

Payroll outsourcing

Research Paper

September 2023

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1. Summary of key findings

The use of outsourcing to reduce costs in the public sector is well documented using several models of either specialist providers of payroll or more general back-office support services.

As part of this research, we have identified:

- 36 Local Authorities currently outsource their payroll
- 16 Central Government or NHS examples of outsourcing
- Various models include outsourcing full back-office functions and others specifically HR or payroll

2. Research options

- a. Retain in house**
- b. Work collaboratively with another authority via a shared agreement**
- c. Outsource payroll to a third-party supplier**

3. Methodology

A range of tools were used as part of the research including:

- Discussions with other comparable authorities, Kent CC, Norfolk CC, Suffolk CC, East Midlands Shared Services, Kent NHS Trust to understand their models and experiences
- Prior Interest Notification (PIN) issued to gauge market interest
- Meetings with suppliers noting an interest to discuss their service offer, five in total
- Internet research and relevant articles
- Reviewing framework service offers through Crown Commercial Services and ESPO
- Gathering indicative pricing and pricing models from potential suppliers
- Internal stakeholder engagement to understand requirements

4. Analysis

All data gathered indicated the following:

- Mature specialist suppliers were available in the market using our high-level requirements (continued use of Oracle Fusion (My Oracle))
- Pricing within expected ranges that would achieve the identified savings through outsourcing
- Clear comparators with other organisations such as Kent CC who had positive experiences of outsourcing payroll
- A preferred model identified of using our current My Oracle system to maintain the service
- Currently limited opportunity for a shared service opportunity with Essex CC as detailed in the Cabinet Paper paragraph 3.8
- Only small improvements/savings could be achieved in-house

5. Examples of outsourced payroll provision

Local Government

Sefton Metropolitan Borough Council	Chesterfield Borough Council,
Lincolnshire County Council	Northamptonshire council
Devon County Council	Watford Borough Council
Lincolnshire County Council (SS with below in LATC)	Elmbridge Borough Council
Herefordshire County Council	South Cambs, Huntingdonshire DC, Fenland DC, East Cambs DC – Shared services project
Hertfordshire County Council has signed a £200 million outsourcing deal with Serco.	Kent County Council
Barnet Council	Mid Sussex Council
Milton Keynes Council	Cambridgeshire CC
West Northamptonshire Council	North Northamptonshire Council
South Holland DC, Boston BC & East Lindsey DC - outsource to LATC	East Midland Shared services (Nottingham City Council and Leicestershire County Council)
Buckinghamshire County Council, London Borough of Harrow	Gloucestershire County Council, Gloucester City Council,
Royal Borough of Kingston Upon Thames, Merton Council, London Borough of Richmond upon Thames, London Borough of Sutton, Agilisys (service provider)	Doncaster Metropolitan Borough Council, Rotherham Metropolitan Borough Council

Central Government examples

National Highways	Environment Agency
Cabinet Office	Home Office
Dept of Transport	Food Standards Agency
Ministry of Justice	DWP
MOD	HM Land Registry

Other examples

Kent NHS Trust	Metropolitan Police
Disclosure and Barring Service	Northumbria NHS Trust
Countess of Chester NHS Trust	Health and Safety Executive