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NON-EXEMPT

# HAVANT BOROUGH COUNCIL

CABINET          7 Sept 2022

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## Extension of current arrangements for Payroll Services to Sept 2024 FOR DECISION

Portfolio Holder: Councillor Tony Denton

Key Decision: No

Report Number: HBC/074/2022

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### 1.        **Purpose**

1.1.      This paper is submitted to Cabinet:

To request approval to 'roll-over' the payroll bureau service contract with Zellis for a further 18 months from April 2023 to September 2024. The request to 'roll-over' is to ensure a period of payroll and HR system stability whilst undergoing transition to becoming a standalone Authority.

### 2.        **Recommendation**

2.1.      Members are requested:

a.        To approve the roll-over of the payroll bureau service Zellis contract for 18 months from April 2023 to September 2024 with a continuation of the current arrangements with South Oxfordshire and Vale of White Horse District Council (S&V DC).

### **3. Executive Summary**

- 3.1. The purpose of this report is to seek Cabinet approval to continue with current payroll arrangements, as provided via South Oxfordshire and Vale of White Horse District Councils and Zellis. The contract term is to June 2025, but options to cease / continue are tabled at regular intervals. This review is to cover from April 2023 to September 2024.
- 3.2. When the Five Councils Partnership transferred the HR and payroll service out of the Capita contract, the contract with Zellis for provision of the associated HR and payroll software was novated from Capita to South Oxfordshire, to maintain vital service continuity. All Councils, excluding Mendip DC but including East Hampshire District Council, then undertook to access payroll services under an Inter Authority Agreement from South Oxfordshire.
- 3.3. The contract with Zellis and associated arrangements run until June 2025. However, options to review continuation have been built in. The last one covered the period from September 2021 to April 2023 and was agreed. The next proposed term is from April 2023 to September 2024. It should be noted that, technically, no action is needed as there is a contract in place. The review is in regard whether to enact an option to give notice re. current arrangements.
- 3.4. Subject to their own relevant governance, all other partners have indicated their intent to continue with current arrangements. The recommendation is that Havant Borough Council do the same. The service is stable, compliant and of appropriate quality. No clear strategic driver or business need has been identified to end the relationship early, and it would add both risk and cost to seek to do so now. The priority of the Council is to complete separation from arrangements with East Hampshire, secure a complete and motivated staffing complement and ensure effective delivery of services to residents and businesses. This does not necessitate changing our payroll provider, at this specific time.

#### **4. Additional Budgetary Implications**

4.1. None.

#### **5. Background and relationship to Corporate Strategy, Climate & Environment Strategy and/or Business Plans**

- 5.1. When the Five Councils Partnership transferred the HR and payroll service out of the Capita contract in April 2020, the contract with Zellis for provision of the associated HR and payroll software was novated from Capita to South Oxfordshire, to maintain vital service continuity. All Councils, excluding Mendip District Council but including East Hampshire District Council, then undertook to access payroll services under an Inter Authority Agreement from South Oxfordshire. This was agreed by Cabinet, with associated actions delegated to officers, February 2020.
- 5.2. The contract with Zellis and associated arrangements run until 2025. However, options to review continuation have been built in. The last one covered the period from September 2021 to April 2023 and was agreed via delegated Cabinet Lead decision in March 2021. The next proposed term is from April 2023 to September 2024. It should be noted that, technically, no action is needed as there is a contract in place. The review is in regard whether to enact an option to give notice re. current arrangements.
- 5.3. Effective delivery of payroll functions are critical to all aspects of Council operations, as consistent payment of salaries and allowances are a key “hygiene” factor for all staff. They are also important to associated functions, such as effective and compliant pension and taxation arrangements. The current arrangements meet all requirements here, so there is no immediate business need to review or terminate current arrangements.

5.4. Longer term, it will be appropriate to review current arrangements, either driven by the need to re-procure by or before June 2025, or by business need determined as the new standalone council takes forward its strategic plans. It will mitigate all associated risks, if, as done, that review is done whilst the payroll function is being effectively and compliantly delivered, through an established arrangement. It would also be appropriate to consider this in the context of any emerging plans for finance systems, the contracts for which run broadly concurrent to this one.

## 6. **Options considered**

6.1. Two main options apply here:

- a. **Option 1: Retain the current arrangement.** This is the one proposed. It adds no new costs, risks, or calls upon additional resource, and maintains a stable and compliant service.
- b. **Option 2: Give notice to exit the current arrangement, and to secure a new arrangement.** This is not recommended at this juncture, as it would require the specification and procurement of a new service, and the work required to transfer to a new provider, and to amend arrangements with both HMRC and the Authority's pension provider. Based on previous transfers, these are extensive and resource intensive exercises, which carry high risks to the maintenance of payroll functions. Planning for this requires a long lead time. It is accepted that is necessary, and it will commence in due time to make effective alternative arrangements ahead of either September 2024 or the current contract end date.

## 7. **Resource Implications**

7.1. **Financial Implications:** No material implications associated with the recommended option. Service costs are included in current and ongoing budgetary provisions.

**Section 151 Officer comments**

**Date:** 4 July 2022

No issues of concern with regard to the decision or direction.

- 7.2. **Human Resources Implications:** No material impacts specific to this proposal.
- 7.3. **Information Governance Implications:** No material impacts associated with this specific proposal.
- 7.4. **Other resource implications:** No other material impacts, in relation to this specific proposal.
- 8. Legal Implications**
  - 8.1. Subject to agreement, this decision will need to be factored into an amendment re. the Inter Authority Agreement, between the 5Cs. It may also need to be factored into any agreements, in relation to East Hampshire District Council, as the separation proceeds. That will be determined via agreed transition plans and associated governance and is not driven by this decision.

**Deputy Monitoring Officer comments**

**Date:** 9 August 2022

Payroll management falls within the executive responsibilities of the Cabinet (Constitution Part 2 Section D). The Cabinet may make adjustments to contractual arrangements etc. where this is expedient to the effective provision of services by the Council.

**9. Risks**

- 9.1. No material risks associated with the recommended decision. There would be risks, should the decision not be agreed, in relation to securing an appropriate alternative provider, and completing all associated transfer work, and change actions regarding pensions and HMRC. They would be fully evaluated in any decision associated with the new course of action.

**10. Climate & Environment Implications**

- 10.1. No material impacts associated with this. It has no benefit or detriment to carbon net zero or local environmental factors.

**11. Consultation**

- 11.1. Consultation has, or is, being conducted with other 5Cs Partners (who have indicated agreement to continue), Cabinet and the Management Team.

**12. Communication**

- 12.1. No communication activity required unless the proposal is not agreed.

**13. Appendices**

- 13.1. None.

**14. Background papers**

- 14.1. None.

Agreed and signed off by:

Portfolio Holder: Cllr Tony Denton, 9 August 2022

Executive Head of Service: Matt Goodwin, 9 August 2022

Deputy Monitoring Officer: Alan Harrison, 9 August 2022

Section 151 Officer: Malcolm Coe, 4 July 2022

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