

SECTION 4 - ORDERING, RECEIVING AND PAYING FOR GOODS AND SERVICES

(Any changes are highlighted)

	Contents:	Page No:
1. INTRODUCTION		2
2. ORDERS FOR WORK AND GOODS AND SERVICES		2
2.1 Basic requirements		2
2.2 Order Printing and Authorisation		3
2.3 Receipt of Goods		3
2.4 Performance of Work or Services		3
2.5 Payment of Invoices		3
3. CONSTRUCTION INDUSTRY TAX SCHEME (CITS)		4
4. CREDIT NOTES		4
5. STATEMENTS AND REMINDERS		5
6. CODE OF PRACTICE - PURCHASING OF GOODS AND SERVICES BY SCHOOLS		5
6.1 Quotations and tenders		5
6.2 Definitions		6
6.3 Method of purchasing		6
6.4 Lowest Quotation or Tender		7
6.5 Building Contracts		8
6.6 Documentation		8
6.7 Value Added Tax		8
7. CENTRAL CHARGES/INCOME		8
7.1 Payment for goods/services from Internal Suppliers		8
7.2 Supply		8
7.3 Periodic Payments/Income Rents B2001/J6402		8
7.4 MONSA Income – J6001 (Management of Non-School Accommodation)		9
7.5 Rates – B2101		9
Appendix 1 - VAT AND CUSTOMS REQUIREMENTS FOR SCHOOLS PURCHASING GOODS ABROAD AND PURCHASING AND SELLING SERVICES ABROAD(via the www. or otherwise)		10
Appendix 2 – SELF-EMPLOYED OR EMPLOYED – A SCHOOLS GUIDE		14

Please note

Guidance on the ordering, receipt, and payment of goods and services is also provided within the Internal Control section of this handbook.

1. INTRODUCTION

These notes are intended for all those who are involved in any of the above processes from placing orders for work or the supply of goods or services to the certification of the relevant invoice for payment.

As far as possible the functions of ordering, receiving supplies and processing invoices should be carried out by different individuals. It is most important that responsibilities are clearly defined and understood by all concerned.

Please also refer to the Internal Control section of this handbook which outlines the controls that should be in place in relation to ordering, receiving and paying for goods and services.

Where schools are purchasing goods or services from abroad there are specific rules that must be applied in relation to VAT and taxes. Details of these are provided in Appendix 1.

2. ORDERS FOR WORK AND GOODS AND SERVICES

2.1 Basic requirements

The basic requirements are as follows:

- No order shall be issued for work, goods and services unless financial provision for the expenditure can be met within an approved budget.
- Official orders shall be in a form approved by the **NCC Head of Finance** and are to be signed only by employees authorised by the Headteacher who shall be responsible for official orders issued from his/her school.
- Secure arrangements shall be maintained for the custody and control of order books and forms in each establishment.
- Official orders shall be issued for all work, goods or services to be supplied to the School except for supplies of public utility services, for periodical payments such as rent or rates, for petty cash purchases or such other exceptions as the NCC Head of Finance may approve. Where urgent orders are given orally they shall be confirmed by an official order not later than the next working day following the day on which the oral order is given.
- Orders shall indicate clearly the nature and quantity of the materials, work or services required, and details of the agreed price, (or estimated price), discount and terms in relation to packing and delivery.
- A copy of each order shall, if so required, be supplied to the NCC Head of Finance.

- Official orders must not be used other than for official purposes i.e. these must not be used for ordering goods for private fund activities or for personal purchases.
- Orders must be completed in ink or type and all copies of spoilt order forms retained. For schools operating the SIMS Finance Module the order will be generated from the SIMS system. In emergencies where an order has to be completed and the administrative staff are not available to do this on SIMS e.g. emergency building repairs following a break-in, an EDU order should be completed in ink and a SIMS order recorded on the system as soon as possible.

2.2 Order Printing and Authorisation

Orders should be generated on the school's local accounting system e.g. the SIMS Finance Module. On computerised systems authorization should be satisfactorily handled within the system through the use of passwords where facilities allow this. A template for the Official order form is provided by NCC for schools' use.

Headteachers or their approved representative should physically sign the order to record authorization. This applies when orders are generated manually or by computer.

