

## **20. Salaries, Wages and Pensions**

### **Preamble**

The cost of salaries and wages at schools is the largest single item of expenditure to be met from the school budget. It is essential therefore that proper controls and authorisation procedures are in place in every school. The local authority's payroll service and associated HR administration is controlled by a single contract, which Schools subscribe to via Business Services to School offer. These Financial Regulations are necessary to ensure that the school and payroll service provider comply with PAYE, National Insurance (NI), Statutory Sick Pay (SSP), Statutory Maternity Pay (SMP), Statutory Paternity Pay (SPP) and Statutory Adoption Pay (SaP) regulations and that payroll expenditure is properly administered, recorded and controlled.

### **Regulations**

- 20.1. The payment of all salaries, wages, pensions, compensation and other emoluments to all employees or former employees of the local authority shall be made through an appropriate payroll service<sup>1</sup> provided either by the FBP CEF or under arrangements approved in advance and in writing by the holder of that post. The local authority's Corporate HR function HR is responsible for the supporting HR and payroll administration processes, ensuring compliance with supporting employment legislation by schools through subscription to Business Support Services.
  
- 20.2. Reimbursement of travelling and other personal expenses incurred on the school's business should also be made through payroll on the standard travel and other expenses claim form. These will include for example subsistence while away on school business, official mileage or fares and relocation expenses for newly appointed staff where agreed. Equivalent claims for expenses incurred while on training courses or for course books and materials should be made through the appropriate training expenses claim route. None of these will be subject to tax and national insurance except for the £3,000 resettlement allowance which staff entitled to receive relocation expenses can elect to receive as part of the overall relocation package. However, it is essential to provide/retain<sup>2</sup> receipts (including VAT fuel receipts) / invoices/ till rolls as evidence, both to confirm tax-free and NICs-free treatment and also as evidence that the cost has been incurred. There are a few exceptions to this e.g. parking meters where no receipts are given, or the standard out-of-pocket expenses allowance for

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<sup>1</sup> Where Council payroll provider used, schools will ensure that all documentation is properly completed, authorised and coded for processing through the accounting system.

<sup>2</sup> For retention periods please refer to the document retention schedule

overnight stays which may be payable without the need to provide receipts and is in any case exempt from tax and NICs. Where the invoices/receipts show a VAT registration number, the VAT can be reclaimed on input to payroll, thus reducing the cost to the school.

It should be unnecessary for school staff to purchase goods or services out of their own pocket (i.e. business expense rather than 'personal' expense) as either an accounting system Purchase Order should be raised or a procurement card can be used. If you require further purchasing advice or procurement cards please contact the Corporate Procurement Team.

However, in isolated cases business expense can be reimbursed via the payroll in the same way as 'personal' expenses.

- 20.3. Particular care must be taken where payments are made to "consultants", casual staff, students, volunteers and to individuals purporting to be self-employed. As required by IR35 relating to "Off-payroll working through an intermediary" requires an employer to establish the tax (and National Insurance) status of self-employed workers. An employer cannot just treat a worker as self-employed because they say they are. If you are hiring a self-employed worker you must, before they start work, carry out an assessment by filling in the HMRC Employment Status for Tax Assessment form<sup>3</sup>. The completed form, along with a short description of the work they are to carry out, is to be sent to [County.hr@Oxfordshire.gov.uk](mailto:County.hr@Oxfordshire.gov.uk) who will review the status of the worker and confirm how they are to be paid.

Where the engagement has the attributes of employment, it must be made through payroll with the necessary tax and national insurance (and sometimes pension) implications. The employment status assessment must be applied before any contract or letter of engagement is signed, in order to determine the status of the engagement. If done at this stage, there should be no misunderstanding on the part of the worker as to how payment will be made. If the worker is unwilling to be paid through payroll, even though the employment assessment clearly point to employment, he or she should not be engaged. It is the local authority, and therefore the school and not the worker that will be responsible to pay over to the HM Revenue & Customs (HMRC) the tax and employee's and employer's National Insurance liabilities, if an engagement that should be treated as employment is paid gross as self-employed. The school will also be responsible if the payment is later deemed to be pensionable.

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<sup>3</sup> What determines whether the engagement is on a self-employed basis or employed basis through payroll are the terms and conditions of that engagement.

