

Subject: Shared Service Proposal by the London Fire & Emergency Planning Authority to provide the GLA's Payroll and HR Reporting Functions

Report to: Business Management and Administration Committee

Report of: Executive Director of Resources

Date: 1 March 2011

This report will be considered in public

1. Summary

- 1.1 This report represents consultation by the Mayor with the London Assembly, as required in law, in relation to the proposed shared services arrangement between the Greater London Authority (GLA) and the London Fire & Emergency Planning Authority (LFEPA) in respect of LFEPA's proposed discharge of the GLA's Payroll services and HR systems functions.

2. Recommendation

- 2.1 **That, prior to the Mayor's Decision under section 401A of the Greater London Authority Act, the Committee gives comments on LFEPA's Shared Service Proposal for GLA Payroll services and HR systems, which proposes that LFEPA discharges the GLA's functions from 1 October 2011.**

3. Background

- 3.1 The Authority's contract with Northgate ends on 30 September 2011 and new arrangements will need to be put in place before then.
- 3.2 Discussions were originally held with Transport for London (TfL) regarding use of the SAP payroll module and associated systems. This was initially the favoured option as it would have allowed ready integration with the finance system, already hosted by TfL. However, this potential solution was found to be too costly, so alternatives were considered.
- 3.3 Both LFEPA's and the London Development Agency's (LDA) payroll systems were considered and an independent report was commissioned from Deloitte to review the options and to assist in benchmarking these against outsourced solutions. This report is attached as **Appendix 1**.

- 3.4 Although some LDA staff and functions will be transferred to the GLA when the LDA is abolished in April 2012 it isn't certain at this stage how the Localism Bill's statutory transfer scheme provisions would enable the LDA's contract with its current external payroll and HR reporting contractor to be transferred to the GLA.
- 3.5 On 25 October 2010, the GLA's Assistant Director of Finance wrote to LFEPA requesting that they look at the feasibility of providing the GLA with Payroll services and access to their HR systems.

4. Issues for consideration

- 4.1 An analysis of the current provision and costs of payroll services and HR systems across the GLA family (excluding the Metropolitan Police Service (MPS)) has been undertaken. GLA officers have concluded from this analysis that only LFEPA is capable of providing cost-effective payroll services and HR systems to the GLA at present.
- 4.2 The GLA's Payroll service is currently contracted out to Northgate until 30 September 2011 and there is no provision for this contract to be extended. LFEPA are able to provide this service to the GLA and a specification for the service has been agreed by officers of both organisations. From the employee's perspective, the change will have little or no impact, other than as detailed at 4.3 below. Parallel running will take place during August and September.
- 4.3 In order to protect the environment and reduce costs, a key element of the new service will be the use of electronic payslips and P60s (summary of pay and tax deducted). This will be a web-based service, accessible from any device with internet connectivity and simple to use.
- 4.4 Northgate also provide the software that is used by GLA HR staff to maintain and report on HR data. A specification for this has also been agreed between LFEPA and GLA officer. LFEPA have developed a number of systems in order to satisfy the complex requirements of a fire and emergency service. An integrated system (Cyborg) will be used to deliver payroll services and satisfy the majority of the GLA's HR requirements. This will be accessed by HR and Finance staff, as appropriate, using enhanced security technology (digital key fob).
- 4.5 LFEPA will facilitate the introduction of online recording and authorisation of sickness absence and annual leave via another system (StARS). As key fob access would not be appropriate for the numbers requiring access to this system, the proposal is to host a copy of this within the GLA domain, allowing ready access to all employees once logged onto the GLA network.
- 4.6 For operational reasons, online authorisation of annual leave will not be implemented until 1 April 2012 (the beginning of the new leave year). This will minimise the amount of time required to input data that is currently held manually.
- 4.7 Consideration is also being given to implementing online submission and authorisation of employee expense claims. Again, this would not be implemented prior to 1 April 2012.
- 4.8 No additional staff will be employed by LFEPA to provide these services, so this proposal represents a significant saving to the GLA group. As far as the GLA is aware, there are no employees assigned wholly or mainly to the services provided to the GLA by Northgate so it is considered that there will

be no implications for the GLA under the Transfer of Undertakings (Protection of Employment) Regulations 2006.

Strategy Implications

- 4.9 By ensuring that staff are paid in a timely manner and delivering accurate reporting in relation to GLA staff, the functions will assist the Authority in delivering its strategies.

5. Legal Implications

- 5.1 Section 401A of the GLA Act 1999 permits the GLA and the functional bodies to provide professional technical and administrative services to one another, or for them to delegate the discharge of such functions between themselves. Payroll and HR reporting is an activity falling within the ambit of s 401A. The Mayor is required to consult the Assembly on any proposal involving the GLA.
- 5.2 Administrative arrangements between public bodies that are in the public interest and that do not involve the placing at a competitive advantage or disadvantage of any particular private sector commercial supplier generally fall outside EU public procurement rules, particularly if the activity in question is performed on a cost recovery basis, as is the case here. Therefore the GLA can appoint LFEPA under s 401A without having to go through an OJEU (Official Journal of the European Union) public procurement process.
- 5.3 The Executive Director of Resources, as the GLA's Chief Finance Officer, will continue to be subject to his personal statutory responsibilities concerning the proper administration of the GLA's financial affairs notwithstanding LFEPA's appointment to perform the payroll and HR reporting functions.
- 5.4 If there were any employees wholly or mainly assigned to the services provided by Northgate, those employees would automatically transfer from Northgate to LFEPA under the Transfer of Undertakings (Protection of Employment) Regulations 2006 ("TUPE") upon the transfer of those services from Northgate to LFEPA. Northgate have not informed the GLA that there are any employees wholly or mainly assigned to the functions/services transferring so it is considered that TUPE will not apply. If this is not correct, there is a risk to LFEPA that some Northgate employees could claim that they legally transferred to LFEPA and become LFEPA employees. Due diligence should be carried out to confirm the position.

6. Financial Implications

- 6.1 At present the Authority has a contract with Northgate to provide payroll services and provide the software and support necessary for the GLA to record and report on HR data at a cost of £89k per annum.
- 6.2 LFEPA are proposing a charge in the region of £72k per annum - a saving to the GLA of £17k per annum. This would enable estimated implementation costs of £57k to be recovered within 4 years. All costs are estimates at this stage and implementation costs would be incurred in the event of any change of supplier. However, as minimal incremental annual running costs would be incurred by LFEPA, the saving to the group is much higher.

- 6.3 As part of the solution is to host one piece of software (StARS) in the GLA domain, an additional support contract may need to be taken out by the GLA, which would add to its annual costs.
- 6.4 In the event that the GLA were to enter into a shared service arrangement with LFEPA, payment would be made on the basis of the best estimate of actual costs incurred in delivering the services.

List of appendices to this report:

Appendix 1 – HR/Payroll System – GLA Strategic Options, September 2010

Local Government (Access to Information) Act 1985
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List of Background Papers: None

Contact Officer:	Doug Wilson
Telephone:	0207 983 4038
E-mail:	doug.wilson@london.gov.uk