In house or Outsource:

Exploring your Payroll

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Whatever the size of your organisation if you employ staff, you have to run a payroll. There are, however, a range of different options when it comes to managing this vital function.

For many organisations the right option is to invest in payroll software and staff to manage the payroll in house, but for many the better option is to outsource. There are a wide variety of reasons why outsourcing may be the right option for your organisation:

- It enables you to focus all your efforts on your core business, which is particularly important if your organisation is small, or if you need to keep headcount down

- It means that you don't need to employ someone full time for a task that has natural peaks and troughs throughout the month

- It provides you with access to extensive payroll expertise that may be lacking in house

- It ensures that you are always up to date with all the latest developments and legislation related to running a payroll without having to invest in ongoing staff training or new software

- It enables you to share the workload with your outsourcer in a way that suits you, or off-load it completely, depending on your requirements But to enable you to decide whether in house or outsourcing is right for your organisation there are some things you need to consider. This guide to outsourced services is designed to take you through the options open to you, helping you to explore whether outsourcing could be your route to improved efficiency and effectiveness in payroll management.

The true cost of running your payroll

Cost is often the first thing that organisations consider when looking at payroll options. Outsourcing may initially seem a high cost option, but when comparing the costs of an in house to an outsourced solution, it's important to consider all the costs associated with running a payroll.

Staff Costs

In house payroll staff bring lots of advantages - they are on site when you have questions about the payroll, they can respond immediately to anything that comes up, and they are part of your team.

But payroll staff also need holidays, they can fall sick, and they require ongoing training in both your payroll software and legislation. They must also be able to identify which regulations are relevant to your business and maintain accurate records, both of which take time and require extensive payroll knowledge.

In addition, if your business is small, there may only be one person responsible for processing the payroll, and that's a big risk when the payroll must be run, come what may.

Use an outsource team instead

Outsourcing your payroll is about more than simply having someone to produce your payslips each month. Outsourcing means having access to a team of payroll experts including payroll administrators, a payroll team leader, and even a payroll operations manager, who will take overall responsibility for managing your payroll.

Payroll administrators are focused on building close working relationships with customers, with the aim of getting to know your payroll routine, the changes and the adjustments that need to be made, enabling them to develop a clear understanding of your payroll needs.

With a team of experts only a phone call away, outsourcing gives you access to individualised, expert advice whenever you need it without adding to your own headcount.

Hardware, software, and all the other stuff

The cost of running a payroll doesn't stop with staff. In addition it's necessary to consider the cost of the hardware and software necessary to run the payroll, both of which require in house expertise to maintain them. For companies with a large and experienced in house IT team this might be the best option, but for others outsourcing can be more cost effective.

All wrapped into one monthly payment

Instead of having to lay out capital for software and hardware, outsourcing will normally require only a one off implementation cost. The cost of processing each payroll is then usually spread over 12 months, and only invoiced once each pay period has been processed.

The cost of all the payroll stationery, which includes payslips, envelopes, paper reports and printer consumables, is usually included in your monthly payment, so you won't get any nasty surprises. Instead everything is all wrapped up into one single price per payslip.

In addition an outsourcer should provide you with reports both electronically (cutting down on paper) and in hard copy when required, providing a complete audit trail for auditors or an HMRC inspection.

Retaining control

Running your payroll in house undoubtedly gives you total control over the process, but outsourcing needn't mean losing any of this control.

While taking responsibility for ensuring all the necessary calculations are carried out accurately, and that each payroll is run in a timely manner, outsourcing allows you to retain complete control over your data, secure in the knowledge that the payroll will not be run without your final approval.

Ideally you should expect an outsourcer to work in the following way. Customers submit their data to their outsourcer, which then calculates their payroll before sending it back for approval. If there are any changes to be made the outsourcer will carry them out, exactly as requested, and then submit the payroll for approval again. Finally an update report which details exactly what has been changed for any pay period should be provided.

Working in this way you, the customer, retain control throughout, so outsourcing does not mean losing any element of control over the payroll process, it simply means less work for you.

Retaining flexibility

It might appear that one of the downsides of outsourcing could be a loss of flexibility. After all if you have the staff in house you will be able to set up your payroll exactly as you want it. No two businesses are exactly alike and what you need from your payroll may be very specific to your business.

