

PAYROLL AND PENSIONS TEAM RESOURCING

1. INTRODUCTION

- 1.1 This report provides details of the outcome of a review of the workload and resourcing of the Council's Payroll and Pensions Team. In recent years, the core workload of the team has increased due to the implementation and expansion of the Council's employee benefits scheme and increases in the frequency of the preparation and submission of pension returns for the Local Government Pension Scheme which have increased from an annual submission to monthly submissions.
- 1.2 The report also considers the impact of the implementation of the iTrent HR and Payroll System and, specifically, issues with several aspect of the system's functions which are ongoing and which have further added to the team's workload and affected the quality of the service they are able to provide to employees.
- 1.3 The report considers expected future increase in the team's workload and the adequacy of the team's resourcing, the potential risks to the Council if the current capacity challenges are not resolved and sets out three options for improvement for committee to consider.

2. RECOMMENDATIONS

- 2.1 Committee is recommended to:
- a) Note the challenges facing the Payroll and Pensions Team and the potential risks to the Council if action is not taken to address them.
 - b) Consider the three improvement options which are detailed in the report.
 - c) Agree the recommended option 2, to recover and stabilise the position in the short-term and ensure that the Payroll and Pensions Team is sufficiently resourced to deliver an efficient and effective payroll and pensions service on a sustainable basis for the long-term and refer on to Council to be included as part of the budget considerations.

3. DETAIL**3.1 Background**

- 3.1.1 The Payroll and Pensions Team currently administer the payroll for 5,963 people employed by the Council, Live Argyll, Allenergy, and the GRAB Trust as well as council members. The team ensures accurate, timely and compliant payment of all employees and members. The team maintains compliance with statutory, contractual and Council requirements, administers pension schemes and statutory returns, and provides clear guidance and support to managers and employees. It upholds strong financial controls, undertakes essential reconciliations, manages

employment lifecycle changes, and protects organisational reputation by reducing risks associated with payroll errors or non-compliance.

- 3.1.2 There are currently 8.5 FTE staff within the Payroll and Pensions Team comprising 1 FTE SLGE 11 Team Leader, 4 FTE SLGE 8 Admin Officers and 3.5 FTE SLGE 6 Admin Assistants. The 2025/26 annual staffing budget for the team is £340,421.

3.2 Core Workload Changes

- 3.2.1 In recent years, the workload of the Payroll and Pensions Team has increased due to the implementation and expansion of the Council's employee benefits schemes and increases in the frequency of pension reporting for the Local Government Pension Scheme, which has changed from annual to monthly reporting.
- 3.2.2 Further increases in workload are expected during 2026/27 as Live Argyll and GRAB Trust introduce salary sacrifice additional voluntary contribution pension schemes for their staff and the Scottish Public Pensions Agency, which administers the teachers' pension scheme, moves from annual to monthly pension return submissions.

3.3 iTrent System

- 3.3.1 The iTrent Payroll solution has been operational since July 2024 and whilst the Payroll and Pensions Team have been successful in ensuring that staff have continued to be paid on time, they have had to undertake significant additional checking and manually intervene on the system to ensure that staff have been paid correctly. This has significantly increased the work involved in preparing the monthly pay rolls which has resulted in processing and staff enquiry support work being delayed and backing up, negatively impacting on employees who have had to wait longer for responses to their enquiries and for issues/changes with their pay to be applied.
- 3.3.2 The areas of functionality which are not yet working as expected relate to sickness absence, maternity and parental leave, annual salary increments, teacher's pay and pension administration. Initial investigatory work has been undertaken with the system supplier to understand and identify solutions to these issues and the team have reached out to other Scottish Councils using the same software to compare experiences and share solutions.
- 3.3.3 The most significant issue which has created an additional burden on the team relates to sick pay calculations. This is due to the combination of the high and persistent number of sickness absences every month and the complexity of the calculations for staff who are employed in multiple posts. Additional resources have previously been provided to undertake work to resolve the issues with this functionality. An investigation of the root causes was completed in April 2025 and options for two alternative configurations were developed and built for testing in May 2025. Initial testing work was undertaken by agency staff which concluded in late June 2025 when the agency staff contracts ended as additional project funding was fully expended. A number of issues were identified during this testing phase and further work is required to investigate and resolve these issues to identify a

final solution. The availability of staff from the Payroll and Pensions Team involved in the testing phase was limited due to the combination of staff required to prepare and submit statutory pension returns, ensuring that the payroll was processed accurately and on time and also sickness absence within the team.

