

**Manchester City Council
Report for Resolution**

Report to: **Schools Forum**

Subject: **Local Authority Payroll and On-going Pension Duties**

Report of: **Directorate Finance Lead – Children’s and Schools**

Summary

This report sets the intention to:

- Implement a single monthly payday for all maintained schools staff that purchase the Local Authority Payroll service in order to streamline processes, improve the quality of data and provide one deadline to work towards for both the Shared Service Centre and schools.
- Charge maintained schools an annual pension administrative fees.
- Charge schools pension fines incurred as a result of non-compliance with the Pension scheme.

Recommendations

Schools Forum members (maintained school members) are asked to note and provide a view on:

- Single payday implementation for schools.
- Annual charge for pension administrative fee to maintained schools.
- Costs or fines as a result of non-compliance to the Pension scheme requirements will be passed on to the school or successor academy.

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1. Introduction

- 1.1 Historically, non-teaching staff in schools are paid on the 15th day of the month along with all Council employees, while teaching staff are paid on the last working day of the month. There are two dates in the year whereby teaching staff are paid early due to holiday periods (July and December).
- 1.2 The Shared Service Centre (SSC) has carried out a number of school engagement sessions, further promotion and support throughout the year and have seen positive results, by more schools converting to a single payday. There are now only 27 maintained schools using the Council's payroll services who are not on a single pay date. This report details reasons for moving all maintained school to a single mid-month payday.
- 1.3 Under the regulations of the Teachers' Pension scheme, Local Authorities (LA) are responsible for the provision of data and contributions to the Teachers' Pensions Scheme, and for ensuring compliance with the disclosure and Auto Enrolment regulations. The LA retains these responsibilities even where a school chooses to use a payroll provider other than the Council.
- 1.4 All maintained schools will incur a charge for statutory pensions work carried out by the Council. For schools purchasing the Council's Payroll & Pensions SLA the cost is included within the SLA. For schools who use payroll providers other than the Council there will be an annual charge to these schools from April 2020, in the financial year 2020/21 it will be £3k. Section 3 of the report explains why this charge is to be implemented.

2. Single Payday

- 2.1 Historically, non-teaching staff in schools are paid on the 15th of the month along with all Council employees, while teaching staff are paid on the last working day of the month. There are two dates in the year whereby teaching staff are paid early due to holiday periods (July and December).
- 2.2 In 2015, Circular 0914 was distributed to schools for them to consider moving to one payday. Since then a total of 103 schools have voluntarily taken up this option.
- 2.3 The SSC has carried out a number of school engagement sessions, further promotion and support throughout the year and have seen positive results as more schools have converted to a single payday. There are now only 27 maintained schools using the Council's payroll services who are not on a single pay date.
- 2.4 The movement to a single payday provides a number of advantages to the school:

- This change will affect teaching staff as their payday will be brought forward by moving to mid-month.
- It is a seamless transition for teaching staff as there is no change to personnel numbers, NI, Tax, Pension or their contractual terms and conditions.
- Effective way to streamline financial processes, SSC providing school with one costing report and one set of payroll data to reconcile (which can be reconciled earlier).
- One deadline date to submit information to the SSC for additional hours, new starters, movers, leavers etc.
- Monthly payroll summary provided to school prior to BACs which can be checked before salaries are paid, supporting a more efficient way to work.
- Following the early paydays in July and December, teaching staff do not have to wait six weeks for a payday in August and January.
- Easier for overall administration, provides schools' business managers and administration staff capacity to complete other tasks during the month.
- Benefits at the end of the financial year as the school can reconcile payroll before the end of March and have more time to focus on year end tasks.
- Better quality data and support for statutory compliance.
- Everyone in the organisation will be paid at the same time.

Points for consideration

2.5 It will need to be ensured that any change to pay date and impact on associated processes is in line with the strategic aims of the Council and is supportive to schools. The following has been considered prior to the proposed April 2020 implementation:

- Reputation and relationships with the schools, schools could decide to opt out of the Employee Services SLA if they don't support this decision.
- Any financial impact on employees, direct debit dates and standing orders may need to be adjusted by individuals depending on their financial circumstances. There would be no funding associated costs with changing direct debits as monies are being paid earlier.
- Revised statement of particulars (SOP) are not required to be produced as the pay frequency will not be changing. No change to contractual arrangement. The SOP currently states *"You will be paid calendar monthly in twelve equal payments by credit transfer"*.
- The LAs at Salford, Bury, Wigan, Blackburn, and Darwin have all successfully implemented a move to one single payday.

