FMP Payroll Services
a division of FMP Global

Your guide

to Outsourcing Payroll

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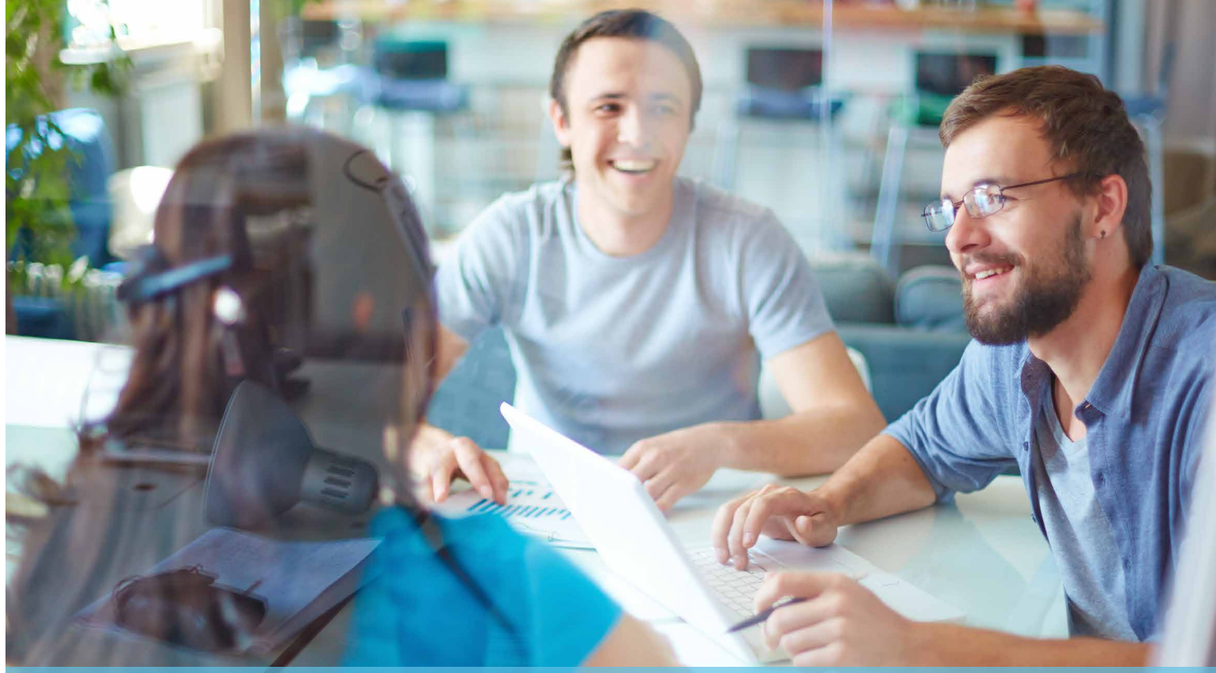

Introduction

People start businesses because they're passionate about their product or service, not because they dream of doing payroll every month. In fact, many business owners feel that every minute they spend on administrative tasks is a minute they're not building their business.

It's a growing trend for businesses of all sizes and markets to rely on specialists to manage their payroll. A business function as complex and legislatively driven as payroll is a natural candidate for outsourcing. New research has established that organisations that maintain an in-house team for tasks such as payroll, time and attendance, workforce admin, and benefits admin spend 20% more time than organisations that outsource the same functions. It's official. Managing payroll in-house involves high costs. In terms of your business's core offering to your customers, payroll is an utterly separate part. Despite this, it is a crucial element of your business that is intimately linked to its success or failure.

Our guide to outsourcing payroll will help you through the process of outsourcing your payroll to a third party supplier. We will highlight the pros and cons of outsourcing payroll, to help you decide which payroll solution is right for you. In this guide you will learn about HR & Payroll and where they sit in the business landscape. We will also explore the challenges Payroll Departments face in 2016. We will outline a number of outsourcing models and go in-depth into the process of choosing a payroll provider. From defining your business needs through to implementation and transition. Finally, we have included a collection of case studies that provide practical insight into the processes we will explore in this guide.