2.3 Receipt of Goods

Goods should be checked against the delivery note immediately after delivery, any discrepancies or damage recorded and the delivery note initialled to show that this has been done.

The delivery note should then be checked against the copy order to ensure that the delivery is in accordance with the quantities and descriptions of goods ordered and the copy order marked accordingly and discrepancies noted.

Any complaints regarding the goods received must be taken up with the suppliers or carriers without delay and in any case within the period of time specified by them. A record should be kept.

Delivery notes should be filed for easy reference under the names of the suppliers or in order number sequence.

2.4 Performance of Work or Services

A record should be maintained that work has been done or that services have been provided on all copy orders for future checking with invoices when they are received.

2.5 Payment of Invoices

All invoices received should be checked with the relevant order to satisfy that

the goods/services as specified have been received. Once these checks have been made and certified, the invoice should be recorded on the school's local accounting system e.g. the SIMS Finance Module, against the original order and payment can then be authorised on the system where the arithmetical accuracy of the invoice will be checked by the system.

The original invoice should be presented as evidence to the authorising signatories at the time they sign cheques **or authorise an alternative method of payment (BACs or other direct payment means such as GPC)** for the payment of suppliers etc.

Note - the use of the grid stamp as recommended in the Internal Control section of this handbook will assist in the invoice checking process.

3. CONSTRUCTION INDUSTRY TAX SCHEME (CITS)

All schools should be aware that the rules regarding the Construction Industry Tax Scheme changed with effect from 6th April 2007.

As a result of these changes, schools are no longer be required to submit the CIS paperwork provided they meet **both** of the following criteria:

- They receive a delegated budget.
- The actually engage the contractor themselves to carry out the work (if the contractor is engaged by NCC as part of central arrangements then the responsibility lies with NCC).

A further factor of the Scheme which will be closely monitored by HMIT is the way in which the status of self-employed contractors is checked. Despite being outside of the CIS Scheme, all schools will be expected to check the employment status of all contractors to ensure that they are a self-employed individual or should be treated as employed.

If the check carried out by the school indicates that the individual's status is employed, then they are required to be taken on as an employee of the school. If the individual refuses to be taken on as an employee, then the contract should not be agreed.

This policy of checking employment status applies to all individuals who are engaged by schools to carry out any work or service for which a payment is made and schools are advised to retain evidence of their checking process.

A guide to Self-Employment or Employment is available at Appendix 1.

4. CREDIT NOTES

Schools should ensure that appropriate credits are obtained for short or damaged deliveries, returns and invoicing errors.

It is advisable not to pay an incorrect invoice until the appropriate credit note has been received and checked, but discount conditions should be observed.

Credit notes should be processed without delay. If the supplier will not be used again, a cheque refund (or direct refund if applicable) should be requested.

5. STATEMENTS AND REMINDERS

Statements and reminders must not be processed for payment. On receiving a statement or reminder from a supplier, it is advisable to check if all invoices listed have been processed for payment. If the statement shows invoices that have not been received, copies should be requested.

6. CODE OF PRACTICE - PURCHASING OF GOODS AND SERVICES BY SCHOOLS

Although schools are not required to use the Council's centralised purchasing arrangements, they are advised to compare their services and prices before purchasing from external providers.

The purpose of this section is to set out arrangements whereby schools may purchase goods and services independently, on competitive terms whilst providing adequate safeguards against loss or other impropriety.

6.1 Quotations and tenders

The procedure to be adopted by schools depends on the value of the contract. Generally the position is as follows:

- (i) Up to £1,000 - at the discretion of the Headteacher
- (ii) Between £1,000 - £10,000 - at least two written quotations
- (iii) Between £10,000 - £20,000 at least three written quotations
- (iv) Over £20,000 written tenders, unless the Governors decide otherwise, with the consent of the NCC Head of Finance.

* see "Method of purchasing", below

Although quotations are not necessary for items under £1,000, schools are encouraged to obtain these in order to secure value for money.

Schools should bear in mind that unlike tenders, quotations are usually subject to the suppliers' terms and conditions of sale. Such conditions are not necessarily advantageous to the school and it may be that schools will choose to seek tenders even though these are not required.

Tenders have a high level of accountability and security for Governing Bodies,

Headteachers and the Authority. In any event schools should provide a written specification when obtaining either quotations or tenders to facilitate comparison upon their receipt.

