PAYMENTS TO INDIVIDUALS WHO ARE NOT EMPLOYEES OF THE TRUST PROCEDURE

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POLICY SUMMARY

This procedure is designed to ensure the correct treatment is given when engaging people who are not Trust employees. It relates to people being engaged on an individual basis as well as those employed through an agency or company.

The Trust Monitors the implementation of and compliance with this policy in the following ways:

Internal Audit

The Director responsible for monitoring and reviewing this policy is Executive Chief Finance Officer
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1.0 INTRODUCTION

1.1 This document covers the payment procedure when paying agency staff and commissioning individuals to provide services to the Trust on an ad-hoc basis for a fee, such as speakers for lectures, workshops and conferences, or any consultancy work.

1.2 The procedure aims to ensure the Trust is compliant with all guidance around the payment of individuals, including HMRC guidance on IR35 (intermediaries legislation). This HMRC guidance aims to ensure that individuals who work through their own company pay employment taxes in a similar way to employees, where they would be employed were it not for the personal service company (PSC) or other intermediary that they work through.

1.3 This is documented under the following sections:

   (a) Requesting temporary staff
   (b) Making payments of agency invoices
   (c) Making payments to individuals / self-employed individuals
   (d) Making payments to personal service companies / limited liability partnerships
   (e) Additional compliance requirements for non-employees

1.4 This document only covers processes relating to individuals who are not Trust employees. It does not include any employment engagements covered by the Trust’s Policy of Recruitment and Selection, and therefore does not cover reference checks, health screening, qualifications and police checks.

2.0 TEMPORARY STAFF

2.1 Requests for Temporary Staff

   2.1.1 Any requests for temporary staff should be made via the Bank staff system or Health Roster where a booking reference number will be issued.

   2.1.2 The request will be processed immediately and the requestor will be notified via the relevant system once the shift is filled.

   2.1.3 If the shift cannot be filled with the organisation’s own bank of staff, it will endeavour to fill the shift through an approved agency. All agency needs to be approved in line with the Detailed Scheme of Delegation.
2.1.4 In the event that the shift cannot be filled at all, the requestor will be notified immediately.

2.1.5 If the request is filled by an agency, an Agency Authorisation form must be completed by the requestor and submitted to the Budget Holder for approval, then sent to the Finance Department.

2.1.6 Budget managers are required to confirm a worker’s IR35 status at the point of making the booking. A budget manager should not engage an agency worker who is treated as a PSC falling outside of the scope of IR35.

2.2 Payment of Agency Invoices

2.2.1 All agency staff must submit timesheets on a weekly basis, which must be checked and approved by the relevant Ward/Dept. Manager.

2.2.2 Timesheet approvers must ensure that

(a) time charged is accurate (including deduction of breaks)

(b) all other details on timesheet are correct

(c) any unused lines are ruled through to prevent lines being added after authorisation

(d) hours claimed do not exceed the number of hours agreed on the Agency Authorisation form

(e) a valid booking reference is quoted

2.2.3 All incidental payments to agency staff and/or locums (e.g. travel) should be processed by the agency. All such payments should be authorised by the Ward/Department Manager after checking that the incidental expense is accurately claimed. Officers of the Trust should not enter into agreements to reimburse agency staff for incidental expenses in view of tax implications arising from such transactions.

2.2.4 Agency invoices will be paid via the Accounts Payable Department, provided that an Agency Authorisation form (Appendix 1) has been completed, authorised and forwarded to Accounts Payable. Alternatively, and where possible, a review against the Health Roster system shall be undertaken to confirm the booking and approval process, prior to the central approval of the invoice.

2.2.5 The agency is responsible for making payments to the individual and ensuring that the correct tax and NICs amount (if applicable) are deducted at source.
2.2.6 Agencies may be requested to provide copies of employees’ payslips as part of the Trust’s assurance obligations (see section 6.3).

2.2.7 Failure to provide the documentation requested within a reasonable timeframe may lead to possible termination of the contract, and delay in payment of invoices.

2.2.8 All agency invoices must quote the individual’s tax status (i.e. whether they are an employee of the agency, a PSC within the scope of IR35 or a PSC outside of the scope) and an EPUT booking reference number.