Forecasting And Insight:
The Current State Of Payroll

2016 has been a big year for the payroll world. April saw the introduction of a new Chief Executive at HMRC, Jon Thompson, following traumatic customer service at the HMRC, which heralded the start of a massive digital shake up at the government department that ultimately affects HR and payroll. The Budget brought forth a host of new legislative changes such as the National Living Wage, and 2016 sees new deadlines for auto-enrolment within small and micro employers coming into force. We've seen increases in Employment Allowance and NICs for apprenticeships to help SMEs. Larger companies will soon have to report on gender pay gaps. The payroll landscape is complicated, legislatively burdensome, and driven by compliance and fines.

2016 also heralds big leaps in how employees, especially Millennials, expect to deal with an employer easily, using apps and smart phones. As we move forward, online contact will become one of the most important channels for HR departments, employees, and managers.

The recent report from the Centre for Counter Fraud Studies at Portsmouth University paints a bleak picture of industrial scale fraud in the UK. Innovative external attacks and widespread internal vulnerabilities created £12billion in losses. Phishing attacks in the UK rose by 21% in 2015. There have been several high profile phishing attacks on big businesses, targeting company staff with fake phone calls and emails impersonating legitimate senior staff contacts. Businesses need to remain vigilant of fraud and make sure that their payroll provider is taking every possible step to maintain security.

Compliance and risk management are essential considerations in today's payroll world. 2016 saw a new high in tax changes and, as such, compliance obligations. HMRC considers errors in tax as an indication of wider compliance breaches, opening the door for audits and fines. Businesses cannot afford to slip under the everincreasing burden of compliance.

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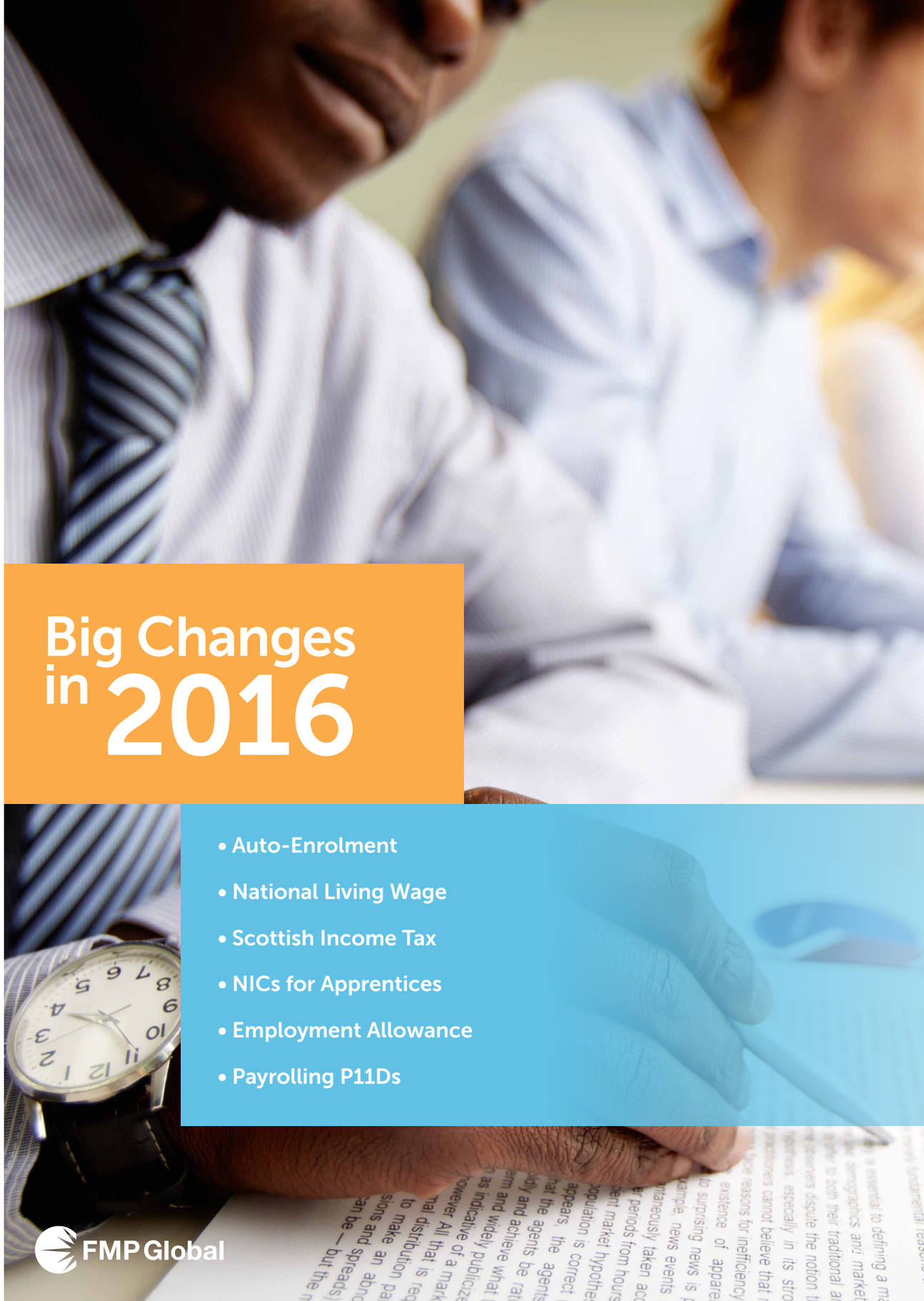