Whatever purchasing arrangements are made the school should be able to produce documentation to verify the action taken, to the NCC Head of Finance and Audit (both internal and external).

Products or services which are being provided as part of a government framework agreement are pre-tendered and fully EU-compliant and do not therefore require any quotes or tenders to be submitted.

6.2 Definitions

"Services"

- shall include work undertaken by sub contractors.

"Value of the purchase"

- shall be calculated by reference to the anticipated annual expenditure on similar goods to be purchased at different times during the year.

6.3 Method of purchasing

- a) Single purchases up to £1000 in value.

The method of purchasing shall be at the discretion of the Headteacher.

- b) Single purchases between £1,000 - £10,000 in value.

The school shall obtain at least two written quotations confirmed by the supplier in writing. Wherever possible the person obtaining the quotations should not have a direct involvement in the certification and payment of accounts.

- c) Single purchases between £10,000 - £20,000 in value.

The school shall obtain at least three written quotations confirmed by the supplier in writing. Wherever possible the person obtaining the quotations should not have a direct involvement in the certification and payment of accounts.

- d) Single purchases over £20,000 in value.

- (i) The school shall obtain competitive tenders. Wherever possible the person obtaining and evaluating tenders should not have a direct involvement in the certification and payment of accounts.

- (ii) If, however, in the opinion of the Governors and as evidenced in Governing Body minutes it would not be practical to invite competitive tenders, then the Headteacher shall write to obtain the assent of the NCC Head of Finance.
- (iii) Where tenders are to be invited, at least 14 days public notice shall be given in one or more local newspapers. The notice shall express the nature and purpose of the contract, state where further details may be obtained, invite tenders for its execution and state the last date and time when tenders will be received. The notice shall state that no tender will be received unless it is enclosed in a sealed envelope which shall bear the word "Tender" - followed by the subject to which it relates, but no other name or mark indicating the sender. The tenders shall be kept in the secure custody of the Headteacher until the time and date specified for their opening. No tender received after the time and date specified in the invitation shall be accepted or considered. Tenders shall be opened at one time and only in the presence of the Headteacher and a Governor.

A record of tender opening should be maintained showing each tenderer and the value of the tender. The record should be signed by the school representatives involved in the opening. All tenders received shall be recorded and an adequate time period shall be allowed for the return of tenders.

- e) Periodic contracts
 - (i) The procedure for periodic contracts shall be as for single purchases and the estimated value of the contract shall be calculated by reference to the period of the supply or one year whichever shall be the less.
 - (ii) In every periodic contract the school shall ensure that effective price review procedures are introduced.

6.4 Lowest Quotation or Tender

The Headteacher shall accept the lowest quotation or tender. Where the Headteacher considers it would not be in the best interest of the school to accept the lowest quotation or tender the matter shall be referred to the Governors, who shall have the authority to accept other than the lowest quotation or tender. Any decision to accept other than the lowest quotation or tender shall be recorded in the minutes of the Governors' meeting, setting out the reason therefore.

6.5 Building Contracts

Such contracts raise particular problems and reference should be made to the Property Management Handbook.

6.6 Documentation

Financial Regulations require that official orders are placed for all work, goods and services covered by this Code unless some other form of contract, approved by the NCC Head of Finance is to be used. Advice on suitable alternative arrangements is available both from Audit and the NCC Head of Finance.

6.7 Value Added Tax

Local authorities are able to claim reimbursement from H.M. Customs and Excise of Value Added Tax paid in purchasing goods and services other than passenger carrying motor vehicles. Therefore it is essential that VAT is separately identified in all accounting records.

Please refer to the VAT Section of this handbook for further details.

7. CENTRAL CHARGES/INCOME

7.1 Payment for goods/services from Internal Suppliers

Most internal charges within the County Council are by means of an invoice. This includes supplies of goods and service from LASI Aspire, LGSS Schools Finance, LGSS Payroll and HR and leasing contracts arranged through the County Council. These invoices should be paid in the same manner as for an external supplier, i.e. by cheque or direct payment from the local bank account.

All schools are encouraged to sign up to the NCC Direct Debit Scheme for paying NCC invoices.

