Walsall Council

Scrutiny Value for Money (vfm) Assessment Framework Introduction

The Gershon Agenda and CPA Value for Money assessment have made it increasingly important for all council services to deliver services efficiently and to be able to evidence both the savings services make on an annual basis and, through benchmarking and performance reviews, that the service offers value for money. The key lines of enquiry for the CPA vfm assessment clearly define a role for members in verifying that services do offer vfm and that it is demonstrated.

The attached assessment framework has been developed as a tool to be used by scrutiny and performance panels to conduct a service review from a vfm perspective. Use of this tool ensures a consistent approach across all scrutiny and performance panels and will provide valuable evidence for the CPA vfm assessment.

This vfm assessment tool provides a framework for members in partnership with services to work through and is divided into 3 broad themes:

1. What does it cost to provide this service?
2. How is this service performing?
3. What quality is the service being provided?

For each of these themes there is the opportunity/potential for scrutiny panels with the service being assessed to benchmark with other service providers.

The aim is that on completing this assessment scrutiny members will be able to make a judgement regarding the vfm provided by the service and identify and recommend any potential further action. This may ultimately inform the Councils performance review programme.

Scrutiny Panel Value for Money (vfm) Assessment

Summary

The Payroll function is located within the Council's Human Resources & Development service and has been since April 2007.

The payroll service ensures that all council employees are paid their correct contractual remuneration on the correct payday every month. Included within this scope is also elected members and pensioners. In addition to this through fair funding arrangements, the service runs the payroll for all non former grant maintained schools on a traded service basis. Currently 100% of schools buy this service. The council also provides an income generated contract payroll service to 15 other external pubic organisations.

During the internal audit of 06/07 the service was placed into special measures following three years internal audit reports which identified the service as poor, showing controls were in place but operating poorly or inadequately.

The service transferred from finance to HRD and merged with the transactional side of HRD in April 2007 in a new Employee Services team. The audit report for 07/08 showed a vast improvement and identified the service as showing significant assurance and that there was a generally sound system of control designed to meet the organisation's objectives.

Whilst the newly defined service is still in it's relative infancy it has been able to utilise some of HRD's experience in terms of business process re-engineering. One example of this is the introduction of the HRD Direct portal to provide managers and employees with desk top information for basic payroll information thus reducing personal telephone contact from employees which can be time consuming for all concerned.

From this year the service has adopted a minimum set of core performance and volumetric data. However nationally and regionally there is a distinct shortage of benchmark data for which to compare these against.

Scrutiny Panel Value for Money (vfm) Assessment

Reason for considering / assessing this service
Evidence the value for money that the payroll service provides to the council.

How does this service support the priorities of the council?
The payroll service ensures that all council employees are paid their correct contractual remuneration on the correct payday every month. Included within this scope are elected members and pensioners in receipt of LGPS payments .   **In addition to this through fair funding arrangements, the service runs the payroll for all non former grant maintained schools.**   **The council also provides an income generated contract payroll service to 15 other external pubic organisations.**   **In total over 15000 payslips are issued each month.**   **In 2006, a new integrated Human Resources and Payroll system was put into place, replacing 2 out dated HR and payroll information systems. As a result of this efficiencies were made owing to the need to only input employee data once. This has also led to improvements in management information.**   **At the same time the service took the opportunity to rationalise pay periods. At the time the Council ran 3 payrolls for employees – fortnightly, lunar (every 4 weeks) and monthly. By agreement with trades unions these were consolidated into 1 monthly pay date for all employees. Savings of approximately £100k were made at the time due to reductions in the number of payslips issued and in payroll processing work. Very few similar Councils managed to achieve this at the time. One neighbouring Council for example still run 2 weekly payrolls, a fortnightly payroll and a monthly payroll.**

COSTS

What does this service cost us? Gross revenue budget Capital Budget (If applicable)	The gross budget for the service is £497941pa **However £211301 income pa is income generated leaving a net cost of £186540pa**
How this is distributed: **Employee related expenses** (*Salary costs, Internal/External training etc*)	**£385941pa**
Premises related expenses (*Energy/Water/Accommodation recharges*)	**£ included in Human Resources & Development CEC**
Transport related expenses (*Vehicle, fuel, public transport, car allowances*	**£ Negligible – included in staffing budget**

etc.)	
Supplies and Services (*Furniture, Professional Fees, Insurances, Advertising*)	**£ 22000 printing & distribution** **£90000 IT charges**
Other (*link into AES / Gershon*)	**£n/a**
Income – Fees and Charges	**£ 102,000.00 from contract payroll service**
- **Other Income** (*Include Grant income, CSS Income*)	**£ 209301 fair funding income from schools** Fair funding income from school who buy back the service.

