

SECTION 3 – EMPLOYEES

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1. ON COSTS

1.1 Introduction

On costs is the term used for the employer's contributions for national insurance and superannuation, i.e. the additional costs of employing staff.

For budget purposes these are expressed as the average percentage for each school group (Primary, Secondary, etc) for each category of staff. These percentages will vary from school to school for the following reasons:

- (i) Temporary staff may not be eligible to pay superannuation.
- (ii) The rate of national insurance payable is dependent upon the amount of earnings.
- (iii) Although eligible to pay superannuation, staff may have elected to join a different pension scheme. Therefore no employers contribution is payable.

Schools wishing to calculate actual costs for individuals should contact their payroll provider for details of current rates.

1.2. National Insurance

Employer's contribution rates are published on the [HMRC website](#). These are divided into two categories; contracted out and contracted in.

Contracted out - this rate is payable for employees who are either paying into the local government superannuation scheme or the teachers superannuation scheme

Contracted in - this rate is payable for those employees who are not paying into the superannuation scheme. Employer's contributions for such employees are in effect being made to the state pension scheme (SERPS).

Please note that national insurance is calculated every month on the amount of earnings for that month, therefore if earnings vary between the different bands from one month to another then the rates of NI will vary too.

1.3. Eligibility to join the Superannuation Scheme

Teachers

Teachers automatically join the Teachers Superannuation Scheme unless they have opted out through the Teachers Pension Agency.

Non-Teaching Employees

All staff between 16 and 65 whether on contract or on supply are automatically brought into the Local Government Superannuation Scheme unless they opt out and make their own arrangements for a private pension or wish to pay into SERPS only.

For further information please refer to your human resources provider or visit the [LGSS Pensions website](#).

1.4. Calculation of the rate of on costs for a particular establishment.

This can be done using either the previous years expenditure totals or, if more current data is required, by using the most up to date monthly expenditure totals. In either case the calculation is the same:

- The total spent on national insurance for a particular category of staff divided by the total spent on salaries for that category of staff multiplied by 100.
- The total spent on superannuation for the same category of staff as in (i) divided by the total spent on salaries for that category of staff multiplied by 100.
- Add the answers from (i) and (ii) above to give the total on costs percentage for a particular category of staff.

Example (not actual rates):

The expenditure for one month on teachers salaries, national insurance and superannuation for school A are as follows:-

Salaries	£13,852.60
National Insurance	£1,055.69
Superannuation	£1,025.09

$$\text{Rate of National Insurance} = \frac{1,055.69}{13,852.60} \times 100 = 7.621\%$$

$$\text{Rate of Superannuation} = \frac{1,025.09}{13,852.60} \times 100 = 7.40\%$$

$$\text{Total Rate of on costs} = 7.621 + 7.40 = 15.021\%$$

2. STATUTORY MATERNITY PAY, STATUTORY SICKNESS PAY, STATUTORY ADOPTION PAY AND STATUTORY PATERNITY PAY

The rates and conditions for these areas of pay are available on the [HMRC website](#).

LGSS Schools Finance have a tool on their website which estimates the cost of maternity pay for a school.

For details of the statutory requirements of the above for teaching and non-teaching staff, please refer to the HMRC website.

3. SUPPLY STAFF

3.1 Introduction

All schools receive a supply budget as part of their formula allocation to cover the use of supply teachers in schools.

With effect from 1st April 2012, those schools who use the LGSS Supply Teacher Service will be recharged the full amount of supply teacher salaries including any associated on costs.

3.2 Supply policy

Schools have discretion to organise where they obtain their supply cover from. To request access to the LGSS Supply Teacher Register, please email: supplyteacher@northamptonshire.gov.uk or telephone 01604 367666.

3.3 NCC Central Maternity and Adoption Scheme

This scheme will cease with effect from 31st March 2012. Interim arrangements are in place to continue to fund any existing claims or new claims (for those schools who signed up to the 2011-12 Scheme) which start prior to 1st April 2012.

4. EMPLOYEE PAY SCALES

The current national pay scales for Teaching Staff can be found in the School Teachers Pay and Conditions document available on the DfE website: <http://www.education.gov.uk/>

The current pay scales for Support Staff can be found on your HR provider website.

5. SCHOOLS OPERATING THEIR OWN PAYROLL

5.1 Options for the provision of payroll services

1. Use of the LGSS Payroll service with costs charged to the central bank account, with payroll budgets held centrally,
2. Use of an alternative external provider or payroll provision by the school's own staff, with costs charged to the school's local bank account.

In the case of option 2, interest charges are payable as set out in the NCC Scheme for Financing Schools.

For schools considering option 2 the following must be borne in mind.