- 3.3.4 In terms of the additional effort required to complete the monthly payrolls, checking of sick pay has increased from 45 to 105 hours per month and an additional 21 hours per month is required to check and correct maternity and parental leave payments. A further 3 hours is required each month to check and correct employee pension contribution rates and additional checks have to be undertaken on every change in circumstance for teachers including changes in posts, working hours and pay rates.
- 3.3.5 The current situation is not sustainable, and further work will be required to either make changes to the iTrent System to ensure that it is working correctly or to develop efficient solutions to compensate for any issues which cannot be resolved in the system. This will require further work by the Payroll and Pensions Team, further increasing the burden on the team both in the short term, to explore changes on the system, and on an ongoing basis due to the increased workload created by issues which cannot be resolved on iTrent. From discussions with other Councils who use the iTrent System, we are seeing common issues coming up and are aware from those discussions that colleagues have been unable to resolve some issues and have had to undertake ongoing additional work to address them.

3.4 Backlogs

- 3.4.1 As a result of dealing with the combined impact of the increases in their core workload and the above system issues, significant backlogs have accrued in relation to the processing of changes to employee's pay, responding to enquiries from employees, managers and the pension administrators and the preparation and submission of monthly pension returns.
- 3.4.2 Work is progressing to address the current backlog with the preparation and submission of the monthly local government pension scheme returns however there is insufficient capacity within the team to address the other backlogs which are continuing to grow. Additional capacity will be required to clear the current backlogs and enable the team to ensure that future enquiries are handled promptly and effectively and that pension returns are completed and submitted on time.
- 3.4.3 The staff in the team are extremely concerned about the backlogs and the impact delays in dealing with them are having on employees, their pay and pensions and their wellbeing.

3.5 Efficiencies and Future Developments

- 3.5.1 In dealing with the effects of the above issues, the team have not had the opportunity to review their processes and procedures to ensure that they are gaining the maximum benefits in all areas of work from the investment which has been made in the iTrent System. This factor has been included in the proposals to address the current issues later in this report.

3.5.2 In addition to ensuring that the team are maximising the gain from the investment in the iTrent System, it is expected that further development and refinement of the system and parallel processes and procedures will be ongoing over the short to medium term as the system continues to bed in and new functionality becomes available. The development of local reporting mechanisms to support the move by the Scottish Public Pensions Agency from annual to monthly pension returns for the teachers' pension scheme is included within this area of focus. At the moment, the team have no capacity to undertake the work necessary to maximise new opportunities to generate efficiencies and improve services whilst ensuring that employees are paid correctly.

3.6 Workforce

3.6.1 The above issues are having a detrimental impact on the health and wellbeing of staff within the Payroll and Pensions Team and employees affected by issues with their pay. The team report that they are struggling with work related stress as a result of the demands placed on them, which are increasing as the backlogs persist with them unable to resolve the underlying problems causing them.

3.6.2 It is expected that there will be a turnover of staff within the team in the next 3-5 years as several very experienced staff reach retirement. The Council may not be able to recruit new staff with the necessary knowledge and experience to replace the departing staff and there is subsequently a substantial risk that the current capacity problems facing the team will worsen as replacement staff are recruited and trained, the latter step typically taking around 6 months to complete to a point where new staff are confident and competent in their work.

3.6.3 Staffing levels within the team will be reviewed regularly to take account of changes in the team's workload as well as opportunities to streamline processes through the increased availability and deployment of artificial intelligence and other automation tools and technologies.

3.7 Identified Risks

3.7.1 The following risks have been identified in relation to the current payroll and pensions operations if action is not taken to address the above concerns:

3.7.2 Operational Risks

- Increased likelihood of payroll errors due to excessive workload and reduced checking time.
- Delays in resolving payroll system issues, prolonging inefficiencies and errors.
- Inability to meet statutory deadlines for pension and HMRC returns.

3.7.3 Workforce Risks

- Staff health and wellbeing concerns have been raised due to persistent high pressure and lack of resilience within the team.
- High risk of turnover or absence, which would further destabilise operations.

- No current capacity for forward planning or effective handover in the event of retirements or leavers.

3.7.4 **Strategic Risks**

- Payroll accuracy and timeliness are critical to organisational reputation, staff trust, and compliance. Any disruption could have significant financial, legal, and reputational impacts.
- Limited capacity reduces the organisation's ability to deliver planned improvements to payroll processes and systems.

4.0 **Improvement Options**

4.1 **Benchmarking Exercise**

4.1.1 To inform the development of improvement options, a survey of Scottish local authorities was undertaken to gather comparative information on their payroll and pensions operations and to identify councils interested in exploring shared service opportunities. Twelve responses were received, and the results have informed the development of the three improvement options set out later in the report for committee to consider.

4.1.2 The purpose of the benchmarking survey was to:

- Understand how each authority currently operates and identify alternative approaches that may support long-term solutions to the challenges detailed above.
- Collect key operational metrics, including employee numbers, payroll team size, and payroll team costs.
- Identify authorities interested in discussing a shared service model for payroll and pensions service delivery.