QUESTION? How does this compare to other authorities / service providers?
Currently no benchmarking data of this type exists. Payroll services are configured differently in different Councils. For example in some authorities payroll is decentralised into service departments with several different payrolls being run. Clearly this is a high cost option. Where benchmarking does take place the standard is measured on a cost per payslip basis. This is shown in the performance data section below.

PERFORMANCE DATA

What is the CPA rating of this service and how has it changed over the last 3 years?
(if applicable)

During the internal audit of 06/07 the service was placed into special measures following three years internal audit reports which identified the service as poor, showing controls were in place but operating poorly or inadequately.

The service was transferred from finance to HRD and merged with the transactional side of HRD in April 2007. The audit report for 07/08 showed a vast improvement and identified the service as showing significant assurance and that there is generally a sound system of control designed to meet the organisation's objectives.

What BVPI/LPI does this service have to demonstrate vfm?

Please see attached sheet for Local performance Indicators for 08/09.

Limited comparative data exists; however price per payslip comparison is available but is limited in its knowledge of what is included in the overall cost.

Price per payslip
Nottingham – £2.12
Powys - £2.77
Sandwell - £2.92
Telford & Wrekin - £3.09
Walsall - £3.14
Birmingham - £3.98 (salaries)
Coventry - £4.17
Bradford - £4.32
Salford - £4.67
Stoke on Trent - £4.90
North Warwickshire- £5.65
Warrington - £5.75
Tamworth - £10
Nuneaton & Bedworth - £11.41

It should be borne in mind that these costs are for a full payroll service including pay advances, non standard payments, pensions administration, calculation of employee benefits, and statutory returns to agencies including LGE. These services are not provided by a bureau service which simply produces a gross to net and BACS transfer service.

What is in the Beacon Index?

There are no measures contained within the Beacon Index relating to payrolls.

Is this service on target to deliver efficiencies identified in their service plan? (If not, what corrective action has been taken?)

The efficiencies identified within HRD's service plan centre around the theme of business process re-engineering with a view to providing a value for money efficient service, so far to date two retirements equal to one and a half full time equivalents posts have been agreed with a further reduction of a full time equivalent expected by 31st March 2009.

The introduction and further development of the HRD Direct portal already ensures that managers and employees have desk top access to key data. Further developments either launched (e-sickness) or expected in terms of e-expenses will continue to stream line the process and provide value for money in terms.

The new service is in its infancy but has already shown vast improvements in terms of internal audit results and innovation.

Initial work is under way to assess the payslip costs of private sector providers with a view to establishing the viability of any outsourcing or shared services arrangements. Benchmark data from authorities who have pursued this course of action is scarce at present.

What control measures are in place?

The service is highly controlled in the fact that it is subject to internal and external scrutiny in terms of audits by

District audit – yearly
Internal audit – yearly
Her Majesty's Revenue and Customs – Periodic Review

In addition to this the service is governed by the authorities strict financial regulations however there are also in house balancing and quality checks that take place on a monthly basis i.e.

Monthly reconciliation of all payroll expenditure
Suspense accounts
National insurance rates / numbers
Correct dates of birth
Bank changes
Leavers and starters checks

QUESTION?
How does this compare to other authorities / service providers?

It is expected that other service providers in the same field would operate the same kind of controls. **The payroll functionality and processes are, in the main common across the Local Government sector. Most terms and conditions of service that impact upon the complexity of the payroll are nationally prescribed (pension scheme memberships, sick pay and maternity pay schemes etc). Walsall Council however only operates one pay frequency (monthly) and has done since 2006. However many other councils still operate a weekly, fortnightly and/or 4 weekly payroll in addition to their monthly payroll.**

QUALITY OF SERVICE

How does this service identify and evidence the quality of service provided:-

Benchmarking Data and performance indicators

PI / comparable data:-

Please see data attached available from 1/4/08

Achievement of recognised standards:-

- **- ISOH – Health and safety**
- **- IiP – Currently lapsed**
- **- Service specific – Please see Local Performance Indicators**
- **- Equality standard (level) -3**

Customer Satisfaction:-

HRD has just undertaken a manager's survey which has resulted in the following satisfied or very satisfied results.

Information – 66%
Advice – 70%
Service as a whole – 65.2%

There is also a facility to e-mail comments, complaints and suggestions to HRD, since April 08 this has resulted in approximately 15 compliments, 22 comments and suggestions and 4 complaints relating to Employee services, of which payrolls belongs.

