

PAYROLL OUTSOURCING *Guide*

ArmstrongWatson[®]

Accountants, Business & Financial Advisers

www.armstrongwatson.co.uk



ABOUT US

Armstrong Watson has been in business for over 150 years. The payroll service was set up in 1974 and has grown from just a handful of payroll clients to over 1,000 - and growing! We recognise one size doesn't fit all and offer a tailored service to companies of any size, any industry, anywhere in the UK.

We take care of the transactional payroll processing as a given, but can also offer advice to support your business in respect of your employees and legislative compliance. We are Bacs accredited and have won a number of national payroll service awards as well as individual team member accolades.

Our goal is to take away the headache of keeping on top of payroll legislation and to take the time and costs associated with payroll processing.









We believe it's important to be at the very forefront of national payroll decision making and members of our leadership team act as representatives on a number of government and professional body forums including:

- ✓ **DWP/The Pensions Regulator. Accountants and agents payroll forum**
- ✓ **Attendance of Pension roundtables**
- ✓ **Member of the Admin Burdens Advisory Board (HMRC)**
- ✓ **Member of the Payroll and Employment Group (HMRC)**
- ✓ **CIOT Employment taxes Group**
- ✓ **AAT forum**
- ✓ **Attendance and public speaking engagements in conjunction with the Chartered Institute of Payroll Professionals and other bodies.**

WHAT IS 'PAYROLL OUTSOURCING' AND WHY DO IT?

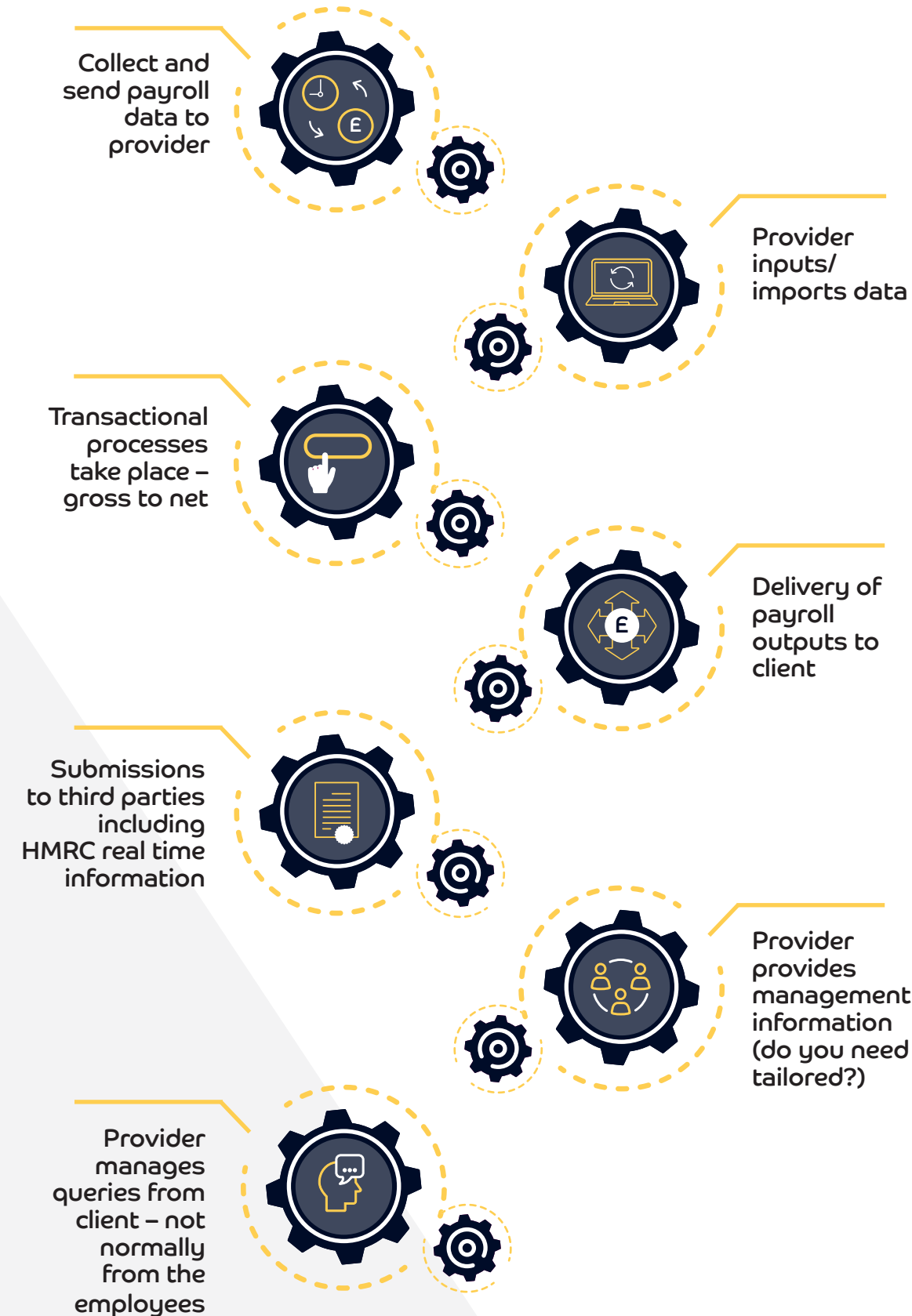
According to Investopedia, "outsourcing is the business practice of hiring a party outside a company to perform services and create goods that traditionally were performed in-house by the company's own employees and staff."