3.0 INDIVIDUALS / SELF EMPLOYED INDIVIDUALS

3.1 Establishing the Employment Status of an Individual

3.1.1 It is necessary to establish whether an individual’s earnings arise from employment or self-employment. The Check Employment Status for Tax (CEST) tool will help to determine the employment status of an individual, and can be found on the HMRC website link below. https://www.tax.service.gov.uk/check-employment-status-for-tax

3.1.2 If the Check Employment Status for Tax tool (CEST) indicates that the individual should be treated as employed by the Trust for tax purposes, they must be paid via Payroll.

3.1.3 If the tool indicates that the individual should be treated as self-employed, they will be paid by Accounts Payable. However in order to comply with the Trust’s assurance requirements the individual may, if requested, need to provide additional documentation as evidence of their self-employed status. Please see section 3.2 for further details.

3.2 Self Employed Individuals

3.2.1 If an individual is contracted to work on a self-employed basis, they must invoice the Trust for the works completed, as per the contract of service.

3.2.2 The individual must also provide a copy of their SA250 form showing their Unique Taxpayer Reference (UTR) Number, as proof of their registration with HMRC. This must be sent to the Senior Financial Accountant (Compliance) at the start of the engagement or when requested.

3.2.3 A Purchase Order must be raised and authorised by the relevant Budget Manager. Invoices must quote a valid Purchase Order number in order for it to be paid.
4.0 PERSONAL SERVICE COMPANIES

4.1 Introduction

4.1.1 The Trust will only engage directly with a worker working via a PSC where the Trust is assured that the engagement meets HMRC rules on off-payroll working in the public sector.


4.1.3 Finance / Budget Manager will then inform the worker of the Check Employment Status for Tax tool (CEST) outcome and how payment of services will be made.

4.1.4 A Purchase Order must be raised and authorised by the relevant Budget Manager.

4.1.5 If the PSC is deemed to be outside of the scope of the off-payroll rules, the invoice will be passed to Accounts Payable for processing (see section 4.2 below)

4.1.6 If the PSC falls within the scope of the off-payroll rules, the invoice will be paid via Payroll, with tax and NICs (if applicable) deducted at source (see section 4.3 below)

4.1.7 In order to comply with the Trust’s assurance requirements, the personal service company may, if requested, need to provide additional documentation as evidence of tax compliance.
4.1.8 Payment Flowchart

**BUDGET MANAGER**
Contact Purchasing and raise a Purchase Order

**PURCHASING**
Raise a New Vendor form and pass to Finance for approval

**BUDGET MANAGER**
Contact Finance and schedule a CEST appointment

**FINANCE**
CEST check carried out (in conjunction with Budget Manager)

**BUDGET MANAGER**
Inform PSC of the CEST outcome and process of payment (incl any additional documentation)

**OUTCOME: OUTSIDE THE SCOPE**
See Section 4.2

**OUTCOME: WITHIN THE SCOPE**
See Section 4.3

**FINANCE**
Approve New Vendor form and pass to Systems

**SYSTEMS**
Create new vendor account on eFin and eProc
4.2 Personal Service Companies Outside of the Scope of the Off-Payroll Rules

4.2.1 The company must raise an invoice and send to Finance. This must include the following details:
- the document should clearly state ‘invoice’
- company registration number
- company name, address and contact information
- a unique identification number (invoice number)
- the company name and address of the customer being invoiced
- Purchase Order number
- the date the goods or service were provided (supply date)
- the date of the invoice
- breakdown of services charged
- VAT rate and amount (if applicable)
- the total amount owed

4.2.2 Once the Purchase Order has been receipted, the invoice will be processed by Accounts Payable for payment.

4.3 Personal Service Companies Within the Scope of the Off-Payroll Rules

4.3.1 Finance will inform the worker that the engagement falls within the scope of the off-payroll rules, and that payment of services will be made via Payroll.

4.3.2 The worker will need to complete an Off-Payroll Worker Appointment form (appendix 2) and return this to:

Senior Financial Accountant - Compliance
Finance Department
Thurrock Community Hospital
Long Lane
Grays
Essex RM16 2PX

4.3.3 The Personal Service Company should invoice for their service, and this should be matched to a receipted Purchase Order.