Working with an outsourcer you can expect to gain from the expertise they have in working with a wide range of companies. Using their expertise, an outsourcer will look for ways to streamline your processes, and work with you in the same way as you might with an in house payroll department.

So you retain the flexibility that you need, but without the headcount and with a tailor-made service designed to meet your needs.

Safety and security

Letting vital payroll data go outside your organisation isn't necessary if you take the option of running your payroll in house, and you can ensure that it's not vulnerable to theft, fraud, or systems failure. But this all costs money and requires in house expertise. If you take the option of outsourcing however, it doesn't mean jeopardising your data's safety.

Outsourcers are only too well aware of how vital data protection is so you get the benefit of their investment in the right technology and robust disaster recovery plans, ensuring that your data is safe at all times. Working with an outsourcer means that you can reduce your in house investment in technology and instead be assured of data security, all within a simple per payslip price.

Whatever happens, your people need to be paid, it's non negotiable. We have many years experience in running payrolls for thousands of customers. It's a big responsibility and we take it very seriously.

We know that every payroll we run must be accurate, and run on time, every time. We have to meet our customers' deadlines, without fail. We know the consequences of getting it wrong, which is why we work hard, all the time, to get it right.

Sage Outsourced Services currently processes more than 85,000 payslips per month - running payrolls for organisations with as few as 1 to as many as many as 2,000 employees, and we are proud to say that we achieve extremely high levels of accuracy - in excess of 99%.

To ensure that we offer a service our customers can rely on, we draw up a service level agreement at the start of the project and then monitor our service levels and accuracy against that agreement.
We also ensure your data is secure by storing all data off site, at multiple locations, so that in the case of a disaster you can be up and running within eight hours or less.

Choosing the right option for you

We offer a range of outsource services so that we can match your needs as closely as possible. You may simply want us to print and distribute your payslips, or help with absence management, or you may want us to do everything. You can choose the option that suits you, depending on your needs and the expertise you have in house.

Option One – a fully managed service

If you have absolutely no payroll knowledge in house this might the best option for you. A fully managed service, we handle every aspect of your payroll, from BACS payments and pay-over's to payroll related administrators, such as a pension provider. In addition we provide all your reports, both standard and bespoke, and in hard copy and electronic versions.

Option Two – a part managed service

If you wish to outsource your payroll but still want access to your payroll software, and have some in house payroll knowledge this could be the answer. With this option your Finance and/or HR teams have access to your payroll data, and can take advantage of our integrated HR and Payroll software, while Sage Outsourced Services provides an experienced payroll administrator who can advise on changing legislation.

Option Three – a bureau service

This option also requires some in house payroll knowledge and gives you full access to your payroll system. You look after the data entry and decide which part of the payroll process you'd like to retain and which you'd like to outsource. So, for example, we might produce payslips and make payments on your behalf to the HMRC and your employees, while you take responsibility for entering static data.

Weighing up your options

Payroll, like all other aspects of business, is always changing. It's a competitive market and costs for outsourcing and systems maintenance can vary considerably. It therefore makes sense to know what your options are and ensure you're using the best and most cost effective means of running and processing your payroll. Testing the market, looking at what options are available and doing a cost comparison could save you a lot of money.

To help you explore the options Sage Outsourced Services can carry out a full cost comparison for you. It may establish that what you are doing now is the best option for you, but it may also identify more cost effective ways to manage the payroll function.

Managing the change

If you decide that outsourcing is the best option for you, then changing couldn't be easier. All we need to do is export your data directly into Sage Outsourced Services' system. And if you need a bit more help, we can also provide payroll consultancy.

If your payroll is already outsourced, we'll work with your existing provider and run parallel payrolls before migrating your data and going live. We set out all your requirements in a service level agreement so everyone's clear what's expected, right from the start.

Finally, we strictly comply with the Data Protection Act and all associated legislation to ensure that our customers' data is protected and kept safe in accordance with the law.

The right time to explore your options

In times of economic uncertainty it pays to look at your overheads and assess the cost of each. To find out whether outsourcing your payroll could save you time and money, call us on 0800 694 0568 and we can begin to explore your options.

