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# Finance

## *Payroll Service to Schools*

### **Contact**

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### **Introduction**

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An external contractor – Selima Bureau Services Limited, provides the Council's payroll. It provides a comprehensive and confidential payroll service in accordance with relevant national legislation (including tax and national insurance) and local requirements, with all payments properly and correctly accounted for.

### **Core Service (Centrally Funded)**

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#### **1. Teachers' Pension Scheme**

The LEA is regarded as the statutory employer for the purposes of the Teachers' Pension Scheme. This means that it has to consolidate returns of service and contributions made by teaching staff within the scheme.

Schools which do not buy into the Council's payroll service must ensure that their chosen provider makes returns, in the prescribed format, to the LEA for inclusion in its consolidated return to the Teachers' Pensions Authority (TPA).

#### **2. Local government Pension Scheme (LGPS)**

For those non-teaching staff who are members of the LGPS, schools which do not buy into the Council's payroll service must ensure that their

chosen provider makes returns in the prescribed format to the RBK Superannuation Section.

## **Service Available To Purchase**

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1. The service provided by Selima Bureau Services Limited, the Council's payroll contractor. Schools will be required to enter an annual agreement.
  - a) Employees will normally be paid monthly, on 29<sup>th</sup> of the month (or the preceding working day if 29<sup>th</sup> falls on a weekend or bank holiday). The December payment will be made on the last full working day before Christmas.
  - b) Payments are made by BACS credit transfer, directly into the employee's bank or building society account. In the case of any school which operates using a locally based cheque book system, the school will sign appropriate mandates to enable payment to be made directly from the school's own bank account.

## 2. Client Responsibilities

**E-Forms must be used to claim overtime, additional hours and to record sickness.**

To ensure that all employees are paid correctly and on time, the necessary information must be provided to the payroll contractor by the agreed deadlines.

This will include the following:

- a) New employees ("starters")
  - Name
  - NI Number
  - Date of birth
  - Start date of employment
  - Address
  - Bank details
  - Salary
  - Additional payments or deductions if appropriate
  - Pension scheme information
  - Tax Code information ie P45 or P46
  - DfES Number for teaching staff.

b) Leavers

- Supply the appropriate termination information. If the appropriate deadline has already elapsed, or will have done so, then a telephone call, e-mails will be acceptable to prevent an overpayment. It will be necessary to forward the appropriate documentation to confirm the action taken.
- Additional information required for a leaver may consist of some of the following:
  - Outstanding leave;
  - Request for variation to normal payday;
  - If employee has any outstanding loans that require recovery;
  - Any other special instructions, eg if payments or pay slip needs to be sent to a 'new address'.
  - Death in service – liaise with the appropriate pensions administrator and/or write to next of kin or solicitors as necessary to arrange payment of any salary/wages owing and notify the contractor accordingly.

c) Absence (excluding industrial action)

- Advise the payroll contractor of all absences by the agreed deadlines, ensuring that documents are correctly authorised.
- Assess all absence notification to establish nature of absence (eg illness, accident, unpaid leave, etc and determine entitlement to pay.
- Advise the contractor of all absences and all sickness absences of half a day or more to calculate statutory (SSP) and occupational entitlement to pay.
- Liaise with the appropriate pensions administrator on employees who are to retire on ill health grounds.
- Operate the regulations covering Industrial Injuries.
- Operate procedures for Jury Service to ensure that the employee has the correct adjustments input and that reimbursements are offset against salary/wages.

d) Temporary and permanent variations to pay:

- provide documentation properly completed and authorised by the agreed deadline to enable these to be input and paid.

Temporary variations include:

- Overtime. (via Eforms)
- Lettings payments.
- Bonus/productivity report.
- Sleeping-in duties.
- Honoraria and fees.
- Expenses and travel claims. (Via Envoy)
- National Insurance calculations.
- Adjustments to salary for sickness and absence.

Permanent variations include changes to:

- Basic hours.
- Grades and rate of pay, including increments.
- Expenditure analysis codes.
- Employee's personal details.
- Regular allowances.
- Deductions of agreed union dues.
- Attachment of earnings orders.
- Tax codes.
- National Insurance status and deduction rate and adjustments to cumulatives.
- Pension status and collection of contributions.
- Recovery by instalments of loans and overpayments.
- voluntary deductions, eg HSA, GAYE, etc.

e) Statutory Requirements

(i) Income Tax

- Distribute annual P60 forms (prepared by the contractor) to employees.