4.3.4 The invoice amount should be broken down into three elements:

(a) Fee - this should show details of the type of service provided and the period it relates to
(b) VAT - if applicable
(c) Allowed Expenses - backing documentation (e.g. receipt) should be attached to the invoice
4.3.5 Finance will process the invoice and send it to Payroll for payment to be made.

4.3.6 A payslip will be sent to the PSC’s registered address with details of any deductions made.

4.3.7 Any issues or concerns regarding this process should be raised using the Trust’s internal escalation process.

<table>
<thead>
<tr>
<th>Position</th>
<th>Responsibilities</th>
</tr>
</thead>
<tbody>
<tr>
<td>Senior Financial Accountant (Compliance)</td>
<td>Carry out CEST checks with Budget Manager</td>
</tr>
<tr>
<td>Deputy CFO / Head of Financial Accounts</td>
<td>Review CEST outcomes</td>
</tr>
<tr>
<td>Executive Chief Finance Officer</td>
<td>Ultimate decision maker</td>
</tr>
</tbody>
</table>
5.0 PROCESS FLOW CHART

The following flowchart outlines the Budget Holder’s responsibilities.

Is the Individual employed by a framework agency?

Yes

Is the individual self-employed or working through a personal service company or limited liability partnership?

Self-employed

PSC/LLP

Does the outcome of the CEST indicate that the engagement falls outside of the scope of the Off-Payroll rules?

No

Yes

Raise an Agency Authorisation form and pay via Accounts Payable

(see section 2.2)

Set up with HR and pay via Payroll

(see section 3.1.2)

Raise an order and pay via Accounts Payable

(see sections 3.2 & 4.2)

Raise an order and send invoice to Finance – payment will be processed via payroll with PAYE deductions made at source

(see section 4.3)

No

No

No

No
6.0 ASSURANCE REQUIREMENTS

6.1 Individuals engaged to work at the Trust may be requested to provide the following documentation.

6.2 Failure to provide the documentation requested within a reasonable timeframe may lead to possible termination of the contract.

6.3 The Finance Department is responsible for requesting and collating the documentation specified in the table below.

<table>
<thead>
<tr>
<th>Type of Individual</th>
<th>Payment Method</th>
<th>Documentation Required</th>
<th>Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>Employee</td>
<td>Payroll</td>
<td>No further information required</td>
<td>n/a</td>
</tr>
<tr>
<td>Limited company (outside the scope)</td>
<td>Co invoice paid via AP; employee paid via company</td>
<td>CEST Outcome</td>
<td>Start of contract</td>
</tr>
<tr>
<td>Limited company (within the scope)</td>
<td>Payroll</td>
<td>CEST Outcome Off-Payroll Starter Form</td>
<td>Start of contract</td>
</tr>
<tr>
<td>Agency (employee)</td>
<td>Employee paid via the agency</td>
<td>Employee payslips Tax status on invoice</td>
<td>When requested</td>
</tr>
<tr>
<td>Agency (PSC)</td>
<td>Company paid via the agency</td>
<td>CEST Outcome</td>
<td>When requested</td>
</tr>
<tr>
<td>Self-Employed</td>
<td>Accounts Payable</td>
<td>CEST Outcome Form SA250 Copies of submitted Tax Returns</td>
<td>Start of contract</td>
</tr>
</tbody>
</table>

7.0 AUDIT REQUIREMENTS

7.1 The audit requirements of the procedure for the payment of individuals who are not employed by the Trust are as follows:-

(a) The segregation of duties between the Trust officer authorising payment and the Trust officer commissioning individuals must be adequate.

(b) The segregation of duties between those Trust officers responsible for accounting for agency payments and those Trust officers responsible for authorising payments.

(c) All payments and other transactions must be accounted for properly and in full.

(d) All payments are only made in respect of authorised invoices.

(e) That all payments are correctly coded to the relevant cost centres and account codes.
(f) That procedures exist to ensure that invoices are only paid against services officially ordered and received.

(g) That controls exist to ensure that the invoices are authorised at the appropriate level of management.

END