

White Paper

Payroll bureau services can improve efficiency and reduce your costs

During my time as a Payroll Manager for a care home group, the last Friday of the month was not a day I particularly relished. Running and then overseeing a large payroll certainly raised my stress levels and could possibly explain my prematurely grey hair. Pay your employees correctly and it goes unnoticed; there will be no phone call of thanks or a gift at the end of the month, however make a mistake and it is a very different story.

In today's tough economic environment, employees more than ever are conscious of what the bottom righthand corner of their payslip is telling them. This is why it's vital to ensure payroll is deployed accurately and efficiently whilst remaining cost effective for the business.

The healthcare sector is a major employer of full and part time staff, and pays million upon million each year in wages. Traditionally, payroll cost is the single largest revenue line on the profit and loss report, heading towards sixty percent of fee income. Employee numbers are high and pay structures are complex due to multiple job roles and a mix of care, ancillary and nursing staff. Therefore, to run your payroll on time and accurately can be both financially restrictive and labour intensive.

To offset the burden of running a payroll, a large number of UK companies outsource this function to a third party. Most healthcare organisations tentatively recognise the benefits of opting for a payroll bureau which include reduced costs, greater levels of service and improved regulatory compliance.

I say "tentatively recognise" because payroll is a sensitive subject. It is paramount to a care home's survival and like a mother with her newborn, it is not always something you want to leave in the hands of another.

Outsourcing to a payroll bureau is defined as the transfer of payslip processing from an internal department to an external supplier. The effort and infrastructure is provided by a third party organisation therefore eliminating many of the constraints associated with running an in-house payroll.

Making the decision to outsource is formed around key pain points for the healthcare employer. Every care home is different but my interactions with payroll professionals and care home managers have commonly uncovered the following factors:

- time spent on payroll has become an increasing burden
- a shortage of skilled payroll staff is raising stress levels
- the number of payroll queries each period has become difficult to manage
- legislation changes are frustrating and time-consuming
- costs related to statutory fines are imp acting the business

All of the above are increasing the average cost per payslip per period

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Outsourcing may not suit everyone, and many healthcare organisations don't even consider the discussion, but those that do consider outsourcing normally come to the following conclusions regarding a bureau service:

- streamlining is essential to remain competitive in this current economic environment and a bureau service enables this
- it reduces the ongoing financial commitment of running an in-house payroll
- software licenses and support costs are eliminated
- infrastructure costs are reduced
- security of payroll data is enhanced
- the burden of compliance issues and updates are reduced
- business continuity is provided
- it provides a temporary or long-term solution depending on the company's strategy

Outsourcing the payroll, whether it is a current business strategy or a future prospect, can be a frightening proposition. Choosing the right provider is therefore incredibly important and forming a close business relationship with your supplier should be the primary goal. When examining the market for a suitable payroll partner, there are some factors that should be closely examined.

A payroll bureau should be using HMRC accredited software. This is a voluntary scheme that tests the payroll software against the payroll standard and ensures the software is compliant and up-to-date with current legislation.

Implementation of the bureau service should commence with an initial customer meeting resulting in a detailed project plan and a comprehensive implementation document as well as an ongoing procedures manual. This manual should cover all of the payroll details including employee, set-up, employee change requests, processing timetable remote access, HMRC registration and indirect BACS submitter requirements. The last point allows a third party to make payments on your behalf.

If you are going to use a third party to make payments on your behalf, also ensure that they are a "bacs approved" bureau. Bacs inspectors ensure the standards of the scheme are met.

A good provider will fit around your business processes, offering flexibility of the types of pay elements assigned to an employee, taking into consideration varying types of additions, deductions and third party payments, such as pensions.

Within the payroll process, reports should be provided before an agreed deadline. The reports should be designed to assist with the checking and subsequent approval of the payroll input. These may include an "Audit" report that conveys changes within the month to employee records, or a "Variance" reports that highlight key differences between the current and previous payroll. There should also be a set of statutory payroll reports.

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Other important factors include:

- do they fully utilise online filing and other paperless solutions?
- do they have suitable customer references?
- how easy is it to scale up or scale down the payroll in line with organisational change?
- do you have a key point of contact for payroll queries?

Understanding your potential suppliers and how they would best fit your organisation is crucial; consider their size, stability and client base. Choosing a payroll bureau is a business decision; therefore an investment of time is required.

Outsourcing the payroll function is an effective way to drive cost and efficiency savings in all care homes. By outsourcing to a payroll bureau, a care home benefits from specialist experience and knowledge, whilst also gaining from the economies of scale using shared infrastructure and resources.

With the payroll being managed by a specialist third party, the care home can now focus on its primary business function, providing quality care at a profit.

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