Whilst outsourcing is a practice usually undertaken by companies as a cost-cutting measure, there are lots of other benefits to outsourcing too:

-  **Helps resolve any process issues and reduces risk of errors**
-  **Reduces costs - staff and systems**
-  **Provides better management information**
-  **Easily enables acquisition and/or disposal**
-  **Ensures full control and compliance**
-  **Improves the employee experience (especially where an employee portal is available)**
-  **Integrates processes**
-  **Minimises leakage of payroll data, thus ensuring the General Data Protection Regulations (GDPR) are adhered to**

The financial commitment of employing a qualified and/or experienced payroll professional is circa £18,500 - £25,000 per annum (plus on costs) in the North and even more in the South. In addition, there are software fees for the payroll system and resource requirements to keep on top of legislation. Plus, if a company workforce is over 250 employees and or you operate a weekly or complex payroll, you may also find more than one payroll professional is needed.

A TYPICAL PAYROLL PROCESS SCOPE FOR A FULLY MANAGED PAYROLL SERVICE



GETTING THE RIGHT DEAL FOR YOU

It is important to understand the business case for outsourcing, so when speaking to service providers be very clear about your needs and understand how they may (or may not) be able to meet these. Sometimes you may have to be flexible in your choices and remember, if outsourcing your payroll, this won't often include other areas such as a purchase ledger system!

WHAT TO EXPECT FROM OUTSOURCING

- ✓ You will still retain control of your payroll
- ✓ An external party will take on the responsibility for the everyday processing of the payroll transactions
- ✓ There will be a formal contract in place, often referred to as a 'Service Level Agreement/Engagement Letter'
- ✓ Typically the outsource contract would be expected to continue for 3 to 5 years, (due to the potential large undertaking of bringing it back in-house)
- ✓ You may need to make changes to the way in which you work to make it work!

ARMSTRONG WATSON'S PAYROLL SCHEDULE/GUARANTEE

We will prepare your UK payroll for each payroll period to meet UK employment legislation requirements. These include:

| | |
|------------|---|
| Payments | - all salary/wages and other pay components |
| Deductions | - all voluntary and statutory deductions |
| Reporting | - all statutory reporting e.g. RTI |
| Pensions | - full automatic enrolment compliance including communications and where possible uploading of pension data to pension provider |

KEY TRAITS OF A GREAT PAYROLL SERVICE PROVIDER

When comparing service providers it can feel like apples and pears, but there are a few key areas that can make a huge difference to the level of service you receive, from the systems used - i.e. are they future proofed? - through to size, scale, experience, plus the ability to offer additional services too.



SIZE

Sometimes size really does matter! Engaging with a payroll provider with a team of professionals to hand can provide the reassurance needed for contingency should your dedicated member of staff (assuming the provider offers one) be absent.



QUALIFICATIONS AND EXPERIENCE

Qualifications and membership of a recognised professional body, such as the Chartered Institute of Payroll Professionals (CIPP), offers reassurance of robust training, however, in addition, having experienced people – who are constantly updating and upgrading their skills and knowledge - is equally important. With continuing abundance of new legislation impacting payroll operations, you need to know a suitable training programme is in place too to ensure the payroll professionals keep up to date and, essentially, compliant.



COMPLIANCE

Non-compliance can lead to very large penalties and, of course, it is vital that if your provider requires information from you to operate within the legislation you will need to comply, for example; setting up a pension scheme if appropriate to allow the provider to take care of your automatic enrolment obligations.

