



Why not share the load?

Outsourcing the hosting of your HR and payroll system could save you time, money and resources ... and it needn't mean losing control, writes Emma Jay.

The arguments both for and against businesses outsourcing their HR and payroll functions are strong, but more than ever before, outsourcing is becoming an accepted part of business. During the last few years, however, the demand for payroll and HR outsourcing services has grown rapidly due to ever-increasing legislation and particularly in light of HMRC's e-filing requirements. As such, many businesses have decided to outsource all or part of these highly administrative functions, allowing key staff to concentrate on core business activities while making direct savings to the bottom line.

By the same token, advances in technology mean that software packages now offer more control than ever for in-house payroll departments. Many now use fully integrated solutions that offer payroll and HR one database from which to process the payroll and extract meaningful reports and statistics that can be used by management to drive the business forward.

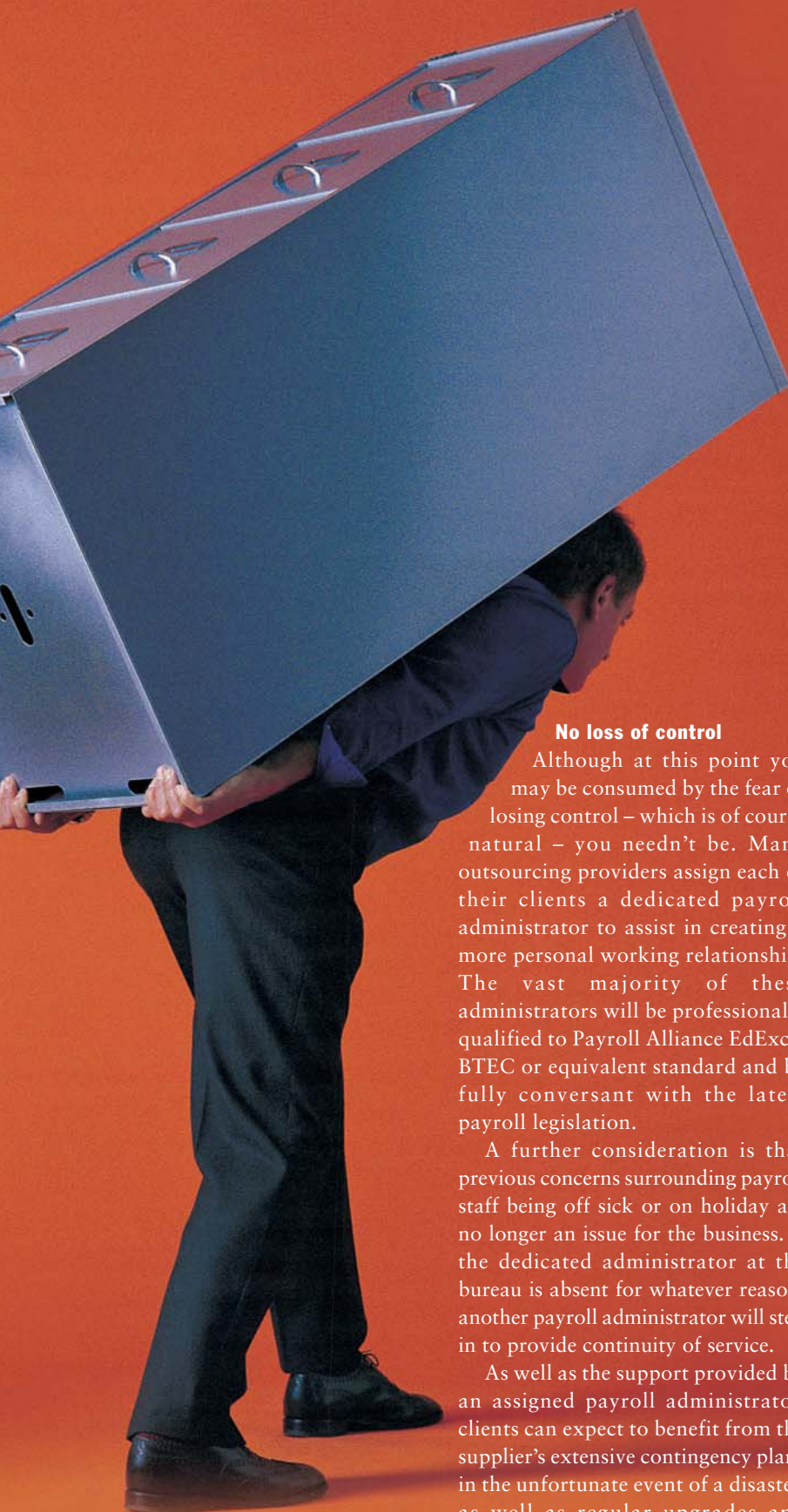
Best of both

But why shouldn't companies have the best of both worlds? The answer is that they now can. A relatively new concept has emerged which is likely to change the in-house versus outsourced argument as it consolidates the benefits of both. Payroll departments can now have full access to a payroll system without the upfront costs of purchasing it, whilst outsourcing many of the associated labour-intensive functions. This solution is termed as a 'hosted bureau service'. A supplier hosts the payroll system on a server and processes the payroll data on behalf of the client, while the client retains all of the benefits of an in-house system, including the ability to input and analyse real-time payroll data from their own office (see Box overleaf).

