share a relevant protected characteristic and persons who do not share it
 - Foster good relations between persons who share a relevant protected characteristic and persons who do not share it.
- 8.3 Having due regard to the need to advance equality of opportunity between persons who share a relevant protected characteristic and persons who do not share it involved having due regard, in particular, to the need to:
- Remove or minimise disadvantages suffered by persons who share relevant protected characteristics that are connected to that characteristic
 - Take steps to meet the needs of persons who share a relevant protected characteristic that are different from the needs of persons who do not share it
 - Encourage persons who share a relevant protected characteristic to participate in public life or in any other activity in which participation by such persons is disproportionately low.
- 8.4 The steps involved in meeting the needs of disabled persons that are different from the needs of persons who are not disabled include, in particular, steps to take account of disabled persons disabilities.
- 8.5 Having due regard to the need to foster good relations between persons who share a relevant protected characteristic and persons who do not share it involves having due regard, in particular, to the need to.
- 8.6 Tackle prejudices and promote understanding.
- 8.7 Compliance with the duties in this section may involve treating some persons more favourably than others; but that is not to be taken as permitting conduct that would otherwise be prohibited by or under this Act. The relevant protected characteristics are: Age, Disability, Gender reassignment, Pregnancy and Maternity, Race, Religion or belief, Sex, Sexual orientation, Marriage and Civil Partnership.
- 8.8 The Accounts Payable and Payroll Services will be run on our new modern Oracle ERP system. Due to the move, it is considered that there will be a positive impact, especially to those with certain disabilities because it conforms to WCAG 2.1 AA digital accessibility standards which is much improved to our current model. In addition, during the implementation of the services the Barnet Lead for Equality and Diversity is actively taking part of configuration to maximise any benefit.

9. Background Papers

- 9.1 Review of Capita Contracts- Policy and Resources Committee 19th July

9.2 [Committee Report \(moderngov.co.uk\)](http://moderngov.co.uk)

9.3 Review of Integra and CoreHR- Policy and Resources Committee 9th February

9.4 [Committee Report \(moderngov.co.uk\)](http://moderngov.co.uk)