When looking at penalties for non-compliance, HMRC will assess based on risk i.e. is it deliberate avoidance or a mistake? If it is a mistake, they would expect to see full and proper procedures in place to identify potential human error (which can happen). With this in mind, when choosing a service provider you need to satisfy yourself that they have clear procedures in place and ask to see evidence of this. This could be in the form of a Bacs audit certificate (where the provider is Bacs accredited) or an accreditation certificate such as the CIPP's Payroll Assurance Scheme or similar.



OFF-PAYROLL WORKING

Another service you will need to consider from April 2020 is the off payroll working rules; assuming you are not deemed 'small'. You will need to ask the provider whether they can support this and how. This can apply to any industry but will be particularly relevant in the construction, recruitment, IT consultancy, nuclear, farming and manufacturing.



FUTURE PROOFING & GROWTH

Your company may be looking to grow, or perhaps you are looking at other business systems? For example, is it possible to utilise APIs to avoid duplication of data? This is a relatively new development and whilst the provider might not yet have the ability to offer this, you may want to reassure yourself they are looking to embrace current and future technology. Will your payroll provider grow and develop with you? Do they have a strategy in place which is aimed at providing even more benefits to their customers?



ADDITIONAL SERVICES

Are you fed up of processing payments to your employees by cheque, or having to log on to internet banking? If so, then using a provider that is Bacs accredited might be for you. In addition, perhaps you would also like your provider to be able to take care of third party payments e.g. to HMRC on your behalf? Faster payments could be an attractive additional option for a provider too, but please be aware that this does come at an extra cost and there are also monetary limits in place depending on the amount of your pay bill.



DATA PROTECTION

GDPR should be of high importance to businesses. When choosing a provider it is crucial to check they are on top of this, both from a system security aspect but also processing. Many have, or are in the process of moving away from paper payslips and reports and will prefer secure electronic portals. If you have a union in place and employees still receiving paper payslips, you will need to source a provider that is still willing to offer this functionality, albeit with reluctance. In the first instance have a look at the provider's website; do they have their GDPR statement and Privacy notice available?



COST VS VALUE

As with any service a business engages in there will be a cost for that service and payroll is no different. Is cost the most important factor to you, or is getting value for money the most important? It might be a provider is extremely price competitive but charges higher costs than others or more than you are willing to pay; you need to challenge what it is that you require. For example, some may supply a basic service and charge for P60s or automatic enrolment, others may have this included. It all comes down to understanding what you need and comparing, as far as possible like for like.

CLIENT CASE STUDY - TSP ENGINEERING

ERROR FREE PAYROLL FIRST TIME AND EVERY TIME

BACKGROUND

Multi-award-winning business TSP Engineering is an important manufacturing supplier to the Nuclear Sector and other industries. Located in Workington, Cumbria, the specialist manufacturer employs over 220 people and operates from one of the largest and most comprehensively equipped facilities in the UK. TSP Engineering's CEO, John Coughlan, has been named the UK Manufacturing Champions Manufacturing Leader, and an Exemplar in The Manufacturer Top 100. The company offer an apprenticeship programme to help support young people wanting to enter the manufacturing/engineering profession. Alongside this, they are an advocate for women in engineering, having positive work ethics and many training opportunities.

Finance Director, Paul Simpson along with the Head of HR and Business Support, Sue McCarten and Michelle Watson, HR Advisor approached Armstrong Watson's payroll services team to explore outsourcing the payroll services. TSP Engineering was breaking away from British Steel and therefore its Head Office support services.

WHY THEY SOUGHT TO WORK WITH US?

The company had been part of a larger group utilising central systems and processes, but now needed to explore the options available to them in respect of payroll. Sue and Michelle are extremely experienced HR professionals and whilst Michelle had previous experience of payroll, it was vital the transition from British Steel was seamless for the employees. Both Sue and Michelle recognised that if they were to outsource, rather than recruit and run the payroll from in-house, it may turn out to be a large and challenging undertaking. The previous processes were historical and operated on legacy systems. It was also very important to the company to source a local, Cumbrian provider due to their on-going commitment to supporting the local community and economy.

WHAT DID WE DO?

Firstly, an exploratory meeting was held. Interestingly as the company needed an HR system, time and attendance system and a payroll service, the initial discussion between HR and Armstrong Watson was leaning towards recruiting in-house. However, after further meetings looking at systems and processes, Armstrong Watson's head of payroll, Karen Thomson along with Sue and Michelle concluded outsourcing the payroll was the right option for TSP Engineering.



