

helmgodfrey

Plugging the advice gap

How can accountants help SMEs to auto-enrol?

4
Introduction

5
The auto-enrolment landscape

6
The auto-enrolment challenge

7-8
Recommendations

9
About us

Finding efficiency



What does the auto-enrolment landscape look like for smaller businesses? What are the challenges and how many are yet to auto enrol? Our research, co-conducted with Incisive Media, paints a picture of frustration among practice accountants and business owners as they seek to navigate the detail and administrative burden of the reforms.

It's true that automatic enrolment has changed the UK workplace forever. The government's 2008 Pensions Act, which came into force in 2012, requires all employers to automatically enrol employees into suitable pension arrangements and pay contributions on their behalf. Big business has already faced auto-enrolment, now it's the turn of the smaller firm.

Small businesses are a vibrant and dynamic part of the UK economy but they face a disproportionate compliance challenge, administrative burden and upheaval to payroll processes.

Accountants, particularly those offering payroll services are finding themselves in the thick of it. Payroll is key to the auto-enrolment process but employers need also to determine their approach to compliance with the legislation and consider the selection, design and set-up of an appropriate 'qualifying' pension scheme.

To help overcome the challenges and plug the advice gap, accountants can consider linking up with an adviser in order to offer a complete solution to their clients.

Many employers are going straight to NEST or some advisers are simply directing all their clients to one pension provider. This may not be the most appropriate – or even most cost-effective – solution.

There is no one-size-fits-all solution. Auto-enrolment is disproportionately complicated for smaller employers and that's why we at Helm Godfrey offer a range of services from helping guide people at certain stages, to managing the entire process.

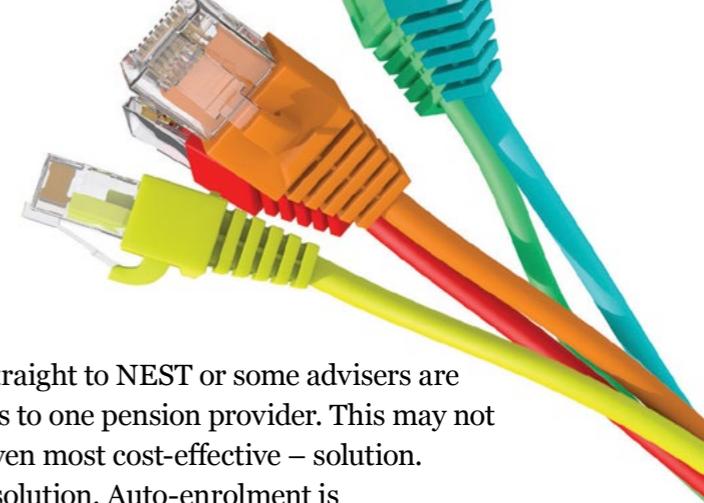
This report highlights some of the issues to be faced and we hope demonstrates the benefit of seeking guidance on the decision-making, design, compliance and implementation processes.

Offering assistance with auto-enrolment will be essential for accountancy practices because:

1. If they do not offer help to their clients, someone else will!
2. They will be able to generate additional income.

Steve Wood, Client Director & Head of Auto-enrolment, Helm Godfrey

If you have any queries or would like to find out how Helm Godfrey can help you comply, please contact Steve Wood at steve.wood@helmgodfrey.com or on 020 7614 1008.



Auto-enrolment: a history

Ten years since the auto-enrolment recommendation was made, we look at the key legislative developments along the way

2006

Pensions Commission recommends automatic pension provision.

2008

The legal framework for automatic enrolment is set out in the Pensions Act 2008.

2012

Introduction of auto enrolment for the largest companies in the UK (which will eventually affect **1.8** million employers).

2013

Big businesses with **30,000** employees have to comply, and by the end of the year, those with over 500 have to.

2014

63% of companies find auto-enrolment more difficult than they'd anticipated, according to NEST Insight.

2015

Organisations with less than **60** employees have to start complying.

2016

Two thirds of practice-based accountants say fewer than **25%** of their clients have completed auto-enrolment, according to Helm Godfrey research.

“[By 2018] around 9 million people are expected to be newly saving or saving more in a workplace pension.”



**BARONESS
ALTMAN,
FORMER
PENSIONS
MINISTER,
JUNE 2016**



Setting the scene



“Many of my clients would prefer the rate of national insurance to have been increased rather than navigate through auto enrolment”

SURVEY RESPONDENT

The new duties on employers are far-reaching and complex and can impose a significant administrative burden on employers as well as additional costs.

The Pensions Regulator will monitor and enforce compliance. There are financial and other penalties that can be imposed on employers who fail to comply.

Our survey of UK accountancy practices follows a 2015 study by the National Employment Savings Trust (NEST) which revealed that almost three quarters (74%) of small employers will turn to an adviser for support when assessing their auto-enrolment options. Of those, 59% indicated they will turn to an accountant for help, rising to 70% for employers with one to four workers. As such, accountants have started to see a surge in demand as 45,000 small and micro employers begin implementing the reforms.

