

By: Director of Personnel & Development
Director of Resources and Planning - CFE

To: Governance and Audit Committee – 15 September 2010

Subject: Capita Payroll Services to Schools

Classification: Unrestricted

Summary: This report provides information on the payroll service provided by Capita to Kent County Council maintained schools and how information is provided for the Teachers' Pensions return.

FOR INFORMATION

1. Introduction

1.1 This report is on the agenda as a follow up to the Audit Commission report on the *Certification of claims and returns* that was brought to the Governance and Audit Committee on 30 April 2010 and addresses some specific issues that were raised about Capita's payroll service to schools and, in particular, the Teachers' Pensions contribution return.

2. Background

- 2.1 From June 2000, Capita provided payroll services on behalf of Kent County Council including to its schools.
- 2.2 In April 2001, legislation was introduced that required Local Authorities to devolve monies to maintained schools to enable them to purchase support services directly from the supplier. This included payroll services and most schools decided to continue purchasing from Capita.
- 2.3 The Authority continued to contract with Capita for its directly employed staff until this was brought back in house within the KCC Employee Services Centre in 2005.
- 2.4 A separate contract was established between Capita and the County Council to undertake the contribution return TR17, to Teachers' Pensions on behalf of the Authority and its maintained schools.

3. Current Position

- 3.1 Although schools can choose to purchase their payroll services from any provider, or indeed provide an in-house payroll themselves, over 85% of schools still contract with Capita HR Solutions for their payroll service.
- 3.2 Each school contracts individually with their chosen payroll provider and Kent County Council is not a party to these contracts. Any issues that a school might have with the service must therefore be raised direct with Capita. However, KCC's Schools' Personnel Service (SPS, which provides our HR administration service to 93% of schools) has regular meetings with management at Capita to ensure that processes are as joined up as possible.
- 3.3 Many schools have signed a 3 year contract with Capita as this guarantees that the price will be fixed for the 3 year period. Whilst a school can give notice within the contract period this will not take effect until the end of the 3 years.
- 3.4 Monitoring of the Authority's contract with Capita for the Teachers' Pension contribution return is undertaken by the Children, Families and Education Directorate.

4. Teachers' Pension returns

- 4.1 For those teachers that are members of the Teachers' Pension Scheme, contributions are collected from the employee and employer by the payroll provider and remitted to the Teachers' Pensions Agency. In addition the Authority completes the Teachers Annual Return of Service for the Department for Education, for each financial year, showing all Teachers in service during that year and detailing their salaries, hours and allowances.
- 4.2 For the contributions return (TR17), if an error is made in a salary payment that is later corrected, a retrospective adjustment will be made by the payroll provider to the amount of contributions collected and remitted to the Teachers' Pension Agency.

- 4.3 With the Teachers Annual Return of Service, the Authority collates the information from its Oracle HR system, for those schools utilising Schools' Personnel Service, together with information from Capita HR Solutions and from schools' utilising other payroll providers. Once the return is collated, subsequent retrospective amendments to salary details are reflected in the return for the following year. Exceptions to this will be where a member of staff is retiring and manual adjustments are then made by the Authority and the Teachers' Pensions Agency to ensure the correct pension is paid.
- 4.4 The Authority undertakes a comparison of the total contributions made against the Annual Return of Service to ensure these match within the tolerances set by the Department for Education.

5. Future developments

- 5.1 SPS has been developing a payroll service, in conjunction with KCC Employee Services, to offer schools an integrated HR and payroll service. This service, known as SPS IntePay, is now being marketed to schools and has generated significant interest although many schools are tied into their Capita contracts until March 2012.
- 5.2 The IntePay service will commence in January 2011 with a few schools initially but with a view to extending this to a large number of schools when the 3 year Capita contracts expire.
- 5.3 The benefits to schools of the IntePay service include:
- Schools are generally very satisfied with the HR service provided by SPS and trust them to deliver a high quality payroll service
 - The service is being developed and delivered with the ESC team who are already delivering a successful payroll service for KCC staff.
 - There is only one contact point for all queries on pay and contracts
 - The schools have longer deadlines in which to submit their pay instructions
 - There will be a saving to the school from the current Capita prices
 - The Authority will have greater assurance over the accuracy of information provided on the Teacher's Pension returns for schools using SPS Intepay

Further enhancements to IntePay will include the development of links into the Kent Learning Zone so that data can be securely transmitted electronically between the school and SPS.