4.1.3 Responses were received from the following councils: Clackmannanshire, East Ayrshire, Comhairle nan Eilean Siar, West Dunbartonshire, Scottish Borders, Glasgow City, Falkirk, Aberdeen City, Inverclyde, South Lanarkshire, Dumfries and Galloway, Aberdeenshire.

4.1.4 The key findings from the survey responses were as follows:

- 7 councils generally operate along similar lines to the arrangements at Argyll and Bute.
- Based on the number of staff on their payrolls, of the 7 similar authorities above, 3 are of a broadly similar size to Argyll and Bute – based on the number of employee on their payroll being within +/- 25% of the number of staff on Argyll and Bute's payroll.
- Compared to the average of the above 3 councils, Argyll and Bute is currently relatively similar to the average in terms of the size and cost of its payroll operations. The table below provides a comparison between the average and Argyll and Bute:

Factor	Argyll and Bute	Average of Comparable Councils
Payroll Team Size (FTE)	8.5	9.5
Number of Staff on Organisation Payroll	5,973	5,457
Ratio 1 – Employees per Payroll FTE	702.71	578.68
Annual Payroll Team Budget	£340,421	£385,234
Ratio 2 – Average Cost per Payroll FTE	£40,050	£41,671
Ratio 3 – Average Payroll Cost per Paid Employee	£484.44	£668.12

- The 5 Councils whose operational arrangements were different to Argyll and Bute were more integrated with their HR operations (eg Dumfries and Galloway) or operated on a hub and spoke model with a central team undertaking core functions like processing the payroll, reporting etc supported by payroll support teams positioned in their service departments (eg Glasgow City Council).
- 7 of the Councils have expressed an interest in exploring a shared services model. Of those who have responded positively, one Council expressed an interest in delivering the service and another highlighted resilience challenges and difficulty securing appropriate expertise as factors behind their interest in a shared services approach. Another advised that they are currently engaged in a similar project with a neighbouring Council which they anticipate will include payroll and advised that they would be willing to have discussions about any other models.
- Of the 5 Councils who advised that they wouldn't be interested in a shared service arrangement, two asked to be kept informed of developments.

4.2 Improvement Options

4.2.1 The following three options have been identified to address the challenges detailed above:

4.2.2 Option 1 – Do Nothing (Baseline option)

Continue operating within the existing staffing and system capacity, with no additional investment or structural change.

Estimated Cost

There is no direct cost arising from selecting this option.

Assessment

Operational Risk: Very high. Existing backlogs, system errors, and manual workarounds will persist or worsen.

Financial Risk: High. Increased likelihood of penalties for late pension returns and potential costs associated with payroll errors.

Workforce Impact: High. Staff wellbeing and retention risks are significant, with potential for further destabilisation.

Reputational Risk: High. Continued payroll inaccuracies and pension compliance issues undermine confidence in the Council.

Conclusion

This option is not viable. It fails to address known risks and would likely lead to further service deterioration.

4.2.3 Option 2 – Recover and Stabilise (Recommended)

Provide additional capacity and specialist support to resolve the remaining iTrent System issues, clear backlogs, optimise processes, and stabilise the service.

This option proposes to increase the capacity of the team by 3.5 FTE of which 1.5 FTE is on a permanent basis and 2 FTE on a temporary basis for 1 year. Details of the proposed posts and costs are provided in the table below:

Post	Proposed Additional FTE	Proposed Employment Basis	Estimated Cost 2026-27 £	Estimated Cost 2027-28 £
Trainee Payroll and Pensions Officer - SLGE 8-10*	1	Permanent	43,356	47,924
Payroll and Pensions Admin Officer (1) - SLGE8*	0.5	Permanent	23,092	23,092
Payroll and Pensions Admin Officer (2) - SLGE8*	1	Temporary	39,419	3,014
Payroll and Pensions Admin Assistant - SLGE6	1	Temporary	34,248	2,637
Total Estimated Cost	3.5		140,115	76,667

*Please note that the grade of the Payroll and Pensions Admin Officers is currently subject to a job re-evaluation and could change.