(ii) National Insurance (NI)

- Obtain the NI number for all employees.
- Advise the contractor to amend the employee file if female members of staff, holding certificates of Reduced Liability, change their marital status.

(iii) Pay Advice Slips

- Distribute these to employees when received from the contractor.

(iv) Payment Cancellation

- If the school is aware that a payment is incorrect (eg if employee has left and a pay slip is received) the contractor should be notified immediately. Payments can be stopped up to one day before pay day in these circumstances.

(v) Urgent Payments

- Complete an emergency payment request form and forward it to the contractor.

(vi) Attachment of Earnings Orders etc

- Provide details of Court Orders, Tax Credits and Student Loans where applicable.

(vii) Overpayments

- Instruct the contractor on the timescale for recovery of any overpayments from ongoing salary.
- Recovery of overpayment debts in respect of employees who have left.

f) Bulk Amendments to Payroll

(i) Pay awards and/or annual increments

Provide written instruction to the contractor with details of pay awards/increments to be applied.

(ii) Other

- On occasion it is necessary for similar amendments to be made for a large group of employees. In such instances, the Client should provide Selima Bureau Services with the changes on a schedule that can be used as a punching document. Selima Bureau Services requires advance notice in order that the schedule may be agreed and prepared – NB this work may be considered chargeable.

g) Authorisation of Data

- (i) All documents (starters and leavers forms, overtime claims, lettings claims etc) should be correctly authorised before being sent to the contractor. It is the Client's responsibility to ensure that documents are signed by properly authorised officers.

***Note: For those schools which buy back into the Schools Personnel Service, most of the above items will be undertaken by the School's HR section.***

3. Contractor's Responsibilities

The payroll contractor will ensure that correctly provide and authorised information is processed as follows:

a) New employees ("starters")

- Create a new record on the payroll system for all new employees.
- Ensure that the first salary/wage payment is made on the appropriate pay day.
- Input P45 details for new employees. If no P45 is available, the Client should supply a P46. Selima Bureau Services will action as appropriate and inform the Inland Revenue of the commencement of employment.
- Set up the employee for pension deductions on the system upon receipt from the Client of the appropriate documentation and notify the relevant pension administrators.

b) Leavers

- Calculate the final payment due to last day of service.
- Pay or recover outstanding leave as requested on the Termination Form. The Client will handle recovery of monies where due.
- Prepare and despatch P45s – Part 1 to Inland Revenue, Parts 1A, 2 and 3 to employee's Home Address unless otherwise instructed.
- Complete and return National Insurance certificate to employee's home address where necessary.
- Complete and send to employee's home address the employee's SSP1 (L) if necessary (Statutory Sick Pay leavers form).
- Send appropriate Pension documentation as provided by the Client to the relevant Pension administrator as required, and make payroll records available to them.
- apply statutory rules affecting payments after leaving, if appropriate within the next available pay run.

c) Absence (excluding Industrial Action)

- The contractor will input all absences and all sickness absences of half a day or more to calculate statutory (SSP) and occupational entitlement to pay.
- the system will calculate and record statutory and occupational entitlement to sick pay.
- The system will calculate and make necessary reductions in salary/wages for periods of half pay and unpaid sickness, leave without pay, and Jury Service.
- the system will calculate, record and make necessary adjustments to pay for SSP.
- In cases where State benefits may be offset against pay, the system allows Selima Bureau Services to input the appropriate information against the employee file to pay the correct benefits rates, eg incapacity benefit.

- The payslip will provide the employee with details regarding changes in sick pay status, ie employees entering half pay or unpaid sickness entitlement.
  - The contractor will provide a monthly list detailing sickness absences and entitlements remaining.
  - The system will calculate Statutory Maternity Pay (SMP) and Occupational schemes.
- d) Temporary and permanent Variations to pay (see para 2d above for examples of what are temporary and permanent variations)
- Process and, where appropriate, record all variations received up to the agreed deadline, provided that they are adequately completed and properly authorised.

e) Statutory Requirements

All statutory requirements will be met as follows:

(i) Income Tax

Selima Bureau Services will:

- Monitor the calculation of income tax and apply statutory deductions and allowances in accordance with the “PAYE Employers Guide” as issued by the Inland Revenue.
- Operate tax code changes received from the Inland Revenue, including bulk updates at the beginning of the new financial year for the Budget changes.
- Process the correct forms for starters – P45, P46 and P38 (S) etc.
- P11 D returns.
- Issue the correct forms to leavers – P45 etc.
- Notify the Tax Office of changes to an employee’s pay reference and prepare and send to the Client for distributions, Annual P60 prior to the statutory deadline.