5.2 Requirements for schools operating their own payroll

- 5.2.1** The payroll system and service to be used by the school must be of at least the same specification as the one being offered by the County Council. It must have the same facilities and be capable of making both salary and travel payments.
- 5.2.2** Any external contractor will have to demonstrate both financial stability and an adequate level of indemnity insurance. In this context adequate has to be viewed relative to the financial value of the transactions generated by the school.
- 5.2.3** Payment to employees must be by BACS to individuals' bank or building society accounts. Changing to cheque payment is not an option, as this would require a change in employees' conditions of service. The school will need to liaise with their bankers to set up the necessary facilities and may be required to sign an indemnity for which the school will be wholly liable.
- 5.2.4** The school will be allocated a separate PAYE number and will become responsible for the prompt payment to the Inland Revenue of tax and National Insurance deductions. Any penalties for late payment will fall on the school. Any Inland Revenue or Department of Social Security investigation will have to be handled by the school and any penalties and/or interest charges will fall to the school.
- 5.2.5** The Inland Revenue will require special tax and National Insurance arrangements for employees who work for other schools or other parts of the County Council.
- 5.2.6** Schools will have to make appropriate arrangements for the payment of pension contributions and other required information to LGSS Pensions for forwarding to the relevant administering authorities. Interest charges for late payment will fall to the school.
- 5.2.7** Schools will also have to make arrangements for the payment of any other employee related costs (e.g. childcare vouchers and AVCs).
- 5.2.8** The payroll system operated will need to provide detailed reports showing the breakdown of all payments made to an employee. These are required for audit and taxation purposes and will need to be retained for the statutory period of seven years.
- 5.2.9** The school will need to ensure the maintenance of appropriate contingency and disaster recovery plans. These might include the maintenance of off site system back ups, dual skilling of staff, provision of un-interruptible power supplies etc. Where an external provider is used the contract will need to specify these items.
- 5.2.10** Approved audit trails will need to be available from the system operated. These are required to ensure that the NCC Head of Finance (who has a personal duty in this regard to the council taxpayer) can be reassured that appropriate controls

are in place and operating satisfactorily. These audit trails will be reviewed through an increased level of internal audit review of the school. In addition the County Council's external auditors may choose to review the systems and controls within individual schools.

5.2.11 Schools will be required to submit each month, in a form specified by the NCC Head of Finance, information relating to payroll transactions for posting into the County Council's statutory accounts.

5.2.12 While there is no impediment to schools joining together to enter into a contract with an external provider considerable thought needs to be given to the option of schools providing the service to each other. These include:

- (a) The legal nature of the agreement, where appropriate schools should take legal advice on this.
- (b) The ability to secure indemnity cover of sufficient scale.
- (c) The commercial risk inherent in such an arrangement, which may leave individual schools, exposed to liability for losses.
- (d) The ability to secure the services of sufficient qualified and experienced staff to deliver the service without disruption due to regular absence such as holidays or longer term unpredictable absence.
- (e) The need to make appropriate investment in the resilience of the IT platform used.

5.3 Information required from schools relating to payroll expenditure

Schools will be required to submit a monthly return (LB18) to LGSS Schools Finance on the 1st of each month to provide evidence of the monthly payroll expenditure. This will consist of payroll reports from the school's payroll systems and those supplied by the school's payroll provider, analysing the expenditure over the relevant categories of expenditure.

Appendix 1 provides an example of an LB18 Monthly Employees Expenditure Return form.

Schools will also be required to submit additional returns at year end – these will be notified separately.

5.4 Pensions returns

Schools will be required to submit a monthly pension return (by the 1st of the month) to LGSS Pensions for the Teachers Pensions Authority.

This method of collection and forwarding of contributions to the Teachers Pensions has been stipulated by them. Arrangements for contributions to the Local Government Pension Scheme (LGPS) will be notified separately by the LGSS Pensions Team.

Appendix 1

LB 18 - MONTHLY EMPLOYEES EXPENDITURE RETURN

SCHOOL: _____

ORACLE CODE: _____

MONTH/YEAR: _____

This return should be submitted to reach LGSS School Finance by the 1st of each month.

ATTACHMENTS REQUIRED**1. Payroll Returns:****Schools which use Sage Payroll:**

- Payment Summary Part 1 and Payment Summary Part 2
- Departmental Analysis Report – Employers Deduction.

Schools which use Strictly Education:

- Payroll Validation Report (Final)
- Payroll Cost Analysis
- Payroll Funding Report

Schools which use EPM:

- Payroll Costing Report
- Payroll Summary Report

Schools which use HBS:

- Employer Remuneration Report
- Employer Costing Report

2. Copy of your FMS6 payroll journal from the following route (Print Journal after Posting).

Route: FMS6 General Ledger
 Journal Review
 Select Journal
 Click on print icon

Signature: _____ Date: _____

Designation: _____

Return with attachments to:
 LGSS Schools Finance
 John Dryden House, 8-10 The Lakes
 Northampton NN4 7YD.