The biggest competitors for this type of service are the web-enabled solutions generally offered by the larger payroll providers in the market. Such products typically offer cut-down versions of much larger mainframe systems, which do not provide clients with the full functionality of the hosted bureau system described above.

Based on this fact – and the support they offer to their clients – hosted bureau services are growing in popularity. In addition to minimal upfront costs and elimination of the requirement to purchase software, there are no user licence fees. This type of solution also eradicates IT costs and the need for internal IT support, which is fantastic news for IT managers who often inherit the burden of supporting business systems that they are not familiar with. Similarly, payroll managers will retain the ability to input payroll data directly into the system whilst having access to real-time data, retaining the ability to produce draft runs of the payroll and being able to run their own reports.

Direct cost savings are also made through outsourcing the payroll data processing to the supplier. The likelihood is that the supplier will be servicing many other clients in a similar way and can therefore benefit from economies of scale which will be passed on to their clients by way of low service costs, fast turnaround times and substantial extension of cut-off dates.



No loss of control

Although at this point you may be consumed by the fear of losing control – which is of course natural – you needn't be. Many outsourcing providers assign each of their clients a dedicated payroll administrator to assist in creating a more personal working relationship. The vast majority of these administrators will be professionally qualified to Payroll Alliance EdExcel BTEC or equivalent standard and be fully conversant with the latest payroll legislation.

A further consideration is that previous concerns surrounding payroll staff being off sick or on holiday are no longer an issue for the business. If the dedicated administrator at the bureau is absent for whatever reason, another payroll administrator will step in to provide continuity of service.