(ii) National Insurance

Selima Bureau Services will:

- Assess and amend the contribution rate as appropriate:
    - . \* Contracted-out;
    - \* Contracted-in;
    - \* Reduced-rate;
    - \* Non-liability
  - The system holds, and Client can monitor annually, certificates of Reduced Liability and Earner's Non-Liability.
- (iii) Pay Advice Slips
  - Prepare for all staff, for each payment, a Pay Advice slip that provides at least the information in accordance with the statutory requirements.
  - Pay Advice slips will be despatched in time to arrive by payday. Usually Pay Advice slips will be sent to a central customer point for re-distribution.
- (iv) Document Retention
 

The contractor will store documents for the current year and the previous past two years' 'End of Year' returns to ensure:

  - compliance with Inland Revenue and Department of Social Security requirements.
  - compliance with our Internal and External Audit requirements.
- (v) Payroll Adjustments
 

Selima Bureau Services staff can deal with queries regarding Bank and Building Society credits.
- (vi) Payment Cancellation
 

Selima Bureau Services can stop payments that are found to be incorrect up to one day before payday. If you are aware that a payment is incorrect, eg employee has left and a pay advice slip arrives at the Client, you should contact Selima Bureau Services immediately.

(vii) Urgent Payments

- Selima Bureau Services can make payments outside of the normal processing cycle. Transfer of funds for such payments will take place using the “BACS” system – to obtain such a payment, the Client will need to complete an emergency payment request form and forward it to Selima Bureau Services.
- If Selima Bureau Services is required to complete any manual calculations due to errors or omissions by Client, these will be considered chargeable (Selima Bureau Services will provide Client with a proforma to make these requests).

(viii) Pensions

- Input to the employee file employees brought into the scheme.
- Input to the employee file employees taken out of the scheme.
- Amend employees'/employers' rates of contribution as instructed.
- Ensure information is available on line to pass to the pensions administrator as requested.
- Provide monthly returns either to the Client or to the Local Authority Administrator.

(ix) Statutory Sick Pay (SSP) and Statutory Maternity Pay

(See previous section on Absence)

(x) Statutory Returns

- Pay over to the Inland Revenue the appropriate monthly amounts of Income Tax and National Insurance contributions and reclaim SMP.
- Undertake the end-of-year reconciliation of Income Tax, National Insurance, SSP and SMP.
- Complete end-of-year returns – P14, P35, TR17, Teachers Annual Return.

- (xi) Attachment of Earnings Orders etc
  - Input, operate and make payment of amounts deducted from employees' earnings, to the Courts.
  - Input and operate repayment of Student Loans.
  - Input and operate payments of Tax Credits.
- (xii) Overpayments
  - Calculate the gross and net value of any overpayments.
  - Recover overpayments from ongoing salary in accordance with the Client's instructions.

f) Bulk amendments to Payroll

Pay awards and/or annual increments

- (i) Process pay awards on receipt of written instructions from the Client, to include:
  - updating employees' pay;
  - calculation and payment of arrears;
  - updating pay history records

(ii) Other

On occasion it is necessary for similar amendments to be made for a large group of employees. In such instances, the Client should provide Selima Bureau Services with the changes on a schedule that can be used as a punching document. Selima Bureau Services requires advance notice in order that the schedule may be agreed and prepared – NB this work may be considered chargeable.

g) Output Reports

Provide Client with the following information every month in a system generated format:

- BACS Reports
- Payslip Summary Report (after BACS authorisation)
- Cheque Listings (if applicable)
- Authorisation reports

- Payroll 'year to date' report
- Pension 'year to date' report
- Inland Revenue report
- Employee changes audit
- List of Starters
- List of Leavers
- Lists of voluntary deductions
- Costing File (format to be agreed)
- Headcount report.

Additional reports outside those mentioned above can be provided; however they will be considered chargeable.

h) Authorisation of Data

- Check that documents have been signed, not the authenticity of the signature(s). If not correctly authorised, they will not be actioned and will be returned to the Client.

i) Enquiries and Correspondence

(i) Statutory Enquiries (Inland Revenue, DSS, etc)

The contractor can and will complete and return to the appropriate organisation all statutory forms requesting details of employees' earnings.

Non-statutory enquiries (building societies, banks etc) – Selima Bureau Services can and will complete and return to the appropriate organisation all non-statutory forms requesting details of employees' earnings, on a chargeable basis.

To protect confidentiality, requests for pay details will only be accepted in writing and should be accompanied by an authorisation form from the employee for the information to be released. The authorisation should carry an "original" signature not a photocopy or carbon copy. If these conditions are not met, the requested information will be sent to the employee and not to the organisation asking for it.