- 20.4. Governing Bodies shall ensure that all payroll transactions (i.e. includes any amounts subject to tax, national insurance or pension contribution) are submitted (accurately, in the form required, and according to deadlines) to their provider for payroll services for processing and payment. Schools should never use other funds or processes to avoid payroll i.e. they must not make a payment to a member of staff that could in any way be described as a reward for services.
- 20.5. A school may request to opt out of the payroll service provided by the FBP CEF<sup>4</sup>. However, the holder of that post will remain as the local authority's named officer, where it is recognised by the authorities<sup>5</sup> that the local authority is the employer of the school's staff. Consequently, adequate assurance will need to be given to the local authority that the school can meet minimum requirements. The payroll services provider shall operate a secure and reliable system to process payroll data and to make all relevant payments to the school's staff in accordance with conditions of service, statutory, and pension requirements. The school shall, in accordance with appropriate deadlines, provide the FBP CEF with such information as required in an agreed format, and make payment to the local authority's Main Account such tax, national insurance and pension amounts as relevant. This is to allow the FBP CEF, as the local authority's named officer, to complete the necessary monthly returns and payments over to the HMRC and to the Pension Schemes. Any penalties<sup>6</sup>, additional work & required interfaces, which the local authority incurs from the HMRC or Pension Schemes as result of failure by the school to provide the required accurate information, and pay over the appropriate amounts in accordance with the deadlines, will be the responsibility of the school. The school would also be responsible for providing such audited statements and annual returns as required by the FBP CEF and any other authorities, and for maintaining employee's records in accordance with legal requirements.

**See also:**

A23.2 Mis-declaration of VAT.

Scheme for Financing Schools - Section 6 charging of school budget shares

- 20.6. In cases where the school opts out of the payroll service provided by the FBP CEF, and is able to obtain the necessary recognition from HMRC for its own employer status, the school would be responsible for every aspect

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<sup>4</sup> As Deputy Section 151 Officer

<sup>5</sup> Authorities include Inland Revenue, Pension Body, and Custom & Excise.

<sup>6</sup> Any penalty levied by the Inland Revenue or Pension Body will also be met by school, see 19.6.

of compliance with PAYE, National Insurance and SSP, SMP, SPP and SaP regulations. The school would still be required to make payment to the County Council of all pension and Additional Voluntary Contributions (AVC) contributions in accordance with the requirements outlined above.

- 20.7. A minimum notice period of twelve months must be given if a school intends to arrange its own independent payroll service. Schools will be required to wait until the next financial year to commence using an independent payroll service
- 20.8. Regardless of the school's arrangements for payroll provision, Governing Bodies are responsible that adequate procedures exist to ensure that:
- payments have been made only to authorised bona fide employees, for the period of entitlement;
  - payments have been made for the authorised amount;
  - payments have been made in accordance with Conditions and Contracts of Employment; and supporting HMRC legislation
  - payroll forms submitted for processing are legible, properly completed and certified;
  - all starters, leavers, pay scale and grade point changes are notified promptly;
  - timesheets and claims are submitted promptly.
- 20.9. Failure to submit the appropriate details and forms in the prescribed manner to the school's payroll provider and in accordance with the agreed timetable could result in the non-payment or incorrect payment of salary to the employee.
- 20.10. Appointments of all employees shall be made in accordance with the appropriate conditions of service and the approved establishments, grades and rates of pay.
- 20.11. Governing Bodies are required to assist as appropriate to recover any overpayments and in compliance with the guidelines issued in the local authority's "Procedure for Recovery of Overpaid Salary".
- 20.12. In a school using the local authority's payroll service, where the overpayment to an employee arises because payroll notification had not been received in accordance with deadlines or incorrect payroll data had been submitted<sup>7</sup>, then the cost of the overpayment, if not recovered from

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<sup>7</sup> Any amount resulting from overpayment to an employee does not constitute a legitimate reason for an approved deficit - see section 7.5.

the employee, will be charged against the school's delegated budget, together with the administrative cost in attempting and recovering such amounts

- 20.13. If a school intends to provide a benefit-in-kind to a member of staff, whether from official or unofficial funds, it should always seek the prior advice of the IBC Taxation Team. Each governing body is responsible for ensuring that all taxable benefits/payments-in-kind received by individual employees are notified at the end of the tax year to the IBC Taxation Team, so that he can do the necessary calculations and pass the figures to the Payroll Manager for inclusion in the annual P11D/P9D return that has to be sent to HMRC, with a P11D to each employee in receipt of the benefit. Schools that opt out of the payroll service provided by the FBP CEF and have obtained the necessary recognition from HMRC to be an employer in their own right should send details of taxable benefits/payments to their own payroll provider.

**See also:**

A26 Travelling and Subsistence Allowances

- 20.14. Oxfordshire County Council's policy is that it will only act as a payroll bureau for external organisations which meet the legal definition of a public service body. Charities, voluntary associations or private businesses do not meet that definition, whether or not they have close links to schools. This would apply for example to the staff of private breakfast clubs, play-schemes, after-school clubs or educational charities that operate from school premises. Such organisations should make their own payroll arrangements outside the local authority.

**See also:**

A14 Voluntary Funds