The service is also looking to introduce a relationship Management approach for schools and contract payrolls.

How does the service plan to engage with the public / customers in the future?
- consultation strategy

HRD account managers allocated to individual directorates consult and liaise with senior managers on a regular basis to ensure that HRD captures their requirements within its on going service planning process.

How does the service effect the 6 strands of equality (Age; Disability; Gender; Race; Religion or Belief; Sexual Orientation)

The employee's of the service currently represent a cross section of staff from the six strands of equality.

Is there a higher or lower participation in take up of the service from any of the six groups?

Not applicable

Does the service have any negative or positive impacts on any of the six groups?

There are no negative impacts on any of the six groups

QUESTION?
How does this compare to other authorities / service providers?

It is expected that other service providers would be broadly comparable.

(Brief statement summarising the view of the members conducting the assessment)

On conducting the review it is evident that the service is delivering on it's responsibilities to provide an efficient and effective service whilst broadly delivering on VFM principles on a day to day basis, however it is felt that the service can still benefit from business process re-engineering to fully establish and deliver on it's full potential.

It is our view that this service, in terms of vfm is:-

☺ **Delivering services in an efficient and effective manner and demonstrating vfm in all areas**

😐 **Generally delivering an efficient and effective service and demonstrating vfm but needs to address the following issues:**

    1. Collection of comparative bench marking performance data

    2. Ensure managers compliance with standard policies and procedures

    3. Continue to build on e-hr initiatives

    4. Continue to stream line process to ensure further value for money is achieved

☹ **In the majority of areas examined is not able to evidence that service delivery is efficient and effective or that vfm is being delivered. Our recommendation is that….**

Scrutiny Panel Value for Money (vfm) Assessment

Forward Looking Statement
Over the remaining months of this financial year and in readiness for next years internal audit review , the service will be under going further business process re-engineering to ensure that value for money, efficiency and effectiveness are maximised to it's full potential. One of the continuing developments to achieve this will be further enhancements to the HRD Direct portal which will enable automatic input and approvals for temporary payroll input i.e. expenses, subsistence, car mileage claims. A go live date of approximately the end of October 2008 is anticipated for this initiative. The next stage of this development is expected to be structural maintenance which will allow for input of variations to contracts. In the future it is hoped that paper payslips will be removed as payslip data will be available on line fro employees. However this is dependent upon staff access to PC's (currently only 40% of staff have such access). The service is also committed to expanding it's benchmarking and performance indicator data.

MEMBERS TO COMPLETE
FINDINGS OF THE ASSESSMENT BASED ON EVIDENCE GATHERED:

(Brief statement summarising the view of the members conducting the assessment)

It is our view that this service, in terms of vfm is:-

☺ **Delivering services in an efficient and effective manner and demonstrating vfm in all areas** ☐

😐 **Generally delivering an efficient and effective service and demonstrating vfm but needs to address the following issues:** ☐

    1.

    2.

    3.

    4.

☹ **In the majority of areas examined is not able to evidence that service delivery is efficient and effective or that vfm is being delivered. Our recommendation is that….** ☐

Our performance – Payroll and Pension Control Service

PI Title	Q1 Profile Target	Q1 Out turn	Q2 Profile Target	Q2 Out Turn	Q3 Profile target	Q3 Out Turn	08/09 Profile Target	08/09 Out turn	Action taken to improve performance.
Year end returns submitted within statutory deadlines	100%	100%					100%		
Monthly balancing completed within monthly time scales	100%	100%	100%		100%		100%		
% of employees paid without error (Employee Services) (Kim Baker)	99%	99.65%	99%		99%		99%		
Suspense items cleared	95%	86.4%	95%		95%		95%		

within 2 months of entry								
P45's issued within 7 working days from GTN	100%	100%	100%		100%		100%	
Bank Reconciliations completed within monthly time scales	100%	100%	100%		100%		100%	
Half pay No Pay sick letters issued within 3 working days of receipt of report	98%	100%	98%		98%		98%	
SSP(1) issued within statutory limit of 2 weeks prior to SSP end or within 5 working days if no entitlement	100%	100%	100%		100%		100%	

Volumetrics - Payroll Service

Title	Q1 Profile	Q2 Profile	Q3 Profile	Q4 Profile	Management Intervention taken
Number of Payslips produced	43008				
TUPE Transfers	367				Housing 21 Transfer out
Contract Employees paid	7882				
Number of Redundancy calculations undertaken	28				
Number of Year end adjustments	74				