Examples of form types automatically completed are as follows:

- Tax Office enquiries;
- Department of Social Security enquiries;

- Rent and Council Tax rebate forms;
- Housing Benefit forms;
- Income Support forms.

A complete service will be given to answer employees' pay related enquiries. The following methods of communication are available:

- Telephone;
- Written correspondence;
- Personal visits to The Bureau;
- Selima Bureau Services Staff visits to customers (one visit per term, per Client).

Comprehensive advice is offered on all pay related matters, ie:

- Income Tax
- National Insurance
- Statutory Sickness/Maternity Pay
- Occupational Sicknesses/Maternity Pay.

NB Whilst the contractor will be willing to give advice on the above subjects, it is not in a position to advise on other matters relating to 'conditions of service'/contracts of service. These should initially be referred to the Client.

(ii) Communications

All enquiries from Client employees should be channelled where possible through the Client.

Telephone

- Enquiries from a Client will normally be dealt with immediately. If this is not possible then a time will be arranged, during the call, when an answer can be given.

- Employees should be reminded of the need for confidentiality, which prevents some pay details, being given over the telephone, eg net pay, actual salary and bank account details.
- (iii) Written
  - Letters from employees giving details of change to personal circumstances, eg change of bank account, will not be acknowledged.
  - Enquiries will be dealt with or acknowledged in accordance with the response protocol.
- (iv) E-Mail
  - E –mails will be accepted as official payroll notifications, provided that they are sent by an authorised Officer from the Client.
  - The Client can use e-mails to seek advice on pay related matters for their staff from Selima Bureau Services. Such enquiries will be dealt with or acknowledged within two working days.
  - All Change Control requests should be sent via e-mail, using the agreed documents.
- (v) Cost coding
  - Selima Bureau Services will only use expenditure codes supplied by Client.
  - Un-coded items will be processed normally and allocated to a suspense code.
  - Selima Bureau Services will not check the authenticity of codes.
- (vi) Voluntary deduction
  - Selima Bureau Services will reconcile voluntary deductions and will provide RBK with payment details so that the Council can pay over to the appropriate body all agreed voluntary deductions from pay.

#### 4. Deadlines

- A list of payroll deadlines, for the receipt of starters and leavers, claims, travel expenses etc will be made available to customers before the beginning of the financial year.
- Special arrangements for Bank Holidays will be agreed and notified separately closer to the appropriate time.
- Each deadline represents the latest date for receipt of notifications by the contractor.
- All notifications received by the deadline will be processed in the next payroll run.
- Notifications received after the deadline will be processed on the following payroll run. Late documentation can be processed; however this will be considered chargeable work.

NB: Whenever possible, the contractor will give first priority to leavers notifications and second priority to new appointment details that arrive after the deadline and up to the day the payroll is processed. However, this cannot be guaranteed, especially at times of exceptional workload, eg April and September.

- Starters' and leavers' forms should be submitted as soon as the appointment/resignation is known. You should not wait until the employee actually starts or leaves as this may mean that the notification misses the deadline.
- Any notifications which are not adequately completed or properly authorised, will be returned for completion.
- Should timescales not allow for documentation to be returned the contractor staff will use their discretion to resolve the matter or contact you for clarification.
- Any notification returned will still need to be re-submitted by the deadline date.
- Any variation to the deadlines must be agreed in advance between Client and the contractor.

## 5. Levels of Checking

The Contractor will:

- Check that all documents are properly authorised, although the authenticity of signature(s) remains the responsibility of the Client.
- Carry out selective checks on all data after it has been processed but before the payroll is run – this will include a 100% check of starters and leavers data.
- Produce validation checks after the payroll has been processed, eg net pay exceeds a specified limit or a tax refund of over £ 200 has been calculated. These reports will be checked prior to payment being made; payments will be cancelled and re-issued where necessary.
- Where payments are re-issued all steps will be taken to ensure that payment is still received by the appropriate pay date.
- Produce reports of missing data, eg where an employee has not given a National Insurance Number or date of birth.
- Subject the level of checking carried out to Auditors' approval.

The Client will be provided with a report detailing payments prior to final "BACS" authorisation, it is anticipated that the Client will:

- Carry out a check of salary changes (excluding pay awards and annual increment runs);
- Check employees' sick pay and entitlement where the employee is due to go to half or nil pay.
- Check maternity pay.

All errors found will be corrected before the payroll is run.