The rationale for each of the proposed additional posts is set out below:

- Trainee Payroll and Pensions Officer 1 FTE – this is a new post and is proposed to provide permanent additional capacity and longer-term resilience to address the long-term impact of the iTrent System and address the expected staff turnover as members of the team approach retirement in the next 3-5 years. In addition, the postholder will be required to undertake the Chartered Institute of Payroll Professionals professional payroll qualification as a condition of their employment to ensure that the Council maintains the skills and knowledge necessary to deliver an effective payroll and pensions service.
- Payroll and Pensions Admin Officer (1) – this is an additional permanent 0.5 FTE equivalent post which is intended to be used to increase the hours of two existing experienced part-time staff to full-time. The benefits of this change would be immediate and would provide additional capacity to assist in resolving, in the first instance, the outstanding issues in respect of sickness absence calculations on the iTrent System and the pension returns and enquiries backlogs. This permanent investment would provide additional long-term capacity to ensure that the team is adequately resourced to undertake its workload and provide a sustained improvement in the service provided to the team's customers.
- Payroll and Pensions Admin Officer (2) – this is an additional temporary 1 FTE post for up to 1 year to provide additional capacity to the team to resolve the outstanding issues with the iTrent System and clear the backlog of payroll and pensions processes and enquiries.
- Payroll and Pensions Admin Assistant – this is an additional temporary 1 FTE post for up to 1 year to provide additional capacity to the team to clear the backlog of payroll and pensions processes and enquiries.

In addition to increasing the capacity of the team to resolve the outstanding issues, it is also proposed that work is undertaken with support from the iTrent System supplier, MHR, to conduct an optimisation review of the team's operational processes and procedures to ensure that the team is working as efficiently as possible with the iTrent System. A short project to undertake this work would be completed over a period of 6 weeks to identify opportunities for improvements which will then be implemented by the team. The duration of the implementation work will depend on the number and complexity of the improvements identified but the expectation would be that it would be completed within 2026/27. The cost of the optimisation review support from MHR has been estimated at £15k.

Estimated Cost

The overall cost of the additional capacity and process optimisation review is £155k in 2026/27 and £77k in 2027/28.

Assessment

- **Operational Impact:** Strong. Addresses root causes of inefficiency, reduces manual workload, and improves accuracy.
- **Financial Impact:** Moderate investment required but likely to be offset by reduced error-related costs and avoidance of regulatory penalties.
- **Workforce Impact:** Positive. Reduces pressure on staff, improves morale, and supports retention.
- **Strategic Value:** High. Creates a stable platform for future transformation, including potential shared service arrangements.

Conclusion

This option is recommended. It provides immediate relief to operational pressures while building long-term resilience and capability.

4.2.4 Option 3 – Explore Shared Service Delivery

Engage with interested councils to explore shared service models for payroll and pensions delivery.

Estimated Cost

It is not currently possible to estimate the cost of this option without undertaking detailed discussions and planning with potential delivery partners on the transition requirements and the structure of the new service arrangements.

Assessment

- **Operational Impact:** Potential long-term benefits, including economies of scale and improved resilience.
- **Financial Impact:** Uncertain. Shared services may reduce costs but this is not guaranteed. Transition costs and governance arrangements require detailed analysis.
- **Workforce Impact:** Mixed. Could provide career development opportunities but may also create uncertainty during transition.
- **Strategic Value:** Medium to high. Aligns with broader public sector collaboration ambitions but depends on partner readiness and capacity.

Dependencies

A shared service model is not immediately deliverable. The current instability within the Payroll and Pensions Team must be addressed first to ensure the Council is a credible partner and to avoid transferring existing issues into a shared environment.

Conclusion

This option is worth exploring, but only after the service has been stabilised through Option 2.

5. CONCLUSION

- 5.1 This report details the issues which are impairing the effective and efficient delivery of the payroll and pensions service including the growth in the Payroll and Pension Team's core workload, the expected further expansion in the demands placed on the team and the impact of ongoing difficulties with some functions within the iTrent HR and Payroll System.
- 5.2 Three options for improvement to address the issues identified and support the team are presented for committee to consider with option 2 recommended for implementation.

6. IMPLICATIONS

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| 6.1 | Policy: | None known. |
| 6.2 | Financial: | If selected, it is estimated that option 2, to recover and stabilise the position, will cost £155k in 2026/27 and £77k in 2027/28 and will be referred on to Council to be included as part of the budget considerations. |
| 6.3 | Legal: | The Council can meet its statutory and contractual obligations minimising the potential for legal issues to arise. |
| 6.4 | HR: | Improved health and wellbeing of the Payroll and Pensions Team staff and employees affected by issues with their pay and pensions. |
| 6.5 | Customer Service: | Delays in responding to and resolving enquiries and issues raised by employees would be substantially improved as backlogs are cleared. |
| 6.6 | Risk: | Risks caused by current capacity and technical issues are avoided. |
| 6.7 | Climate Change: | None known. |
| 6.8 | Fairer Scotland Duty: | None known. |
| 6.9 | Equalities protected characteristics: | None known. |
| 6.10 | Consumer Duty: | None known. |
| 6.11 | Islands Communities: | None known. |
| 6.12 | Children's Rights and Wellbeing: | None known. |

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