2.6 Schools Newsletter has already been issued in December 2019 with information to promote and encourage the move to a single payday. The Council intends to:

- Advise schools of move to one pay date with effect from April 2020.
- Ensure processes are in place within the SSC to facilitate the bulk upload of data changes to amend the payroll area within SAP as a seamless change to schools. No impact for schools to enable this change.

- Teaching staff would be paid on the 31 March 2020 for the full month and then again on the 15 April 2020 for the full month of April.
- 2.7 There is no impact on records for pension and payroll. Only the pay date will change to be 15 of each month, or before if the 15th falls on a non-working day or bank holiday.
- 2.8 The Council intends to move the remaining 27 schools to one mid-month pay date from April 2020, in line with the new financial year and the SLA for 2020/21. This provides schools with notice to inform their teaching staff of the change and allow for them to make any necessary provisions.
- 2.9 Implementing the move for all school staff within the Council's payroll portfolio to a single mid-month pay date will achieve efficiencies for schools and the SSC, allowing for focus on quality of data and supports resource requirement for compliance across key areas for payroll and pension. It also enables SSC to work in a more streamlined and efficient manner, allowing for smarter working and resulting in achieving the savings targets required. Any new customers that purchase the Employee Services SLA are only offered the option for their staff to be paid on a single mid-month payday.

3. Pension Administration

- 3.1 Under the regulations of the Teachers' Pension scheme, Local Authorities (LA) are responsible for the provision of data and contributions to the Teachers' Pensions Scheme, and for ensuring compliance with the disclosure and Auto Enrolment regulations. LAs retain these responsibilities even where a school chooses to use a payroll provider other than the Council.
- 3.2 All maintained schools will incur a charge for the pensions work carried out by the Local Authority. For schools purchasing the Council's Payroll & Pensions SLA the cost is included within the SLA. The Council intend to charge schools who use payroll providers other than the Council an annual fee and seek School Forum's view. The pension administration charge will be effective from April 2020, in the financial year 2020/21 it will be £3k as a number of monthly returns are submitted to the Teacher's Pension Scheme. Birmingham, Bristol, Nottingham and Wigan have already implemented this charge, and other North West authorities are in the process of implementation.
- 3.3 The Council's Scheme for Financing Schools section 6.2 allows a charge to be made to schools for these retained pensions duties. This work is carried out by the Council's SSC, although the cost has not been previously charged to schools. As a result of changes within the administration of pensions (the move to monthly data collection and uploads), along with an increasing number of historic missing service cases, the volume of work for the Council has increased. To adequately resource this work, the Council needs to make a charge starting from the financial year 2020/21 of £3k, and subsequent financial years, to all schools who use other payroll providers. Schools will be invoiced directly by the SSC for the charges at the start of the new financial year. The prices quoted may be adjusted in line with RPI at the start of each financial year, and schools will be issued reasonable notice of this.

- 3.5 Schools who purchase the Employee Services (Payroll & Pensions) SLA from the Council have the costs of the retained pensions work is included in the existing SLA fee. Schools engaging a payroll provider other than Council should ensure that any contract for payroll services is accompanied by an indemnity for any liabilities arising from that contract. Due to the nature of pensions work, any liabilities may not come to light for several years and may include significant amounts of compound interest. Details of the work covered in this regard will be circulated to schools and made available on the schools hub by March 2020.
- 3.6 Additional casework will also be charged on an individual basis, and any costs or fines incurred by the Council as a result of non-compliance with the requirements of the scheme will be passed on to the school.

4. RECOMMENDATIONS

- 4.1 Schools Forum members (maintained school members) are asked to note and provide a view on:
- Single payday implementation for schools.
 - Annual charge for pension administrative fee to maintained schools.
 - Costs or fines as a result of non-compliance to the Pension scheme requirements will be passed on to the school or successor academy.