## 6. Forms/Notification

- It is the responsibility of Client to ensure that their staff receive adequate training in the completion of forms and the input of accurate payroll information. Selima Bureau Services staff will be available to help if required.
- Only approved forms should be used for the submission of payroll information (for urgent payment requests please see separate procedures).

- All parties must agree all new forms suggested by either party before being introduced.
- electronic notifications, e-mails, are acceptable.
- Telephone calls may be used to convey urgent information, but must be supported by the proper authorised document(s).
- It is the responsibility of the Client to ensure that all forms are completed correctly, legibly and authorised properly before submission to the Payroll Services Section.

## 7. Errors

Where errors are the result of action(s) by its staff, the contractor will:

- Correct the error as soon as possible.
- Where appropriate notify the Client and employee of the error and how it occurred.
- Where appropriate consult with the Client regarding the action to be taken.
- Where a payment is required, make it immediately.

Where errors are the result of action(s) by Client staff, Selima Bureau Services will:

- Where possible, give assistance and advice to correct the error(s) and carry out whatever remedial action is necessary.

Special circumstances:

In the event of a major error (on the part of either party), which affects a large number of employees, consultation will take place at a senior level to resolve the matter.

In the event of a disaster or special circumstances which dictate that the normal payment of salaries and wages is adversely affected, consultation will take place at a senior level to resolve the situation.

Examples of 'special circumstances' being:

- Postal strike.
- Industrial action.
- Severe weather.

- Major computer failure or extraordinary additional workloads, etc.

In such circumstances the Payroll Services Section's priority will be:

- To secure a basic salary or wage payment for each employee.
- To process sickness and other absence.
- To process additional hours, expenses, etc.

## 8. Statutory Requirements

### a) Income Tax and National Insurance (PAYE)

The payment of salaries and wages will be made in accordance with PAYE regulations. Any disputes over the interpretation of the regulations will be put before the Inland Revenue and/or Department of Social Security to be settled. This includes the administration of the SSP and SMP scheme.

### b) Data Protection Act

Both the Payroll system and Selima Bureau Services' staff comply with the requirements of the Data Protection Act.

### c) General

All payments must comply with the above or any other statutory regulations covering the payment of salaries and wages, eg Wages Act 1986. It is the responsibility of the Client to ensure that accurate information is given to the contractor to determine the statutory requirements, which apply.

## 9. Charges

Charges are based on a unit charge per employee per payslip. Charges for the 2008/09 financial year will be:

Monthly paid employee	£3.63 per payslip
Weekly paid employee	£3.63 per payslip
Claims based employee	£3.63 per claim
Emergency payments	£22.90 per payment*

\*(where the emergency payment is needed as a result of the school's error or inaction only)

Charges will be reviewed annually (in April of each year) and increased in line with the change in the Retail Prices Index (All Items except Mortgage Interest). The next review will take effect in April 2008.

## How To Purchase A Service

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1. Schools which currently purchase the Council's payroll contract need take no further action as the arrangement will continue automatically.
2. If a school wishes to make its own alternative arrangements, two months' notice must be given in writing to Iain Millar, Head of Treasury Services, Guildhall 2, Kingston KT1 1EU (telephone 020 8547 5620, fax 020 8547 5651), e-mail: [Iain.Millar@rbk.kingston.gov.uk](mailto:Iain.Millar@rbk.kingston.gov.uk). To simplify any transition to an alternative provider, it is strongly recommended that any change is made at the end of a tax year (5 April each year).
3. If a school decides to change from using the Borough-wide general ledger system to a locally based cheque book accounting system, it can continue to use the Council's payroll contractor under a separate contract. It must, also, provide Selima Bureau Services with an appropriate banking mandate to facilitate payment of salaries and wages directly from the school's account.
4. If a school which currently purchases the Schools Personnel Service ceases that arrangement, it must make arrangements with Selima Bureau Services to ensure that the necessary information for payroll purposes is passed directly from the school to the payroll contractor.
5. Contacts:

Selima Bureau Services: Robert Evans, Head of Payroll Services  
Telephone: 020 8664 1571  
e-mail: [rob.evans@selimabus.co.uk](mailto:rob.evans@selimabus.co.uk)  
Fax: 020 8664 1579

RBK: Iain Millar, Head of Treasury Services  
Telephone: 020 800547 5620  
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Fax : 020 8547 5176

## **Payment Arrangements**

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Charges are raised quarterly in arrears and payment should be made by cheque (for cheque book schools), made payable to "Royal Borough of Kingston upon Thames", or by journal transfer (for general ledger schools).