



HM Treasury Payroll Framework A Shared Service in extensive use throughout Government

HM Treasury awarded a 10 year Framework Agreement to LogicaCMG. This is an exclusive agreement within the industry for the provision of payroll services.

The Framework offers a number of benefits:

- **greater economies of scale**
- **guaranteed performance levels**
- **automation of manual processes**
- **access to state of the art technology**

HM Treasury Framework Overview

The HM Treasury Framework Agreement, awarded to LogicaCMG following a competitive tender process, allows all Government Departments to procure payroll services. The Principal Agreement was signed on behalf of an initial 12 consortium members (9000 employees) by HMT, with the service now being taken by over 90 departments (190,000 employees).

Business Issues

For Government, payroll delivery has represented low economies of scale and high costs as delivered traditionally, department by department. There are high payroll staff to employee ratios and the existing processes tend to be paper intensive. Inflexible systems present a high cost of change and high cost of legislative compliance. In addition, recent Government reports, such as Gershon, have given a greater impetus to deliver commodity services, such as payroll, in a 'shared' and cost effective manner, on a transaction by transaction basis.

The drivers to change are not only focused on reducing costs but also on providing guaranteed performance levels and enabling the smooth introduction of new and improved processes.

To address these issues HMT pulled together a group of interested parties with the aim of defining a standard procurement framework. This group defined a common requirement and tendered for a Framework Agreement.

LogicaCMG Supply Strategy

The core element of the LogicaCMG strategy was to move away from the highly tailored payroll solutions, which have high maintenance costs and complex pricing mechanisms. By utilising more generic products with standard procedures, the costs of support and maintenance are reduced and simpler cost per payslip pricing can

be introduced. The pricing is also linked to volume thus the more departments that use the service the more the costs for all users reduce.

The analysis carried out by LogicaCMG indicated that the average cost within government departments was in excess of £6 per payslip – the LogicaCMG proposal offered reductions of around 30%.

The LogicaCMG offering provides three standard service offerings:

- Fully managed
- Semi managed
- Bureau services

These give the flexibility to suit the wide range of Government Departments that are eligible to use the Framework.

The strategy also includes a 'template' implementation plan that allows any department to be smoothly transitioned to the new service.

The core elements of the template are:

- Start-up
- Analysis & preparation
- Conversion
- Training
- Parallel running
- Live running

All of these elements are bounded by our proven programme management.

Business Benefits

There are a wide range of business benefits realised by the Departments that move to the Framework Agreement:

- Reduced costs (up to 30%)
- On-going economies of scale (the more departments that take up the service the better the price per payslip)
- No fixed overhead (costs linked directly to employee headcount)

- No pain in ensuring that the payroll system is up to date and compliant with legislative requirements
- Back-office payroll staff can be re-deployed to front-office duties
- Guaranteed performance levels (underpinned by a rigorous service credit regime)
- The reduced procurement process under the Framework saves time and money
- Employee self service options available to further reduce costs by the introduction of such items as electronic payslips and online expense claims

The Implementation Challenge

As part of the introduction of the Framework Agreement to new departments a number of objections were raised both to the practice and principle of outsourcing payroll – a number of examples follow:

1) *“Our payroll is so complex that only we understand it.”*

This is extremely unlikely – LogicaCMG specialises in administering complex payrolls with a multitude of terms and conditions, as evidenced by our work for Central Government and Police organisations.

2) *“We are already efficient.”*

How do you know? What is the benchmark? LogicaCMG operates at a ratio of 1:1500 payroll staff to employees and is constantly improving on this figure.

3) *“We don’t want to outsource because we will lose control.”*

Do you really understand what your payroll costs you, to the extent that enables proper cost

control? Is there really adequate accountability and the appropriate management information? Outsourcing provides visibility and predictability of costs and performance.

Lessons from experience

LogicaCMG always looks to improve services and to implement the lessons learned from each new project or service. Given the large number of departments that have signed up to the HMT Framework we now have a wealth of experience in implementing payroll systems for Public Sector clients with widely differing numbers of staff and complexity of requirements.

Some of the key areas where we have refined and improved services are:

- Clear and effective communications plans
- Well defined technical standards
- Implementation of common processes and structures
- The ability to deal with both very large and very small employee numbers
- Adoption of common forms
- Templated implementation procedures

Meeting the Modernising Government agenda

There is an ongoing drive by Government for all transactions to be available electronically and the increasing need for Public Sector clients to meet stringent targets in terms of quantifiable performance measures and efficiency requirements.

LogicaCMG utilises technically advanced HR and Payroll systems that enable our clients to improve their service delivery through the use of electronic channels such as the Web and GSI (Government Secure Internet) thus helping to realise the e-Government agenda.

LogicaCMG and the Public Sector

We have a long and very successful track record of delivering solutions and services to Public Sector clients including the original 12 Consortium members:

- **Cabinet Office**
- **CEFAS**
- **Crown Prosecution Service**
- **Department of Culture Media and Sport**
- **Export Credit Guarantee Department**
- **HM Treasury**
- **National Assembly for Wales**
- **Office of Government Commerce**
- **Office for National Statistics**
- **Ordnance Survey**
- **Public Records Office**
- **Royal Parks Agency**
- **Treasury Solicitors**

LogicaCMG offers customers:

- A long-term, dependable supplier
- Access to a broad range of offerings
- Strong global distribution and support
- Long-term operational strength
- Wide capability
- Business & management consultancy
- IT strategy consultancy
- Global leader in mobile & internet
- Applications development
- Systems integration
- Leading technology consultancy
- Managed operations & applications
- Business process outsourcing
- Regulatory reporting
- Security
- HRM & Payroll Solutions

About LogicaCMG

LogicaCMG is a major international force in IT services. It employs 30,000 people across 36 countries. LogicaCMG’s focus is on enabling its customers to build and maintain leadership positions using LogicaCMG’s deep industry knowledge and its track record for successful delivery. The company provides business consulting, systems integration and IT and business process outsourcing across diverse markets including telecoms, financial services, energy and utilities, industry, distribution and transport and the public sector. Headquartered in Europe, LogicaCMG is listed on both the London Stock Exchange and Euronext (Amsterdam) (LSE:LOG; Euronext:LOG).

More information is available from www.logicacmg.com/uk

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