



## **LCC Schools Finance Handbook**

Section P:

Payroll, Pensions and  
HR Administration

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# Contents

- SECTION P1: Introduction & Requirements**.....3
- P1.1 Introduction.....3
- P1.2 Specific Requirements.....3
- SECTION P2: Statutory Reporting**.....4
- P2.1 Responsibility for statutory reporting .....4
- P2.2 PAYE Administration .....4
- Where the County Council is the payroll provider .....5
- Where the payroll provider is not Lincolnshire County Council.....5
- Payroll costs met from the school’s local bank account.....5
- P2.3 Teachers Pension Scheme Administration .....6
- Where the Payroll Pensions and HR Administration is provided by the County Council7
- Where the Payroll and/or HR Administration provider is not the County Council .....7
- P2.4 Local Government Pension Scheme (Non teaching staff) .....8
- Where the Payroll Pensions and HR Administration is provided by LCC.....8
- Where the Payroll and/or HR Administration provider is not the County Council .....8
- SECTION P3: GUIDANCE FOR SCHOOLS CONSIDERING A PAYROLL SERVICE PROVIDER  
OTHER THAN LINCOLNSHIRE COUNTY COUNCIL**.....9
- P3.1 General.....9
- P.3.2 Issues to consider ..... 10

# SECTION P1: Introduction & Requirements

## P1.1 Introduction

This section provides guidance on the procedures to apply to the submission of all data associated with the payroll function. This includes all notifications to establish, terminate or amend a payroll record in respect of an individual employee and all documents which initiate payment (e.g. claims, timesheets, travel claims).

## P1.2 Specific Requirements

The School Governing Body is required to make arrangements to maintain controls at the appropriate level within their school to ensure the following in respect of submissions of payroll data:

- a) The employee is appointed to a post which is part of the establishment approved by the Governing Body of the School.
- b) The grade, starting salary or unit rate and allowance(s), if applicable, are in accordance with the approved grade for the post and in all other ways satisfies the relevant conditions of service for the post in question. This requirement also applies to the terms of engagement of any employee.
- c) The date of commencement (or date of effect in the case of a change to an existing employees' conditions etc.) is correct.
- d) The appointment or other notification has not been made previously.
- e) The appointment or other notification is matched by a provision within the relevant budget, is coded for input into the school's accounts and is legal in terms of the powers of the Governing Body of the school.
- f) Where a payment is due (timesheet, claim), the work has actually been done on the dates and times stated; the arithmetic on the form and rates claimed are correct; the form does not represent a duplicate payment and the form is submitted by the claimant and approved by a duly authorised officer.

The majority, if not all, travel and subsistence payments should be made via the payroll system in order to ensure that income tax and national insurance deductions can be made where appropriate.

In addition to the controls listed above, the Governing Body of the school is required to implement and maintain controls regarding travelling and subsistence payments which ensures the following:

- a) All official travel has been approved by the Headteacher in that it is necessary for the effective discharge of the employees' duties.
- b) The travel arrangements are the most effective and efficient in the circumstances, in accordance with national and local conditions of service. Claims should be submitted on that basis. No cash advances are to be made outside of the Payroll System.
- c) Travel and subsistence are only claimed on the appropriate claim form and mileage and subsistence payments which are taxable are highlighted separately on the form.
- d) The claim form is completed in full. Payment must not be authorised unless the journey for which the mileage allowance or subsistence claimed is clearly identified (except where employees are paid by timesheets).
- e) Claim forms should be submitted on a monthly basis and all appropriate receipts held by the school.

## SECTION P2: Statutory Reporting

### P2.1 Responsibility for statutory reporting

This section provides guidance in respect of statutory reporting responsibilities in relation to PAYE, tax and pensions.

### P2.2 PAYE Administration

The responsibility for accurate PAYE administration and reporting to HM Revenue and Customs depends on where the funds are held to pay the employee. Where the school funds are retained within the County Council's bank account, Lincolnshire County Council will be responsible for the correct accounting and payment over of income tax, National Insurance Contributions (NIC) and Statutory Sick Pay (SSP) and Statutory Maternity Pay (SMP) etc adjustments to HM Revenue and Customs.

