

Report of Assistant Chief Fire Officer

8. Provision of Payroll Services

Purpose of report

1. To inform Members of a potential collaborative partnership arrangement to provide payroll services with Shropshire Fire and Rescue Service and to seek authority for the creation of a shared service if this is shown to be beneficial.
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Recommendation

It is recommended that the Fire Authority give delegated authority to the Chief Fire Officer, in consultation with the Chairman of the Authority and the Treasurer, to enter into an in-house shared service with Shropshire Fire and Rescue Service and/or others for the provision of payroll services, if this is considered to be the most cost-effective approach following a detailed business case and/or competitive tender process.

Introduction and Background

2. The payroll of Hereford & Worcester Fire and Rescue Service (HWFRS) is the mechanism which pays salary and expenses to employees and other beneficiaries of the Service. This also includes pension payments to former employees. The payroll service is currently provided by Worcestershire County Council (WCC) and administered at H&WFRS by two staff that are part of the Human Resources department. However:
 - (a) the existing Service Level Agreement (SLA) between HWFRS and WCC to provide payroll services needs to be retendered in order to comply with EU procurement rules and the Authority's own standing orders; and
 - (b) WCC have now advised us that they intend to externalise their payroll function and will no longer be able to provide a payroll service on our behalf.
3. Officers are currently evaluating a range of options for the future provision of the Authority's payroll services. Options include:
 - tender for an external service provider in accordance with current procurement legislation. This could potentially be a commercial provider or another local authority/fire and rescue authority; or

- procure appropriate software and manage the payroll service in-house utilising existing staff.
4. Informal conversations with Shropshire Fire and Rescue Service (SFRS) highlight a potential opportunity to collaborate in the procurement of a new payroll service. This may result in a single payroll service supplying both HWFRS and SFRS, which would be more cost effective than two separate provisions as is currently the case.
 5. A joint payroll service could either involve joint procurement from an external provider or if it were to be provided in-house then it would need to be structured as a shared service to be hosted, most probably, by HWFRS and could possibly involve the transfer of staff from SFRS. This would be at no additional cost to HWFRS and would ensure additional resilience. Any such shared service would constitute a 'joint arrangement' and in accordance with the Authority's constitution requires the approval of the FRA unless delegated to officers.
 6. At the moment Officers are preparing a business case to evaluate these different options but it may be that a final decision cannot be made until after a formal tender exercise has been undertaken.
 7. There is also a possibility that HWFRS could join with WCC in whatever procurement exercise they subsequently undertake but this would involve additional delay which leaves the Authority potentially vulnerable because we would not be compliant with current procurement legislation in the meantime. It should also be borne in mind that retained firefighters' pay creates additional complications for the fire service payroll which may not be easily accommodated as part of a wider procurement exercise.

Proposal

8. Because of the timescales imposed by procurement legislation, HWFRS must embark on a tender to replace payroll services independently, as there is not enough time to fully explore a collaborative option before tendering for the payroll service, without increasing the risk of non-compliance with procurement legislation. However, there is an option to tender for the payroll service allowing for provision for another Authority to utilise the payroll service once awarded. It is also possible to tender for separate elements of the service, which would allow for either an externally provided, fully-managed service, or the option to bring the service in-house using employed staff. Either provision will require an electronic payroll system, so this will be tendered for as a minimum.
9. It is proposed that discussions with SFRS continue to explore the potential of a collaborative payroll service. This may take many different forms and it is proposed that HWFRS act as the lead Authority in the procurement process, which will ensure that should SFRS wish to not take part in a collaborative approach, the interests of HWFRS are not compromised.

Conclusion/Summary

- Members are asked to give their approval to the creation of a joint in-house shared service for the provision of payroll services, subject to further negotiations with SFRS and if this is shown to be the most cost-effective approach following a detailed business case and/or competitive tender process.

Corporate Considerations

Resource Implications (identify any financial, legal, property or human resources issues)	Financial and Human Resources: this project is critical to ensure prompt and accurate payment to H&WFRS staff.
Strategic Policy Links (identify how proposals link in with current priorities and policy framework and if they do not, identify any potential implications).	This paper supports the core of service provision.
Risk Management / Health & Safety (identify any risks, the proposed control measures and risk evaluation scores).	None
Consultation (identify any public or other consultation that has been carried out on this matter)	None
Equalities (has an Equalities Impact Assessment been completed? If not, why not?)	None

Supporting Information

N/A

Background papers – None

Contact Officer

Ian Edwards, Head of Asset Management
(01905 368360)

Email: iedwards@hwfire.org.uk