85%

The percentage of respondents who provide payroll services to their clients. These practices are therefore inextricably linked to auto enrolment, even if they are only putting through payroll deductions.

“Finding a cost effective pension provider is a concern for my clients. Some bigger providers require you to go through a financial adviser which is a huge cost for a company with only three employees.”

SURVEY RESPONDENT

29%

The share of respondents who serve clients with pension and employee benefits services.

Most small businesses have not completed auto-enrolment

The way the legislation is phased in, starting with larger employers, means that small and micro employers are now having to face the challenges of auto-enrolment.

The Pensions Regulator defines small businesses as those with between 5 and 29 employees. Micro employers are those with 1 to 4 employees.

The Regulator's quarterly Declaration of Compliance report to July 2016, shows that over **200,000** companies have completed their auto-enrolment duties. This includes over **156,000** small and micro employers. There are, however, around **1.8** million employers still to go!

59%

The percentage of small businesses who have not completed their auto enrolment

“A lot of the complexity in auto-enrolment comes from the fact we do not have compulsion. I’m not saying you should make the system compulsory but that would remove a lot of the complexity.”



**PAUL JOHNSON,
DIRECTOR OF
THE INSTITUTE
FOR FISCAL
STUDIES,
JUNE 2016**

The Challenge

Businesses struggle with the admin burden

Setting up the auto enrolment instructions can seem relatively straightforward. There is plenty of information online – the Pension Regulators website and NEST – but, according to Steve Wood, Head of Auto-enrolment at Helm Godfrey, “once you start talking to a client it doesn’t take very long to uncover one or a number of the many complications.”

Indeed there are more than **30** different administrative tasks that need to be undertaken prior to staging. The Centre for Economic Business Research estimates that these tasks take around

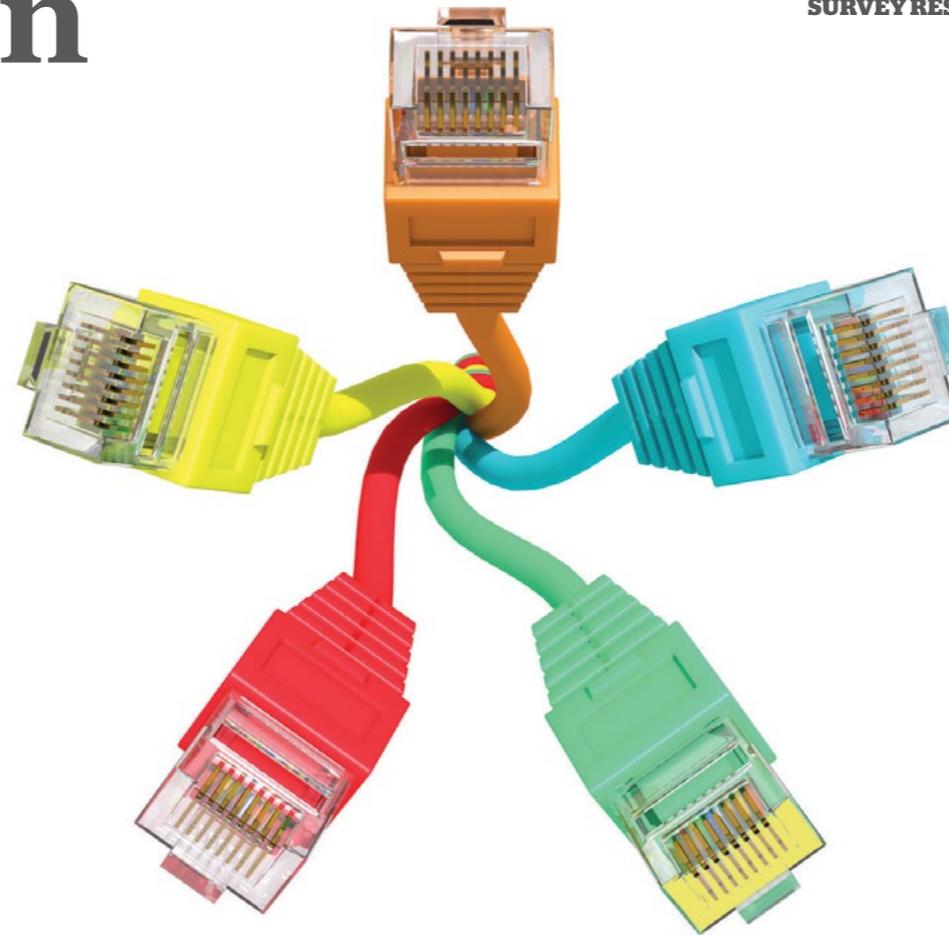
“I find that the NEST website isn’t particularly user friendly.”

SURVEY RESPONDENT

103 days of work, bringing additional administrative burden to finance teams in SME businesses.

Many small employers are simply going (or being pushed!) to NEST or one of the other ‘Master Trust’ pension schemes being set up to meet the demand for auto-enrolment schemes; often without any consideration for their (or their employees’) particular needs. One size does not fit all and offering advice on a selection of the most appropriate scheme can be an invaluable benefit for clients.

