

DECISION ITEM

REPORT OF	MEETING	DATE	ITEM NO
OFFICE OF THE DEPUTY CHIEF EXECUTIVE	EXECUTIVE COMMITTEE	19 SEPTEMBER 2023	5
HR, PAYROLL AND SUPPORT SERVICE PROVISION			

PUBLIC ITEM

This item is for consideration in the public part of the meeting.

RELEVANT LEAD MEMBER

This item is within the remit of Lead Member for Corporate and Economic Development (Councillor Karen Buckley).

PURPOSE OF THE REPORT

Fylde Borough Council's HR, payroll and health & safety services are administered by Blackpool Council under a public-to-public sector administrative arrangement. The current arrangement was entered into for a six-year period from April 1st, 2014, running to the end of March 31st, 2020. The option to extend by mutual agreement for a minimum four-year period which was implemented in 2020 with the agreement due to expire on March 31st, 2024. The report outlines the benefits of the administrative arrangements over a 20-year period and recommends that the arrangement is transferred to a five-year rolling agreement in line with the revenue and benefits service delivered through the same partner.

RECOVERABILITY

This decision is recoverable under section 7 of part 3 of the constitution.

RECOMMENDATION

That Blackpool Council continue to deliver the HR, Payroll and Health & Safety function on behalf of Fylde, under administrative arrangements pursuant to Regulation 6 of the Local Authorities (Arrangements for the Discharge of Functions) (England) Regulations 2012 through a rolling five-year agreement.

REPORT

The HR Services

1. Best practice in local government has advocated the potential benefit of shared or merged services between local authorities since the inception of Best Value legislation in 1999. Fylde has always sought to achieve the best value service provision regardless of the provider and since 2003 has made administrative arrangements with other public sector bodies to deliver services where they have proven to be the best option.
2. Back-office support services that are common to most organisations and often transactional have been tested against the market to determine whether better value can be secured by delivering the service in a different way. A best value assessment is not solely based on cost, it considers quality service delivery, efficient and effective technology and systems, high-calibre personnel, and good working relationships.

3. Since 2003 Fylde Council has engaged Blackpool Council through a public sector administrative arrangement to deliver payroll services and in 2007 the HR service. The administrative arrangement has proven to deliver best value for Fylde based on the various criteria considered in the best value assessment, resulting in 'more for less' from the service.
4. The payroll service arrangement has achieved a cashable minimum saving of £45,000 per annum saving against the in-house service cost since 2003 through economies of scale on common transactional activity. The arrangement has realised substantial savings since 2003.
5. The human resource service which covers employee relations, administration, workforce development, recruitment, and safeguarding, pay equality, policy, and personnel management systems, has been delivered through a service-level agreement with Blackpool since 2007. The establishment of public-to-public administrative arrangement for HR with Blackpool was a logical extension of the payroll service which is an integral element of personnel management.
6. In 2011 the payroll and HR services were put in a single service level agreement that is included in Appendix 1 to the report. The arrangement works on a partnership basis and because of the positive relationship across the two councils the service level agreement has not had cause to be referred to in terms of service delivery standards.
7. In 2013/14 the service was being delivered for 15% (or £30,000) less than in 2007 without inflation increase or additional cost applied because of the benefit both organisations receive from economies of scale through the arrangement. Across the Northwest it has not been possible to find another HR service that has reduced cost over this period, in fact every authority has seen an increase because of people and / or technology costs increasing regardless of whether it is delivered in house or through an alternative provider.
8. The council's former Cabinet made the decision to continue with the established, and successful service arrangements for HR Services with Blackpool Council in April 2014, which covered:
 - *Employee relations*
 - *Payroll and HR Administration*
 - *Pensions*
 - *Occupational Health*
 - *Workforce Development*
 - *Recruitment and Safeguarding*
 - *HR Systems and Management Information*
 - *Health and Safety*
 - *Pay Equality and Policy*
9. The effective working relationship developed between the two organisations has led to additional support outside of the service level agreement including free training for Fylde employees, access to the Employee Assistance Programme for both officers and elected members at a reduced rate, inclusion in new online systems at no additional cost and a policy development and refresh programme. Some examples include:
 - a. In 2011 the cost of online vacancy advertising was reduced by £7,000 per annum for Fylde as a direct result of the agreement Blackpool established with 'Your Council Jobs' (now Greater Jobs) website through association with AGMA (Association of Greater Manchester Authorities). This is a saving that Fylde could not have accessed alone and one that Blackpool did not need to pass on under the terms of the agreement however, the close working relationship, trust and common public sector challenges shared in the current economic climate it was the customer focused approach to take. These savings have continued since 2011 resulting in a cumulative saving of circa £85K.
 - b. Blackpool Council introduced a paperless applicant tracking system (iRecruit) which enables managers to manage the end-to-end recruitment process efficiently and with less resource. This system was design to meet the need for Fylde Council and offered as an additional benefit at no extra cost.

