

## **Project Assumptions and financial protocols**

### **Protocol / Assumptions / Issues**

#### **1 Pension Back funding**

Staff are to be costed at current cost including a % for back funding. When staff transfer to a host employer, their share of the deficit will transfer with them. The back funding on the deficit will then be included in the trading account and will be part of the costs to be recharged to partners.

However, the protocols also need to cope with closure of the project. If, staff transfer to SHREK, then the project folds, the host could be left with significant pension deficits. If there has been a revaluation in the meantime, then the deficits could be even greater on staff the host has employed, on behalf of others, for a short period.

It is proposed that pension deficits relating to staff remaining with the project at the time of closure are shared in, say, 1/20ths, (reflecting an average sort of career).

If the project folds the host will retain 1/20 \* no of years the staff were hosted, and the original employer will bear the balance of the deficit - either through a lump sum payment to the host, or an annual payment. The deficits on staff recruited after the project started will be shared equally between the partners.

#### **2 Closure / Exit from the shared service**

If an authority chooses to leave the partnership, they will be responsible for meeting the costs, including redundancy / actuarial strain arising from redundancy / early retirement that this causes, up to a maximum of 25% of all staff (when 1 of the 4 leaves), 33% of staff if there are three authorities left etc.

The remaining authorities will determine which staff are selected for redundancy.

#### **3 Minimising costs**

All authorities will use best endeavours to minimise the costs of their payroll & HR teams where this will reduce any potential redundancy costs to the project.

#### 4 **Set up costs, one off premises costs etc –**

These will be shared by the participating authorities and will not be refundable.

#### 5 **Charging for the service:**

##### **General**

- Charging will aim to provide a fair attribution of costs, but also to provide as much certainty as possible.
- The budget for the coming year will be prepared by the Head of HR and presented to district s151s every autumn. It will include the costs of payroll based on an SLA between the EK JAC and KCC, and it will also include the basis for provision of the service to additional authorities.
- The host authority will charge overheads (premises, ICT etc) to the payroll and HR team on the same unit basis as it charges to its other services.

##### **For payroll :-**

- Every October the Head of HR will agree with the districts an estimated no of payslips, based on:
  - Headcount
  - weekly paid staff
  - monthly paid staff
  - temporary / casual staff
  - vacancy levels
- The annual charge will then be calculated based on KCC costs and the estimated total number of payslips.
- If the actual number of payslips, in total, and between districts, is not materially different, then the actual charge will be the previously agreed annual charge.
- If the actual number of payslips for an authority is more than 10% above the estimated number, then the charge from KCC will be adjusted pro rata. If other authorities have less than 10% above the estimated number of payslips, but the aggregate charge by KCC will be at or above the estimated level, then their charges will be adjusted down pro rata.

##### **For HR:-**

- Base cost of 25% of total costs, split equally as a "membership" cost
- Remaining 75% of costs pro rata to employees in each authority
- Additional work bought in on a day rate for consultants shared by those requesting the work.

##### **L&D**

- Pro rata to employees in each authority

### **H&S**

- Split equally.

### **Welfare**

- Canterbury only cost, not included in the model.