HOW WE DID IT?

Once the decision was made to come on board with Armstrong Watson's payroll service, a scoping exercise was undertaken. This was to determine amongst other areas:

- What the employee data looked like
- Interpretation of historical data to ensure all terms and conditions would be met and be seamless
- Ensure the payroll along with payslips showed pay terminology the employees were used to
- Tailoring of data gathering processes and reports
- Extensive conversations and testing to ensure the implementation process was right
- Go live date set.

Both the TSP Engineering team and the Armstrong Watson payroll team built a fantastic rapport over the months prior to going live. The openness and positive relationship meant honest conversations could be had, allowing best practice to be looked at.

RESULTS

All terms and conditions were met and the set up was completed which demonstrated an accurate payroll in the first live run. Regular discussions are still held to explore new ways of operating to help support the business as they grow.

One of TSP Engineering's priorities is to support the local community and economy, so when the decision was made to outsource payroll it was important that this would be with a local business. We realised the outsourcing was a huge undertaking which brought some uncertainty. It needed to be a seamless transition with no negative impact on our employees and our first thought was how many parallel runs would it take before we had it right. Through our meetings with Armstrong Watson's payroll team any apprehensions we had soon disappeared. Their professionalism, knowledge and continual engagement throughout the set up period provided the reassurance we were looking for, so much so that we went live with no parallel run and not a single error. I look forward to the continuing relationship with the payroll team which now feels like an extension of our team.










Sue McCarten
Head of HR and
Business Support



ARMSTRONG WATSON'S PAYROLL SCHEDULE/GUARANTEE

We will prepare your UK payroll for each payroll period to meet UK employment legislation requirements. These include:

| | |
|------------|---|
| Payments | - all salary/wages and other pay components |
| Deductions | - all voluntary and statutory deductions |
| Reporting | - all statutory reporting e.g. RTI |
| Pensions | - full automatic enrolment compliance including communications and where possible uploading of pension data to pension provider |

-  Teacher's pension returns
-  Apprenticeship levy obligations
-  Gender Pay Gap information
-  Company payroll data reports; tailored where required
-  Operation of salary sacrifice schemes
-  Company sick pay and maternity pay schemes where system supports rules
-  Payrolling of benefits in kind and Class 1A reports
-  Employee reports e.g. payslips, P45s and P60s
-  Employment Allowance claims (de-Minimis aid from 2020) where applicable

The payroll service line also has a strategy to provide more services and innovative system offerings.

CONTACT DETAILS

For further information about payroll outsourcing and to discuss the best options for your business, please get in touch:



KAREN THOMSON - HEAD OF PAYROLL, PARTNER

✉ karenthomson@armstrongwatson.co.uk

☎ 07887 844342

Karen spent 7 years at Armstrong Watson developing the payroll service to a nationally recognised and award-winning standard before a 2 year interlude to head up AAB's UK payroll service, returning to her role as Armstrong Watson's Head of Payroll in July 2024.

Karen has an enviable experience in the Payroll industry and boasts a number of key positions in the sector including: Chair of the CIPP's Special Interest Group representing Accountancy Payroll Bureaus, Vice Chair of Local Government Pensions Scheme (Cumberland) and holds a number of roles on an extensive range of forums including: HMRC policies, Admin Burdens Advisory Board, the Employment Payment Group, CIOT Payroll Employment Tax and ICAS Payroll Employment Tax.

Karen utilises her vast knowledge and experience to provide a holistic approach when it comes to employee services and works closely with colleagues within financial planning, employment tax and outsourcing to help ensure a collaborative, and often bespoke, client offering.



MATT NICHOLLS - BUSINESS DEVELOPMENT MANAGER, PAYROLL

✉ matthew.nicholls@armstrongwatson.co.uk

☎ 07715 214703

Matt has more than 15 years' experience within the field of business development and is passionate about delivering consistently high levels of customer service. As a field-based representative of Armstrong Watson, Matt will gain an understanding of the entirety of your business, listen to your needs and ensure we are able to provide a bespoke solution to help drive your business forward.

Matt, who has worked for the firm since 2018, has experience of finding payroll solutions for businesses across a wide range of sectors including, education, energy, manufacturing, hospitality, agriculture and retail. As a result, he is able to quickly understand clients' needs and the potential problems that they face and adapt our services accordingly.

...we're with you.

ArmstrongWatson[®]

Accountants, Business & Financial Advisers

www.armstrongwatson.co.uk