Big Changes in 2016

- Auto-Enrolment
- National Living Wage
- Scottish Income Tax
- NICs for Apprentices
- Employment Allowance
- Payrolling P11Ds

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What is Payroll?

Why is it important? Do I need to outsource?

Payroll plays a huge role in any business. Payroll is responsible for ensuring a business's tax and compliance obligations, which has a serious impact on a business's bottom line. Employees expect payroll departments to be both accurate and efficient, as their livelihoods depend on getting paid accurately and on time every month. Inaccurate payroll can cost you valuable employees too. A third of employees would consider looking for a new job if their employer paid them incorrectly just once, 44% would be unmotivated, and 51% would lose trust in their employer.

On payday, employees responsible for payroll calculate the gross amount the employee is owed based on the agreed remuneration method over the pay period. Then deductions are made for tax, National Insurance, sick pay, and so forth. Every pay period differs thanks to overtime, statutory pay and other variables. So, in addition to understanding the complexities of tax and legislative compliance, payroll departments have to adapt to changes for every pay run.

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Has outsourcing been right for your business?

Your business is growing and you've outgrown your existing methodology?

Payroll Administration and compliance is becoming a nightmare for your team?

You need to get back time to focus on your core activity

Your existing provider is letting you down?

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The model you choose will depend on how many staff and the level of expertise

There are several outsourcing models to choose from. Deciding which one is right for you is a key part of the outsourcing process. The model you choose will depend on how much staff and expertise you currently have inhouse and how much of your payroll function you want to keep. It will also depend on how much direct control and visibility you want to retain.

Fully Managed Payroll Model

A managed payroll service involves outsourcing every aspect of your payroll to a third party – including data entry and running reports. This means that, apart from collecting payroll data internally and passing it to your payroll business services provider, you have nothing else to do.

Managed payroll is a particularly beneficial solution for companies that cannot or do not wish to employ staff to administer payroll, or maintain in-house expertise regarding pay, taxation and compliance issues. A fully managed solution will tend to cost more than a bureau solution – but this is usually offset by savings in personnel and other software costs.

Managed Payroll will typically cover:

Detailed Implementation of your payroll with dedicated contact

Dedicated Payroll Manager to process your payroll

Tailored inputs to suit all businesses

SSP, SMP and company schemes processes

Multiple holiday schemes managed

Multiple pension schemes managed

Pros:
Time Saving, Cost Saving, Accurate Calculation

Part-Managed/Payroll Bureau Model

By contrast, a payroll bureau service involves outsourcing the processing part of the payroll function, while keeping data entry and reporting in-house. This means that your staff will enter payroll data directly into the payroll service provider software and run reports themselves as needed. The provider then arranges for the data to be processed and payslips produced.

This outsourcing solution is suitable for companies that are happy to keep the data entry function in-house, but want to benefit from the specialist software and processing facilities provided by a payroll bureau. A bureau solution will tend to cost less than a fully managed solution, although the client continues to bear the cost of data entry.

Pros:
Access to HMRC accredited Payroll Software, Training from Experts

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Step By Step
How to Outsource your Payroll

Step 1: Define Your Needs

This is an important part of the set-up stage for payroll outsourcing. Planning out what you need ahead of time is essential to getting the payroll solution that is right for you. When considering what your requirements are you should consider your in-house resources, the volume of work now and in the future, and what potential business or strategic changes could affect your business.

Once your needs are defined, you will have a good idea which payroll model you need. Depending on the size of your business and needs, you may need a fully managed payroll service.