Supposedly ‘low cost’ pension schemes can be time-consuming and/or costly to administer and may not be best value for the employees depending on the nature and make-up of the workforce.



“There is a mismatch between payroll software and insurance company systems.”

SURVEY RESPONDENT

43%

The number of accountants who cited their own auto enrolment knowledge gap when asked what they struggle the most with.

227

When asked what company owners see as the biggest auto-enrolment burden, the highest weighted score was ‘navigating the detail’.



Where an accountant can help

One of the things businesses can do to plug the advice gap is start setting milestones, outlining responsibilities between their adviser and the HR function, with regular ongoing communication to ensure any issues or complications are identified early.

Employers will need to have a thorough understanding of the new duties and the impact on their expenditure, their workforce, any existing pension schemes and their HR and Payroll processes in order to deliver auto-enrolment on time in a way that meets the legislative requirements and controls the impact on the business. Many will need advice.

Accountants can help their clients by bringing in specialist advice. For the clients themselves, Steve Wood advises that they “do some research on the Pensions Regulator’s website and talk to their payroll provider, often their accountant.”

EMPLOYERS WILL NEED HELP IN TWO DISTINCT AREAS:

1. Help with the monthly assessment and auto-enrolment process (including determining who needs to be enrolled, calculating the required pension contributions and making the necessary deductions from employees’ pay).
2. Advise on the legislation and how best to comply (including selection of a suitable ‘qualifying’ pension scheme).

Accountants offering payroll services are uniquely placed to help with the first area. Working with a specialist adviser can enable accountants to make assistance available to their clients in the second area.

If you have any queries or would like to find out how Helm Godfrey can help you comply, please contact Steve Wood at steve.wood@helmgodfrey.com or on 020 7614 1008.

Recommendations

Where an adviser can help

An experienced adviser will be able to assess the client's likely requirements, simplify and explain the compliance requirements and offer a cost-effective and appropriate solution. Specialist advice can be provided even for small and micro employers without incurring disproportionately high fees.

A TRUSTED ADVISER CAN:

1. Provide the technical and pensions advice to clients in a collaborative manner.
2. Assist with setting up and configuring the monthly payroll and administration routines that will be required.
3. Participate in joint seminars for clients, mailing exercises, and so on.

42%

Percentage of respondents who recommend speaking to a specialist adviser

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Helm Godfrey's 7 steps to auto-enrolment

1 Know your clients' staging dates

Know when the legislation will apply to your clients. You don't want any surprises so check their staging date. If you operate the client's payroll, you will know their PAYE reference number and can therefore look up their staging date for them.

2 Review your auto-enrolment software

Most payroll software contains or offers an auto-enrolment module or add-on. Check what is available, what it does and how much it costs.

3 Talk to a specialist adviser

Independent advice

should be sought on the legislative requirements, the review or selection of a suitable pension scheme, designing communications and bringing everything together – working closely with you.

4 Make sure you are ready

You should have your plan in place at least 3 months before your clients' staging/implementation date.

5 Ensure everyone is connected

Implementing these important changes requires many people to be involved - business owners, management, HR, payroll, advisers and pension providers.

6 Go live

Carry out the first assessment of the workforce, postpone and/or enrol eligible jobholders, calculate contributions and make the necessary deductions from payroll.

7 Pension scheme administration

Payroll, employee and contribution data will be required for passing to the pension scheme or provider. This will be produced by payroll and can either be passed to the client or you can offer to deal directly with the pension provider (usually online).

About us

Meet the team



Steve Wood

Head of Auto-enrolment

Having worked in pensions and employee benefits for over 30 years, I have been at Helm Godfrey for the last 5 years. Since 2012 I have been assisting clients with all aspects of the auto-enrolment requirements including compliance with the legislation itself, pension scheme design, dealing with payroll and administration issues and designing effective communications. We aim to explain and simplify what is a complex piece of legislation in order to help employers make informed decisions and meet the requirements in the most appropriate, efficient and cost-effective manner for their business and their employees.

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Will Brown

Auto-enrolment Consultant

I have been working in the pensions section of the Employee Benefits division at Helm Godfrey for just under three years since leaving university, working increasingly on Auto-enrolment as the demand for support from smaller businesses increases.

We implement bespoke solutions for all of our clients and I strive to ensure that these solutions suit the business's Auto-enrolment requirements.

As well assisting with the initial setup, we can provide ongoing support to businesses with their Auto-enrolment scheme. Having worked with employers with 1500 employees down to just 1, I've implemented and managed a wide range of different schemes all with varying requirements.

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020 7614 1014



Philip Thrush

Head of Employee Benefits

I have worked in Employee Benefit Consulting for 23 years since leaving the Royal Navy. I am responsible for the team and for all corporate relationships, acting as Account Director for many of the clients.

I strive to ensure that the service Helm Godfrey provide is both pro-active and supportive of client HR and finance operations and that our costs for services are competitive and provide a valuable return on investment. Our client testimonials and the longevity of our business relationships speak volumes about the quality and responsiveness of our services.

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