- c. The development of systems has continued a new HR and Payroll system (iTrent) at no additional running, maintenance, or implementation cost. This has provided additional functionality and efficiencies using Manager Self-Serve and Employee Self-Serve.
 - d. The bespoke eLearning solution (iPool) has been provided by Blackpool Council with a branded portal for Fylde together with development of Fylde specific courses which cover mandatory/essential training for all employees, provided at no additional cost.
10. The HR services fall under the remit of the Head of HR located within the Chief Executive Directorate at Blackpool. There is significant expertise and background in human resources, payroll and health and safety within the team. Every employee has undertaken mandatory GDPR training which provides further assurances regarding the security of Fylde employee/confidential data. As a geographical neighbour Blackpool recognises the importance of the Fylde Council Corporate Plan and shares similar overarching priorities in their own Council Plan.
11. In the last year of the service being operated in-house the budget for the HR was £229,930 with an annual cost of £199,000 in 2008 and the current cost of £158,000 because of efficiencies achieved in the service.
12. In addition to being a financial benefit to Fylde Council the quality added value from the contract includes:
 - Strong and accessible leadership has instilled the value of Fylde as an important customer. This ensures effective and trusted working relationships between the teams at Blackpool and Fylde. Providing access to known named advisors has resulted in a proactive, supportive, and friendly approach which adds value and makes the resolution of issues easier. Alongside this the wider team can provide cover whenever needed either due to holidays or peaks in demand.
 - Access to a pool of qualified/accredited/experienced staff that includes unlimited access to specialists in several fields including policy development, employment and health and safety legislation, equalities, respecting others, training, support for Apprenticeships, systems development, taxation, payroll, pensions, management support, mediation, mentoring, investigation and more.
 - An in-house occupational health service consisting of NMC (Nursing Medical Council) nurses experienced in the field of occupational health, an occupational health physician, Hep B vaccines and health surveillance according to risk assessment, annual flu vaccinations, a 24/7 365 days a year employee assistance programme, with access to 6 counselling sessions if clinically appropriate.
 - The ability to access other interventions such as cognitive behavioural therapy and physiotherapy at competitive rates and without long waiting times. The team pride themselves on a proactive, friendly, supportive approach and as such are happy to advise managers seeking to support their employees, prior to a referral.
 - The ability to call on additional resources at no extra cost, and sometimes at short notice when demand requires i.e. during a restructure, disciplinary, employment changes, training need or systems upgrade.
 - Technological systems that deliver service efficiencies as part of the agreement with all the support, implementation, maintenance, licensing, and development included in the service – this would cost tens of thousands of pounds per annum if the service was in house with any change of systems requiring a full project managed implementation programme. Economies of scale continue to allow Fylde to be an ‘add on’ to what are the top systems in the market.
 - Over the years Blackpool Council have supported Fylde to develop a Trade Union relationship based upon constructive challenge and respect. This has led to the sharing of a UNISON Regional Officer and joint working relationships between UNISON Secretaries at Blackpool and Fylde.
 - Access to free and reduced cost training and development that have been regularly offered outside the service level arrangements, and which has led to far more being delivered for staff at Fylde than was ever achieved in house even during a period when training and development budgets have been dramatically reduced. The ‘more from less’ objective has been achieved.

- Provision of management information including support for completion of statutory and regulatory reporting in accordance with published deadlines.
- Provision of an online health and safety management system using SharePoint enables all Fylde employees to access their corporate health and safety documentation.
- A public-to-public arrangement that works effectively because each authority is subject to the same regulations, requirements and policies which creates an understanding of the outcomes that need to be delivered and which can be different in the private sector.
- Access to networks and shared learning that simply is not achievable in house or with a private sector provider, including AGMA (Association of Greater Manchester Authorities) which Blackpool is a member and secures further economies of scale through training and development, online recruitment and sharing best practice.
- Integrated technologies between Blackpool and Fylde established through other shared or joint working on ICT initiatives that facilitate the support services making business much easier with each other.
- A contribution to the market share of external support service activities delivered by Blackpool to a range of customers that supports employment in the local community, many of the team at Blackpool live in Fylde.
- Access to a range of employee resources from specialisms across HR and payroll (see below).