But other businesses may only need to outsource part of their payroll function. It's best to choose a payroll service provider who will act with you as a partner, so communication of future changes can easily be actioned. Savvy managers will already use payroll audits to establish what the current state of play is, but don't worry if you haven't. You can always call in a provider to do that for you, to help you formulate the way forward.

Step 2: Market Analysis

Before sending invitations to every payroll service provider, it pays to do your homework. A little desk research into the market can help narrow down which provider is a suitable candidate for your needs. Get referrals, read reviews and check testimonials and accreditations to learn as much as possible about prospective service providers. See who is transparent about their data security, Bacs, and CIPP credentials.

Step 3: Engaging Suppliers

Once you have a good idea of what you're looking for, you can approach potential service providers and request proposals for the business. Researching the market beforehand will help you narrow down your search for outsourcing firms that are most likely to be able to meet your needs. If you can avoid a tender process our advice is to do so. Tenders can be very prescriptive and you can end up with the wrong result, with egg on your face. If possible choose three suppliers and explore with them what is possible. Spending valuable time with a supplier will ensure that they submit a bid within the specified timeframe that really hits the spot.

Step 4: Selecting A Supplier

When choosing your payroll service provider, make sure they meet the following criteria:

An Established Name With Proven Expertise

You want a provider who is already successfully managing the payrolls of a large number of companies of all sizes. This gives you the assurance that the company has the resources to accommodate your current and future needs, as well as the practical expertise to deliver.

Reliable Technology

It's essential to consider a provider whose technology can easily cater for all the quirks and exceptions within your current payroll system. It also needs to be up to date with current pay and tax legislation. When choosing a payroll provider, consider how their technology and software can help your business grow and innovate.

Compliance

Good providers should be BACS approved and any payroll software should be HMRC approved. Since they are going to be moving large amounts of money around on your behalf – as well as submitting figures to the revenue that your company will be liable for – you need to be absolutely sure that they have the necessary processes and procedures in place to ensure security and accuracy. Look out for ISO 27001 accreditation – it's a sign that the outsourcer takes data security seriously.

Training & Support

It is important to choose a provider that can give you specialist training (if using a bureau service) and offer constant support as standard. The payroll outsourcing relationship should be a partnership. The best payroll providers work with you and support your business to your mutual benefit.

Flexibility

You need to make sure that your payroll service provider is capable of adapting to changes in your business. If you suddenly go international, or need to meet some new legislative obligation, you need to know that your payroll provider is able to meet new challenges without compromising service.

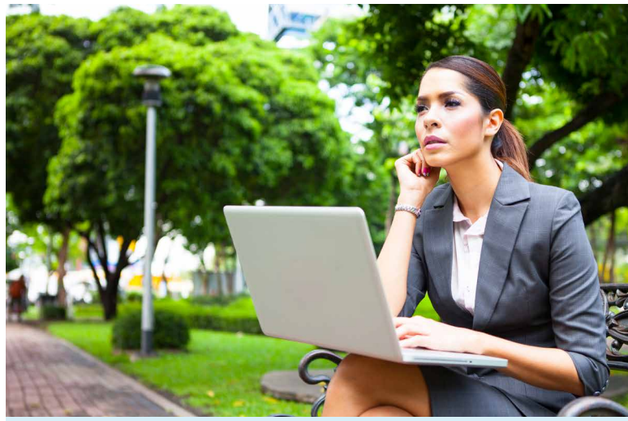
Accuracy

One of the reasons businesses outsource their payroll is because they lack the in-house resources to accurately pay employees. Check that your outsourcer has things like CIPP Payroll Assurance Scheme accreditation, ISO 22301 and ISO 9001.

Step 5: Transition

The time has come! You've entered a partnership with a payroll service provider. You have decided on your outsourcing model. What next?

When it comes to making the transition to outsourcing, planning is essential. If you're outsourcing for the first time, it can seem a daunting task to transfer all the necessary data across to a third party. But fear not, hopefully you'll have chosen a payroll provider with experience who can guide you through the process. Your provider will assign a project manager who will work with you to set milestones, determine to timescales for the work and make the process as easy as possible. However, there are some risks that you should be aware of, that we will discuss in the next chapter



Questions To Ask Before You Sign

What other services do you offer in-house should I need them as I expand?

What payroll platform are you using?

What reports will I get?

What support can I expect?