7.2 Supply

For schools using the Council's Teachers Supply System the cost of supply teachers is charged as a monthly total based on the supply return from the school using an average teacher supply rate. Schools will be able to budget for the expected charge, and will be able to match the charge for the month with their copy of the form to ensure that charges are correct. Please refer to the Employees Section of this handbook for details of supply charges, codes, completion of forms etc. Queries on supply charges should be made to Finschools@northamptonshire.gov.uk

7.3 Periodic Payments/Income for Rents B2001/J6402

Rent income and expenditure are unique charges or receipts to particular

schools and the background to each is likely to vary. In most instances these arise due to leasing agreements between the County Council and other parties e.g. use of facilities at village halls, playing fields, and caretakers rents. Schools will either receive an invoice if rent is payable or will receive a cheque when income is payable to the school.

7.4 Income from Use of Facilities and Services– J6001

Where school accommodation is used by sections of the Learning, Skills & Education Service directorate e.g. LASI Aspire, schools receive additional income from the NCC for this purpose. Payment will be included in the finance top-ups process.

This code should be used to account for all income from meals provided to other schools, all other income the school receives from facilities and services (income for consultancy, training courses and examination fees, income from sale of school uniforms, materials, private call/photocopying, publications, books, income from before and after school clubs, income from community activities, income from re-sale of items to pupils (musical instruments, classroom resources, commission on photographs, income from non-catering vending machines, income from a special facility, rent deducted off the site manager's salary, reimbursement from catering companies for energy expenditure).

7.5 Rates – B2101

The amount charged to schools will be the formula budget allocation for rates. LGSS Finance will pay all rate invoices and will recharge the budget amount to individual schools by journal on an annual basis.

Appendix 1 - VAT AND CUSTOMS REQUIREMENTS FOR SCHOOLS PURCHASING GOODS ABROAD AND PURCHASING AND SELLING SERVICES ABROAD(via the www. or otherwise)

1. RULES FOR PURCHASING GOODS IN THE EU

When purchasing goods in the EU, the VAT cannot be reclaimed by the school in the normal manner. The County Council has to use another method to obtain reimbursement. To ensure the County Council does not suffer any loss, the following procedures must be followed.

When placing an order with a supplier **in the EU**, you **MUST** provide them with the County Council's VAT registration number including the two-letter prefix code, **GB 121 4804 09**. If you do not provide your VAT number, the supplier will charge you VAT at the rate in force in that country (which could be 25%).

If you forget to quote the NCC VAT number and are charged "foreign" VAT, you should contact the supplier, quote the NCC VAT number and ask for a credit note to cover the first invoice.

If you are unable to obtain a credit note, notify the County Council's VAT Officer.

These rules apply for purchases from the following countries which are in the EU:

Austria – AT

Belgium – BE

Denmark – DK (Excluding the Faroe Islands and Greenland)

Finland – FI (Excluding the Aland Island)

France – FR (Including Monaco but excluding Martinique, French Guyana, Guadeloupe, Reunion and St. Pierre and Miquelon)

Germany – DE (Including Jungholz and Mittelbery but excluding Busingen and the the Isle of Heligoland)

Greece – EL (Excluding Mount Athos)

Ireland (Southern) IE

Italy – IT (Excluding the communes of Livigno and Campione d'Italia and the Italian waters of Lake Lugano)

Luxembourg – LU

Netherlands – NL

Portugal – PT (Including the Azores and Maderia)

Spain – ES (Including the Balearic Islands but excluding the Canary Islands, Ceuta and Melilla)

Sweden – SE

Channel Islands and Gibraltar

1.1 How to record the invoice in your accounts

The invoice should be recorded on the SIMS finance module and the full cost should be coded to the relevant expenditure code, including any VAT charged if you have not quoted the Council's VAT number and cannot get a credit note. The costs will have to be converted into sterling (a daily rate is shown in the Financial Times or the method approved by Customs may be used – contact the County Council's VAT Officer).

The VAT code used on SIMS is EEC Expenditure 05. **This must always be a NIL value and no VAT expenditure should be charged in your accounts.**

1.2 Information required by NCC VAT Officer on purchases from the EU

The information below will have to be forwarded to the NCC VAT Officer in time to be included in the NCC VAT return for the month in question. (Although schools submit quarterly VAT returns there is a different type of return that is made by the NCC VAT officer, on which this must be shown).