	Number of employees
Payroll	8
Pensions	2
Occupational Health	7
Employee Relations	13
HR Systems Recruitment and Safeguarding	11
Organisation Workforce Development	8
Equality & Diversity	1
Total	50

13. The financial savings and the added value from the support services delivered through Blackpool are exceptional and have made a significant contribution to the robust financial position of the Council. Equally important has been the access to and implementation of new systems e.g. iTrent, iPool, iRecruit, Greater Jobs. Fylde would have had to allocate significant funds to finance systems as well as the additional resources to implement, maintain, develop, and provide user training associated with cost of change. The Council benefits significantly from technological developments as part of the service arrangement.
14. The resilience of these arrangements was tested during the Covid pandemic, even when faced with challenges of an unprecedented nature the service to Fylde remained seamless and benefited from all of the work undertaken in Blackpool through public health, health and safety and occupational health. Despite the scale of the situation during the pandemic, the Blackpool team provided advice to Fylde's managers on the impact of the latest (and often fast-changing) guidance, whilst also ensuring staff were equally well supported.
15. Blackpool Council is committed to the relationship with Fylde and have indicated the desire to continue achieving mutual benefit. There are plans to further enhance the service with no additional costs accruing to this council. For example, the provision of a performance management/probation system and enhancements to self-serve management reporting arrangements.

Procurement

16. The value of the HR work provided by Blackpool Council to Fylde Council is greater than the threshold value for services set out in the Public Contracts Regulations 2015. This would normally require a contract for the

work to be tendered in accordance with the regulations. However, this does not apply where services are carried out by one local authority on behalf of another (public-to-public) pursuant to an administrative arrangement, as opposed to a contract, between the two authorities. An exemption within Regulation 12 (7-9) of the Public Contract Regulations allows for ‘horizontal’ public to public service delivery to support efficient and effective co-operation for delivering public services. The exemption applies where two or more contracting authorities (Blackpool and Fylde) meet certain conditions with respect to the contract in question:

- *it establishes co-operation between the authorities with the aim of ensuring public services are provided with a view to achieving common objectives.*
- *that co-operation is governed by considerations relating to public interest.*
- *the authorities perform less than 20% of the contract activity on the open market.*

17. The arrangement between Fylde and Blackpool meets the conditions. Fylde has arranged (and, if the recommendation of this report is accepted, will continue to arrange) for Blackpool to discharge the functions set out in this report. That arrangement, previously made by the Cabinet under Regulation 5 of the Local Authorities (Arrangements for the Discharge of Functions) (England) Regulations 2012, would now fall under Regulation 6 and would fall within the definition of an administrative arrangement and therefore not a contract for the purpose of the procurement legislation.

18. For the reasons outlined within this report, a full market exercise is not recommended and to implement one the council would require significant resources to draft the specification, carry out the market testing, administer the tender exercise and if necessary, change service provider. The transfer of systems and data would attract significant additional capital and revenue implications if an alternative provider was selected and / or the current provider did not bid. The council has previously approached private sector organisations with respect to a range of services and as would be expected there is a higher emphasis placed service costs with definitive terms on what falls within the contract offer resulting in less flexibilities than the present arrangement.

19. The estimated cost of bringing the service back in house has also been worked up (on the assumption that a team could successfully be recruited) based on the cost for the employee resource in neighbouring district council and recent major computer systems implementation by the current provider and Fylde Council. The summary below is an **estimate** based on current costs, the posts would be subject to job evaluation and the systems to an open tender procurement.

HR Service:

Head of Human Resources / Manager	£60,513*
HR Case Workers / Advisors x 2	£82,374* (2 posts @ £41,187* each)
HR Administrative Support	£28,558*
Annual systems licence, support, maintenance	£23,618 (based on 260 employees)
Annual fee for advertising vacancies on job site	£7,000

Estimated annual revenue cost of in-house provision** £202,063

Cost of service with Blackpool from March 2024 £163,725

*Inclusive of current on costs – pension and national insurance

**Does not include costs of ‘housing’ the team in dedicated office space

The capital cost of procuring and implementing a dedicated HR system would be in the region of £85,000, consistent with recent purchases at Fylde and Blackpool. The lead in time required to procure a system, migrate the data and establish an in-house team would be at least 18 months. This assumes that the system selected would incorporate a payroll element, a separate payroll system would be an estimated £30,000 to procure.

