

AutoEnrolment The Resource Thief

Making AE work for your practice

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Automatic Enrolment calculations within payroll should not add any significant processing times or payroll costs. But, AE steals time as soon as those calculations are complete and data needs to be sent to the pension provider.

On average, the post-assessment administration is adding **67 minutes** per payroll.

How do we know?

In September 2015, Dr Iain Clacher of the University of Leeds published [research](#) demonstrating that the biggest challenge for accountants and bureaus was managing the AE administration process.

The single biggest concern – both from internal resourcing and risk perspectives - was the manual manipulation of data files submitted to pension providers and the inevitable errors that subsequently needed to be managed.

In March 2016, pensionsync re-approached 25 large accountants/bureaus as part of a follow up survey and this time the results were even more startling.

There are three regular administration processes required for AE, each with its own additional internal cost:

- **Management of CSV files** (including download/upload, manual changes & logging on to a provider website)
- **Error Management** (downloading a file, manually changing it and re-uploading until it is successful)
- **Opt out & worker instruction processing** (downloading information from a provider's website & then manually logging it into the payroll software).

These tasks need to be completed every single payroll. The average timings were:

- 32 minutes for the Management of CSVs
- 23 minutes for Error Management
- 12 minutes for Opt outs/Worker Instructions
- **67 minutes** in total *on average every payroll*

To put this in perspective: a payroll with 200 AE clients will require an additional 1.5 FTEs just to manage these processes, *assuming that all of the payrolls are monthly. If just a third of these are weekly payrolls, then the number of additional FTEs is doubled.*

Larger accountants are affected even more. Karen Thomson, Director of Payroll at Armstrong Watson accountants has calculated that *"for our 1,500 staging clients we would have need to hire another 12 members of staff – effectively doubling my team – by managing data transfer through CSV uploads. Our clients would not have been able to afford the additional costs involved."*

Even for small practices the additional workload is significant. As few as 50 small payroll clients could mean an additional 30 hours plus of processing a month.

Given that payroll is often already a loss leader for many practices – is AE the final straw?

Not necessarily. For many – including Armstrong Watson – it has become an important growth area and there are a number of approaches that can be adopted to make it so.

As ever, the best starting point for planning is to determine the potential impact on your business.

How will it impact your practice?

The numbers previously cited are averages. For some providers it is not unusual for CSV management to take between 2 and 4 hours but for other providers it will be less.

Each practice will be different, depending on the number of clients, payroll frequencies and the payroll software used.

To help, pensionsync has produced a free [Resource Calculator](#) that allows you to tailor the results specifically for your practice to calculate a relevant forecast of how many additional hours of AE administration you need to allow for.

Armed with that information, there are now a number of strategies available to turn AE into a profit centre.

Data Automation

The majority of the main pension providers in the AE arena have recognised the administrative impact of AE on accountants & bureaus and their own internal support costs.

Consequently, they have improved their technology and are starting to accept data directly from payroll software or through an intermediary, like pensionsync.

For example, payroll software that incorporates pensionsync currently has data automation links to Legal & General, The People's Pension, Smart Pension, Nest, NOW: Pensions, and Aviva. All of whom will accept any client *however small*.

Data automation for AE works similarly to RTI in that you click a button (or two) and submit/retrieve your data.

Data is pre-validated resulting in significantly fewer errors. Most importantly, the 67-minute average for administration drops to less than 5 minutes in total. A huge resource and cost saving.

Restricting pension provider selection

Data automation means that you can offer a wider range of pension providers to your clients.

But, for those stuck with CSV files, most accountants restrict the choice that their clients have for AE based on what works with their payroll software.

Restricting the provider lists offers advantages in terms of administration costs, but may not be the best solution for employers or employees.

Differential Pricing

This allows a wider provider offering than a restricted list, but with the caveat that for the less efficient providers the client will pay a higher administration fee.

Switching payroll software

Many accountants are discovering that their trusted payroll software introduces significant inefficiencies, through manual processing, when it comes to AE.

The true internal cost of any payroll software is always the cost of the licence *plus* the additional staffing costs to manage it. Switching software can be painful in the short-term, but the long-term benefits can be significant if the human cost of operating it is lowered.

Indeed, data automation is now becoming so important that an increasing number of bureaus are switching payroll software purely because of the benefits it provides them as a business.

Outsourcing

An increasing number of accountants are deciding that payroll is now becoming too problematic and are looking to outsource their own outsourced payroll services.

The good news is that there are a number of accountants and bureaus out there who have refined their AE proposition so well that they are willing to take on this additional business at a reasonable cost.



The question is though, if they have managed to make it work, why can't you?

Pricing

All of the above are successful ways at limiting your internal costs of administration, but none of them work without the correct pricing structure in place.

Broadly, there are 2 main ways of charging for AE services: a packaged monthly fee or an additional charge per payslip.

Both options work, but both have to be priced to take into account the real increased internal costs incurred.

The latest survey undertaken by pensionsync confirmed that clients would almost universally pay a reasonable fee for AE services *without* question, as long as they didn't have to deal with the pain or any data files.

How do you work out what that reasonable price? The pensionsync [Resource Calculator](#) also gives you the facility to test out different pricing models and prices to ensure that you are covering your costs and making sufficient margin.

Conclusion

Turning AE services from a large resource cost into an efficient profitable service is not complicated.

It does however require some planning around resourcing, software and pricing – but for many practices it is turning their payroll services from a loss leader into a profit centre that increases the value to their clients.

And that is worth thinking about.

pensionsync works at the heart of AE, connecting payroll to pensions.