When you receive an invoice a copy of the invoice should be sent **immediately** to the NCC VAT Officer.

2. RULES FOR PURCHASING ITEMS OUTSIDE THE EU

When purchasing goods from outside the EU you are advised to consider any additional "hidden" costs that you may incur.

Most imported goods are subject to Customs duty as well as VAT. Duty rates vary between 0% to 90%. The NCC VAT Officer will advise you of current duty rates.

It is essential that you check the amount of duty chargeable before purchasing. You should also consider the rate of exchange.

Most goods arriving in the UK from outside the EU are liable to any or all of these charges;

Customs Duty
Excise Duty
VAT

These must be paid whether you purchase the goods or receive them as a gift, whether the goods are new or used.

2.1 Relief from Duty or VAT on goods

Relief is available on certain imported goods with a value of £18.00 or less, excluding postage, packing and other miscellaneous costs.

2.2 Other charges

In addition to Customs Duties and VAT you will have to pay postage and packaging, you may also have to pay transport and insurance charges, fees for an import/export agent, commission and a Post Office clearance fee. (The Post Office handle packages for Customs & Excise examination and, if required, open and re-pack them). The Post Office will also store packages if Customs need to make enquiries: for example, when the contents have not been declared properly by the sender.

An example of how much you may have to pay is set out below:-

EXAMPLE ONLY – PURCHASE OF COMPACT DISCS

Say the cost of the CD's abroad, including local taxes + postage, packing and/or freight + insurance, was £100 sterling and the duty rate was 3.5% and the VAT rate was 17.5%, you would pay:-

£100.00 x 3.5%	= £	3.50
£100 + 3.50	=	£103.50
£103.50 x 17.5%	= £	18.11

The duty and VAT payable to Customs & Excise is £21.61 – The total cost to you is £121.61.

2.3 Customs charges

Usually the Post Office will collect charges on delivery. A charge label will be affixed to the package at the Customs Postal Depot. This will show the amount of Customs charges to pay as well as any Post Office fee applicable.

Sometimes you may be sent a declaration form that you must complete and return to the Depot before a package can be delivered. You should not send any payment of Customs charges with the form unless you are asked to do so.

You will have to pay a Freight Forwarder to have the goods “cleared” through Customs for goods that have not been sent through the postal system (i.e goods which arrive by plane or boat).

Computer software – If you are purchasing computer software there are special rules. A distinction has to be made between “custom-made” computer software products, and “off the shelf” computer products. Please inform the NCC VAT Officer if you are importing “custom made software”.

3. BUYING AND SELLING SERVICES ABROAD

If you are buying or selling services abroad, please contact NCC VAT Officer

What sort of services does this relate to?

This list is not definitive and acts as a guideline only:

Consultancy

Accountancy

Advertising

Supply of staff

Hiring out goods

Legal and financial services

Entertainment services (live performances)

Building and civil engineering work.

Architects, surveyors, engineers services.

Services related to (including organising) exhibitions, conferences or meetings.

Appendix 2 – SELF-EMPLOYED OR EMPLOYED – A SCHOOLS GUIDE

Introduction

In order to answer this question it is necessary to determine whether the person works under a contract of service (employees) or under a contract for services (self-employed, independent contractor). For tax and NICs purposes, there is no statutory definition of a contract of service or of a contract for services. What the parties call their relationship, or what they consider it to be, is not conclusive. It is the reality of the relationship that matters.

In order to determine the nature of a contract, it is necessary to apply common law principles. The courts have, over the years, laid down some factors and tests that are relevant, which is included in the overview below.

As a general guide as to whether a worker is an employee or self-employed; if the answer is 'Yes' to all of the following questions, then the worker is probably an employee:

- Do they have to do the work themselves?
- Can someone tell them at any time what to do, where to carry out the work or when and how to do it?
- Can they work a set amount of hours?
- Can someone move them from task to task?
- Are they paid by the hour, week, or month? Can they get overtime pay or bonus payment?

If the answer is 'Yes' to all of the following questions, it will usually mean that the worker is self-employed:

- Can they hire someone to do the work or engage helpers at their own expense?
- Do they risk their own money?
- Do they provide the main items of equipment they need to do their job, not just the small tools that many employees provide for themselves?
- Do they agree to do a job for a fixed price regardless of how long the job may take?
- Can they decide what work to do, how and when to do the work and where to provide the services?