Can we meet our dedicated payroll expert?

Will I get a project plan/ Implementation manager?

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Transition and Implementation Risks

Don't underestimate the amount of internal resource required to transition from an in-house payroll function to an outsourced service provider. You and your payroll provider have to work together to make a smooth transition while maintaining a regular service. A clearly defined division of work is essential. Make sure that you know what you need to do, what the payroll provider needs you to do, and how long each task will take.

Ensure regular, accurate and consistent communication with stakeholders. Executive sponsorship is key to a successful implementation of payroll outsourcing.

Define a clear and simple service management process for the transition including rules, frequency and nature of engagement with the service provider's project management team. Make sure communication channels are kept open at all times.

Agree to a set reporting schedule to help keep track of progress and highlight missed deadlines.

Make sure you agree what the new service delivery will look like, what will stop, start and continue for retained payroll staff in the new model.

Thoroughly prepare the retained payroll and HR functions for the new way of working. Make sure they have an opportunity to develop the skills they'll need for their new roles.

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Key Implementation Risks

Incomplete transfer of data means that the payroll outsourcer's staff don't have the capability or information to handle unique challenges faced by the business.

Incomplete data transfers, along with poor access will compromise service delivery during transition.

Losing key payroll staff during the implementation phase will impact the quality of the interim payroll function, and possible future productivity of the department.

Loss of personal relationships with payroll staff members can lead to employee dissatisfaction. It is essential to manage employee expectations of how the service will work, and what will be different in the new outsourced world.

Existing third party providers in another part of the business may not want to collaborate with a new outsourcing provider.

Inexperienced staff in charge of negotiation leads to a poor contract. A lack of preparation can result in a contract which does not reflect their specific needs.

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Summary

If you only take one thing away with you, remember this: payroll outsourcing needs some thought and planning to make it successful.

1. You need to understand why it is best for your business to outsource your payroll at this point, define what your business's needs are and choose the right provider. You need to make sure the implementation phase is well organised.

2. You should now be equipped to outsource your payroll. You understand the need for outsourced payroll, as well as the process of picking your provider.

3. Make sure you choose the payroll provider and level of service that is right for your business.

4. Remember not to underestimate the amount of internal resource required to transition from an in-house payroll to a third party payroll provider.

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Check List

When choosing your outsourced solution, remember these key steps

- ✓ Decide on the level of service needed
- ✓ Decided on the level of service needed
- ✓ Do research and market analysis
- ✓ Chosen supplier
- ✓ Get organised for implementation

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Case Studies

At FMP, we have worked with businesses from all sectors and of all sizes. As specialist payroll providers with 30 years of experience, we have helped a wide range of companies. Read our case studies to learn more about how an award-winning payroll provider tackles the challenges of a variety of businesses.

Essex Coalition of Disabled People

The ecdp delivers a range of services which enhance the everyday lives of disabled people across the UK, looking at giving disabled people choice and control over how their needs are met. The biggest problem ecdp recognised was that it did not have enough back office processing capacity to handle the growing volume of clients.

Ecdp needed a payroll provider who understood the voluntary sector, and FMP Payroll Services has the= technical knowledge and experience to manage payroll process of this complexity. FMP Payroll Services has effectively become ecdp's outsourced payroll department, eliminating the need to carry out time consuming in-house tasks.

- Onboard 5,000 payrolls
- Reduce burden of manual data input
- Reduce internal resources

Carpetright

Carpetright PLC, the leading specialist floor covering retailer, selected FMP Payroll Services to provide technology infrastructure and services for its entire HR, Payroll and Recruitment business functions.

FMP Payroll Services provides outsourced payroll services to Carpetright using data input by the in-house payroll team via FMP's Teamspirit HR, Payroll and Time and Attendance software, across its nationwide branches.

- Ensure legislative compliance
- 2,500 employees managed
- Integrated software solutions

Harlequins

Business success and growth is good. However it can bring unforeseen consequences and challenges on and off the pitch for an organisation like Harlequins. This is what the Twickenham rugby club discovered when its local outsourced payroll provider failed to scale up to support both the size and the complexity of Harlequins' payroll.

FMP Payroll Services was able to reduce payroll errors, improve financial reporting, and introduce electronic payslips. We were able to handle a variety of payroll services needed for the mix of full time and part time staff based at different locations and for the players, who receive different payments based on internal bonuses as well as payments based on international recognition.