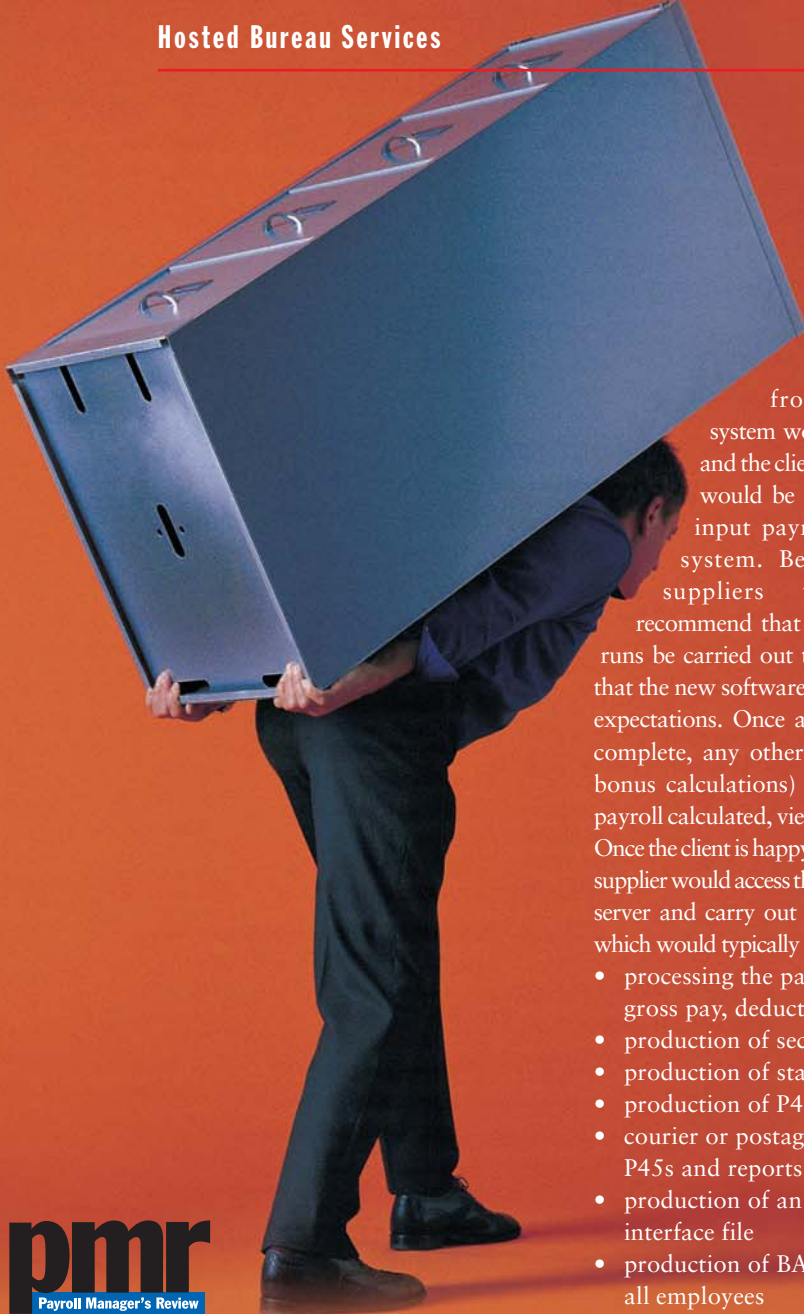
As well as the support provided by an assigned payroll administrator, clients can expect to benefit from the supplier's extensive contingency plans in the unfortunate event of a disaster, as well as regular upgrades and enhancements to the system carried



out by experienced staff. Most suppliers also offer full project management, implementation and training, which is backed up by a qualified team of help desk analysts to assist payroll managers with any operational difficulties that they may experience in the use of the software.

The ins and outs

So how does it work and what processes are outsourced to the supplier? The first stage is for the supplier to review the client's current procedures, establish their exact requirements and highlight where cost savings and efficiencies can be made. This step has many terms, including "due diligence" and "blueprinting". The payroll system would then be installed onto an external server in accordance with the client's individual payroll rules, regulations, requirements for user access and levels of security. The supplier would then give the client access to the payroll system over a secure data link. An external server is the recommended route for offering clients superior service under this type



of arrangement. Following installation, any import of data from a third-party system would be carried out and the client's designated staff would be trained on how to input payroll data into the system. Before going live, suppliers would usually recommend that sample or parallel runs be carried out to satisfy the client that the new software is working to their expectations. Once a client's inputs are complete, any other routines (such as bonus calculations) can be run and a payroll calculated, viewed and signed off. Once the client is happy with the results, the supplier would access the client's data on the server and carry out several procedures, which would typically include:

- processing the payroll to calculate gross pay, deductions and net pay
- production of security payslips
- production of standard reports
- production of P45s for leavers
- courier or postage of payslips, P45s and reports
- production of an accounting interface file
- production of BACS payments for all employees

- production of BACS payments for third parties if required
- provision of off-site data backup.

In addition to the above, the supplier would also take care of year-end processing on the client's behalf. This would include the printing of employee P60 documents and the electronic transmission of the year-end information to HM Revenue & Customs.

Some suppliers will also offer integration with HR and/or associated business functions such as time and attendance, and recruitment. In these cases, both payroll and HR will benefit from only having to key data into the system once, further reducing administration and increasing business efficiencies.

If nothing else, it is certainly worth questioning your business's current payroll processes. Why do you do things the way you do? If the answer is because "it's always been done that way" you could be missing an opportunity to save time, money and resources.

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Bureau hosted TeamSpirit with bureau processing