- Do they regularly work for a number of different people?
- Do they have to correct unsatisfactory work in their own time and at their own expense?

Overview

Contracts

A contract is an agreement between two or more parties. It can be written, oral, implied or a combination of these.

The main elements of a valid contract of service (employment), or a contract for services (self-employment), are –

- the intention to enter into legal relations
- an offer (usually of work) and its acceptance (an agreement)
- consideration (For example, in return for performing work the worker receives payment).

Once it is established that a contract exists, it is then necessary to establish the terms and conditions of work agreed between the worker and the engager and, having completed this exercise, to apply case law laid down by the courts over the years. The basic approach of the courts is to identify the factors present; weigh those that point to self-employment against those that point the other way; and then stand back and consider the picture that emerges. There are, however, certain factors that must be present in a contract of service. See below the relevant factors the courts may take into account in determining employment status.

What the parties call their relationship, or what they consider it to be, is not conclusive. It is the reality of the relationship that matters. Nevertheless, the intention of the parties has to be taken into account and can be decisive where the relationship is ambiguous and, or where the other factors are neutral.

For more detailed information on contracts, see the guidance in the HMRC Employment Status Manual at [ESM1003](#) onwards.

Relevant factors used to determine employment status

Recent court cases indicate there is no single satisfactory test governing the question whether a person is an employee or self-employed. One must consider all the factors that are present in, or absent from, a particular case; weigh those pointing to employment against those pointing to self-employment; and then stand back and consider the picture that emerges. The result may be that a person is considered to be in business on his own account (self-employed) or is an employee.

The following factors are not an exhaustive list but they do include the more important ones:

- **Personal service**

It is a necessary condition of a contract of service that the worker is required to provide his or her services personally. Consideration must therefore be given to whether or not a worker could provide a replacement worker in his or her absence. This is usually referred to as a right of substitution.

Where both the worker and his or her engager understand that a suitably qualified or skilled person can (or must) be provided by that worker in his or her absence the situation is very likely to be self-employment.

The absence of a right of substitution (in other words a requirement for personal service) does not necessarily mean that the worker will be an employee. A requirement for personal service may exist in situations of employment and self-employment. See below for more information on substitution.

- **Mutuality of obligation**

The minimum obligations that are necessary for a contract of service are the obligation on the part of the worker to give personal service and the obligation on the part of the engager to pay the worker for that service. An employment contract will often also indicate that the engager will provide work for the duration of the contract during the agreed working hours.

- **Right of control**

The employee must be subject to a certain degree of control by the engager although control need not be exercised in practice. It is the right of control that matters. The engager may control how a worker performs his services, what tasks have to be performed, when and, or where they must be performed.

The fact that a worker may be told how to perform duties will usually be seen as a strong pointer to employment but, where the worker is an expert (For example, a ship's captain, consultant brain surgeon and so on), the absence of this aspect of control would probably not be seen as material.

The employee will usually be expected to work set hours each day or week but may be permitted to work flexible hours and to work at the employer's premises or at other places with the agreement of the employer. The self-employed person is more likely to have the freedom to do work when and where he or she wants.

- **Right of substitution and engagement of helpers**

Some contracts give the worker a right to send a replacement or engage a helper. Where the worker has to pay that person this would be regarded as an indicator of self-employment. The degree to which it points in that direction would depend on the particular circumstances of each case. Relevant considerations would include whether the engager reserved the right to reject a substitute and whether the right was exercised on a regular basis.

The worker may, however, only have a right to propose a substitute rather than a right to actually send a substitute, and this would probably be seen as only a mild pointer to self-employment.

- **Provision of own equipment**

A self-employed contractor generally provides whatever equipment is needed to do the job (though in many trades, such as carpentry, it is common for employees, as well as self-employed workers, to provide their own hand tools).

The provision of significant equipment (and, or materials) which is fundamental to the engagement is of particular importance. For example, where an IT consultant is engaged to undertake a specific piece of work and must work exclusively at home using the worker's own computer equipment that will be a strong pointer to self-employment. But where a worker is provided with the necessary equipment, materials and so on by the engager that points to employment.