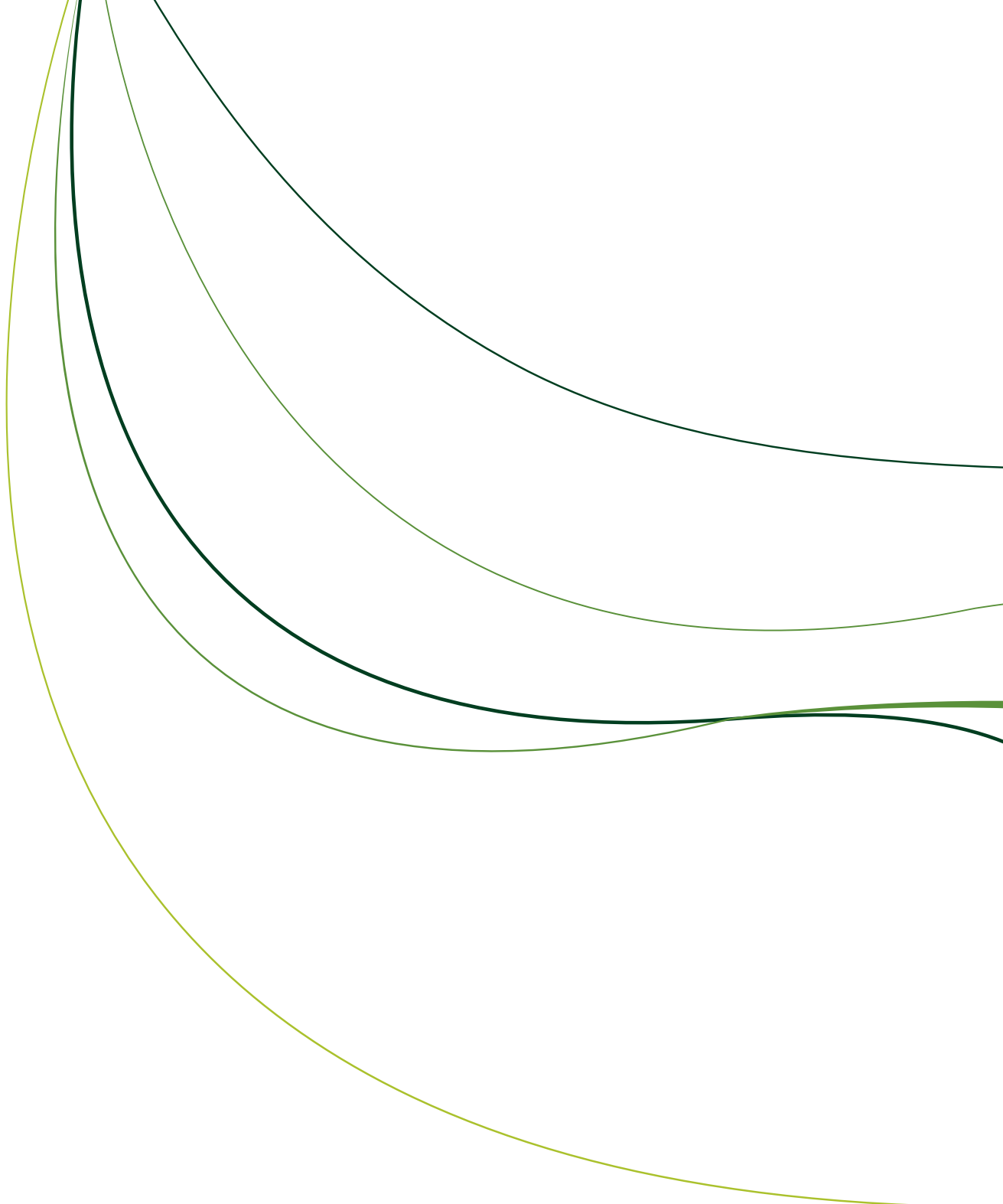## Outsourcing - keeping your options open

Managing your costs - with a single price per payslip, all the costs of running your payroll are wrapped into one easy to understand payment

Staying in control - it's your data, your payroll, and your approval is needed before anything is processed

Safety and security - robust disaster recovery, and strict adherence to data protection legislation, come as standard

Reliability - a service level agreement designed to meet your precise needs, and continual monitoring ensure your payroll is right every time

Flexibility - a tailor made service designed to make your payroll as efficient and cost effective as possible

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