- Support the club's future expansion
- Migrate the club's payroll seamlessly
- Hugely reduce payroll queries

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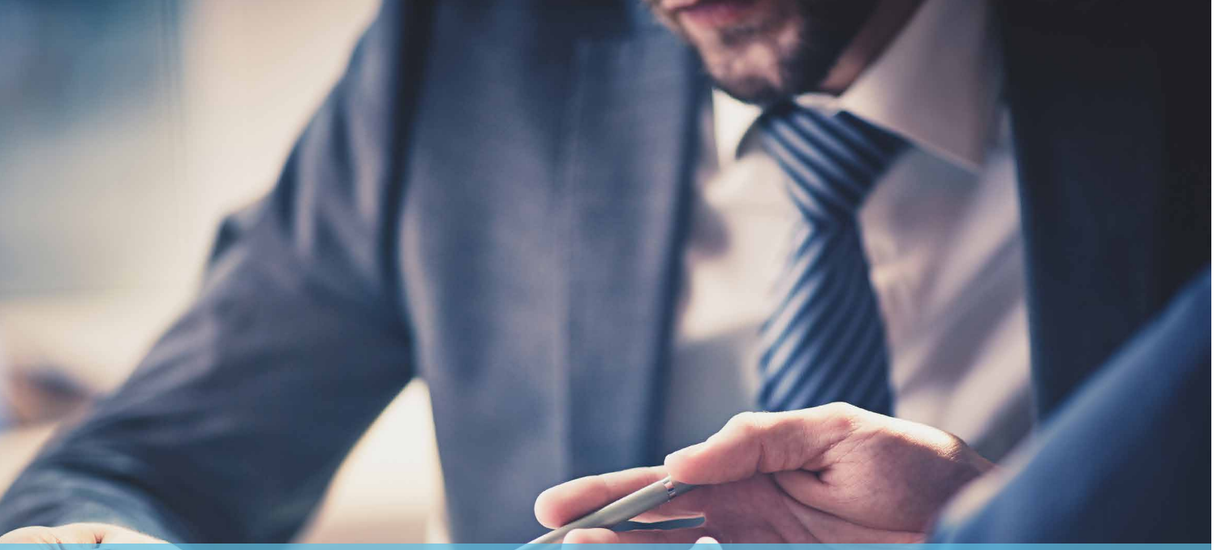

About FMP Payroll Services

At FMP Payroll Services we know that every business is different so we provide a broad range of flexible payroll solutions, from fully managed payrolls to bureau solutions. Those organisations that seek to realise the benefits of outsourcing know that choosing the right partner is crucial to making that choice a success. The delivery of a cost effective and efficient service is our sole focus. All charges are agreed and fixed up-front, dedicated liaison staff are introduced, and client focused processing schedules are agreed and fulfilled.

In a fast-moving global economy the requirements of an organisation can quickly change, but one priority remains constant - the need to process the payroll correctly and on time, every time, for everybody. FMP Payroll Services is a BACS registered bureau processing thousands of payslips each month with a qualified and dedicated team of payroll professionals. This gives your business peace of mind. The knowledge that the software and service is also fully backed by the stability of FMP Global Software, which has been a global provider of recruitment and human capital management software and services for almost forty years, is doubly reassuring.

Our teams are exclusively staffed by payroll professionals with the experience and knowledge to deal with any type of payroll no matter how complicated or varied your requirements may be. All key personnel are qualified to IPP Diploma level and have years of practical hands-on experience across a range of diverse companies and industries so you can be confident that FMP is the right partner for you to do business with.

Our teams of experts are on hand to offer total support to all our clients, whatever their industry or size. We have a wealth of experience in managing complex, multi-site implementations, as well as ensuring that smaller deployments are managed professionally and effectively at all times. FMP Payroll Services complements your business by understanding the significance of payroll and the effect it can have on the smooth running of your business.

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Outsourcing
The Facts

40% of small businesses spend more than 80 hours/year just on in-house payroll

Payroll is the **third** most outsourced task in the UK after manufacturing & accounting

Businesses that do payroll in-house spend **18-32%** more than those who outsource

Organisations with outsourced payroll spend on avergage **43% less**

Outsourcing payroll services generates accurate results **99.95%** of the time

Processing your own payroll eats up **40-60** hours each year

In 2015 **£5.67bn** worth of outsourcing contracts were signed

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