- **Financial risk**

Individuals who risks their own money by, for example, buying assets needed for the job and bearing the running costs and paying for overheads and large quantities of materials, are almost certainly self-employed. Employees are not usually expected to risk their own capital.

An example of a financial risk is where a skilled worker incurs significant amounts of expenditure on training in order to obtain the skills needed, which is used in subsequent engagements. This can be treated as a pointer to self-employment, in the same way as investment in equipment to be used in a trade, if there is a real risk that the investment would not be recovered from income from future engagements. Self-employed workers may also be required to rectify unsatisfactory work in their own time for no additional reward.

Financial risk could also take the form of quoting a fixed price for a job, with the consequent risk of bearing the additional costs if the job overruns. The risk of making a loss is a very strong indicator of self-employment and can be decisive on its own.

- **Opportunity to profit**

A person whose profit (or loss) depends on the capacity to reduce overheads and organise work effectively may well be self-employed. People who are paid by the job will often be in this position. For example, a person who quotes a fixed price may well be able to complete the task ahead of schedule or at a lower cost than originally envisaged. People who provide their own materials may be able to profit by getting a good price on the materials or by charging more for them.

- **Length of engagement**

By itself, the length of a particular engagement may have little importance in determining employment status, although it is more likely that an employee will have an open-ended contract.

It is; however, common these days for employees to be engaged on fixed term contracts. Where a person undertakes a number of short-term engagements for different engagers and runs the risk of bad debts, incurs expenditure in the course of obtaining engagements and so on, he or she may be regarded as self-employed. On the other hand, a person engaged on a short-term contract may be regarded as a casual employee. This factor must be viewed in the light of all the different aspects of a person's work.

- **Part and parcel of the organisation**

At one time this was considered to be a test of employment or self-employment, but it is now viewed as one factor to be considered with all the others.

Establishing whether a person becomes 'part and parcel' of a client's organisation can be a useful indicator in some situations. For example, someone taken on to manage a client's staff will normally be seen as an integral part of the client's organisation and this may be seen as a strong indicator of employment.

- **Employee-type benefits**

The presence, in a contract, of benefits such as paid leave, membership of firm's pension scheme, right to car park space, canteen facilities and so on is a good indicator that an employment relationship exists. A contract of employment may also contain access to a grievance procedure and the worker may be subject to disciplinary procedures.

The absence of such benefits may be viewed as a pointer to self-employment but the lack of these is usually as a consequence of the intention of self-employment. It may be necessary to consider whether employees of the

engager, who do similar work, have access to such benefits. A comparison might also have to be made between the rates of pay of those employees and the 'contract' worker, as the latter may be paid a greater rate in order to compensate in part for the absence of such benefits.

- **Right to terminate contract**

A right to terminate an engagement for a reason other than serious breach, by giving notice of a specified length, may be viewed as indicative of a contract of employment, but, at best, would only be regarded as a minor factor. Such a provision is unlikely to be found in a contract for services, which usually ends on completion of the task, or if the terms of the contract are breached.

- **Personal factors**

In deciding a person's employment status it may sometimes be necessary to take into account factors which are personal to the worker and which have little to do with the terms of the particular engagement being considered. For example, if a skilled worker works for a number of clients throughout the year and has a business-like approach to obtaining engagements (perhaps involving expenditure on office accommodation, office equipment and so on) this will point towards self-employment. Personal factors will usually carry less weight in the case of an unskilled worker, where other factors, such as the high level of control exercised by the engager, are likely to be conclusive of employment.

- **Mutual intention**

The intention of both parties can be decisive where the factors pointing to employment and to self-employment are evenly balanced. But a stated intention, for example, for self-employment is of no consequence where the facts point clearly to employment.

Summary

Whether a worker is an employee or self-employed depends on a range of factors, but the final opinion is not reached by adding up the number of factors pointing towards employment and comparing that result with the number pointing towards self-employment. The courts have specifically rejected that approach.

It is a matter of evaluation of the overall effect, which is not necessarily the same as the sum total of all the individual details. Not all details are of equal weight or importance in any given situation. The details may also vary in importance from one situation to another.

When the detailed facts have been established, the right approach is to stand back and look at the picture as a whole, to see if the overall effect is that of a person

working in a self-employed capacity or a person working as an employee in somebody else's business. If the evidence is evenly balanced, the intention of the parties may then decide the issue