Payroll Service:

Payroll Officer / Manager	£42,781*
Annual cost of payroll transactions	£17,820 (based on 297 payments per month)
Estimated annual revenue cost of in-house provision	<u>£60,601</u>
Cost of the service with Blackpool from March 2024	£22,061

Health & Safety Service:

Health & Safety Advisor / Consultant	<u>£54,662*</u>
Cost of the service with Blackpool from March 2024	£33,969

The health and safety advisory service provides access to a team of specialists in different disciplines within the profession similar to the HR and payroll service. The services provide continuous cover through economies of scale.

20. The decision to enter a 'preferred partner' arrangement with a neighbouring local authority is in line with the policy on best value service provider adopted by the Council, drawing upon on all the other additional benefits listed in this report that Fylde has realised over the duration of the current arrangement. The preferred public sector partner option ensures that the service is delivered by a provider that fully understands the challenges of local government as well as the local area.
21. Only one district authority in Lancashire has the HR and payroll services provided by a private sector third party organisation and this was procured as part of a wider range of back-office services.
22. Whilst the majority of other Lancashire councils retain an in-house HR service, the current arrangements are in line with best practice on joint working, the performance is very good, outcomes are excellent, and continually improving which demonstrates good value for money. The Council has an exemplary approach with the current arrangements that led the way 20 years ago and which has been championed regionally as good practice.
23. The risk in continuing the existing arrangement is very low with clear evidence of long-term value for money, a strong and developed working relationship, a public-to-public arrangement, and shared customer values. There would be additional financial and legal risks as well as officer resource required to carry out a full market exercise and to exit the administrative arrangement. To return to an in-house option would present significant financial, personnel and technological risks.
24. Given the period of rapid change in the service combined with the good working relationship regarding the delivery of the services, it is not recommended to pursue alternative service options which could range from bringing the service back in house, tendering the service or entering discussions with other service providers who may wish to also consider a shared service model. This would be extremely disruptive and costly both in monetary and administrative terms having to separate a service that has been embedded for a significant period, with shared arrangements in place for services such as IT contracts, with the cost of tendering also being significant. There is a good working relationship with Blackpool Council and a high service standard in service delivery.
25. It is recommended that the Council enter a five-year rolling administrative arrangement through a Service Level Agreement with Blackpool Council with a break clause that can be invoked by either party giving a two-year notice period. This would bring the HR, payroll, and health & safety arrangements in line with the revenues and benefits service also delivered under public-to-public administrative arrangements with Blackpool.

CORPORATE PRIORITIES

Economy – To create a vibrant and healthy economy	√
Environment – To deliver services customers expect	√
Efficiency – By spending money in the most efficient way	√
Tourism – To create a great place to live and visit	√

IMPLICATIONS

Finance	The financial implications are contained in the body of the report. These demonstrate the savings achievable when comparing the estimated cost of in-house provision with the costs of the services from Blackpool Council. The Council's base revenue budget contains provision on an ongoing basis for the cost of the services being delivered under an administrative arrangement with Blackpool Council as set out in the report.
Legal	The legal implications regarding procurement are addressed in the body of the report.
Community Safety	None arising from this report
Human Rights and Equalities	None arising from this report
Sustainability and Environmental Impact	None arising from this report
Health & Safety and Risk Management	None arising from this report

SUMMARY OF PREVIOUS DECISIONS

Executive – 12 December 2007:

Decision to establish public-to-public administrative arrangement with Blackpool Council through a Service Level Agreement.

Cabinet – 26 March 2014:

1. To approve the continuation of the Service Level Agreement (administrative arrangement) with Blackpool Council for the support services from November 1st, 2014, under the existing arrangements that had delivered value for money and efficiency savings to date.

BACKGROUND PAPERS RELEVANT TO THIS ITEM

Name of document	Date	Where available for inspection
HR Systems Licence & Support Cost Data	August 2022	How Much Does a HR System Cost in 2023? People HR
Capital Cost of new HR Systems	October 2022	The Cost Of Implementing A New HR System PeopleHR
Average Salary Data	N/A	Head of human resources salary in England (indeed.com)
Payroll Systems Licence & Support Data	N/A	Payroll Service Costs and Prices Startups.co.uk

LEAD AUTHOR	CONTACT DETAILS	DATE
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Attached Documents

Appendix 1: The Service Level Agreement (Administrative Arrangement)

Appendix 2: HR SLA Pricing Schedule