Lincolnshire County Council is responsible for :-

- a) remitting deductions made under the PAYE Scheme, together with the employer's contributions for the calendar month to the Collector of Taxes at HM Revenue and Customs by the 19th day of the following month;
- b) the completion of Real Time Information PAYE documentation - for each tax month, LCC is required to complete PAYE submissions to HM Revenue and Customs on or before payday. This includes but not limited to a list of statutory payments, income tax, NIC deducted from each employee for the pay period with a declaration that all employees have been correctly accounted for and that income tax and NIC deductions are in order. LCC submits the individual employee detail electronically;

- c) negotiating with HM Revenue and Customs for the granting of dispensations from recording benefits-in-kind and expense payments where-ever possible;
- d) maintaining a record of benefits-in-kind and expense payments for each employee (unless the expense is covered by a dispensation granted by HM Revenue and Customs) depending on the amount of earnings in the tax year. This information must be reported to HM Revenue and Customs and individual employees annually on form P11D, by 6th July.

## **Where the County Council is the payroll provider**

Where the payroll service is provided by LCC Payroll Pensions and People Administration Services the information required for statutory reporting will be available from the LCC Payroll Pensions and People Administration Services payroll system and the school need take no further action.

## **Where the payroll provider is not Lincolnshire County Council**

The school must have a basic working understanding of the PAYE system used for collecting income tax at source from its employees. Generally, the obligation to collect income tax and national insurance contributions will be fulfilled by operating an effective payroll system or through a contract with a payroll provider for the provision of a full payroll service.

## **Payroll costs met from the school's local bank account**

Where the school holds the funds to pay the employees the responsibility for accurate administration between the school and HM Revenue and Customs remains solely with the school, even where the administration is contracted out to a payroll service provider. For tax and national insurance purposes, the school will operate their own PAYE scheme with a unique tax reference.

The school must:-

- a) Have a basic working understanding of the PAYE system used for collecting income tax at source from its employees. Generally, the obligation to collect income tax and national insurance contributions will be fulfilled by operating an effective payroll system or contract with a payroll provider for the provision of a full payroll service.

- b) Remit deductions made under the PAYE Scheme, together with the employer's contributions for the calendar month, to HM Revenue and Customs by the 19th day of the following month. The school should either pay these directly or ensure that the payroll provider will do this on their behalf, but in all cases the responsibility for tax liabilities from the PAYE system remains with the school. The school should ensure that any contract with an external payroll provider allows for recompense in the event of financial penalties being incurred which is the result of an error or omission by the payroll provider.
- c) The completion of Real Time Information PAYE documentation - for each tax month, LCC is required to complete PAYE submissions to HM Revenue and Customs on or before payday. This includes a list of income tax and NIC etc deducted from each employee for the pay period with a declaration that all employees have been correctly accounted for and that income tax and NIC deductions are in order. The school or payroll provider must submit the individual employee detail electronically on or by payday.
- d) Negotiate with HM Revenue and Customs for the granting of dispensations from recording benefits-in-kind and expense payments where-ever possible.
- e) Maintain a record of benefits-in-kind and expense payments for each employee (unless the expense is covered by a dispensation granted by HM Revenue and Customs) depending on the amount of earnings in the tax year. This information must be reported to HM Revenue and Customs and individual employees annually on form P11D and P11D [b] by 6th July.

## **P2.3 Teachers Pension Scheme Administration**

For all schools on Business World the County Council is responsible for:-

- a) Remitting deductions made under the teachers' pension scheme, together with the employer's contributions for the calendar month, to the Teachers' Pension, submitting service and salary data to the Employer Portal by the 7<sup>th</sup> day of the following month.
- b) The completion of the year end Teachers' Pension Contribution certificate, ensuring that it is audited by the County Council's external auditors and uploaded to Teachers' Pension by 30<sup>th</sup> November [an unaudited version is uploaded by 31<sup>st</sup> May each year of the following financial year].
- c) The completion of the of service, salary and additional contributions for any schools who operate their own Payroll Pensions and HR Administration services are upload to Teachers Pensions monthly. The service and salary

information must be provided to LCC by outsourced payroll providers on a monthly basis to upload by 7th of each month.

- d) Notifying the Teachers' Pension Agency of all teachers' appointments and teachers' terminations of employment.

## **Where the Payroll Pensions and HR Administration is provided by the County Council**

Where both the Payroll Pensions and HR Administration service is provided by LCC the information required for reporting purposes will be available from the LCC Payroll Pensions and HR Administration systems and the school need take no further action.

## **Where the Payroll and/or HR Administration provider is not the County Council**

The school must:-

- a) Have a basic understanding of the Teachers' Pension Scheme
- b) Provide the County Council with details of the deductions made under the Teachers' Pension Scheme, together with the employer's contributions for the month via a monthly return of service and salary and contribution data. The information must be received at LCC by the 1<sup>st</sup> day of the following month. The school must also ensure that the total amount is paid by BACS transfer into Lincolnshire County Council's bank account by the 7<sup>th</sup> of the following month.
- c) Provide details of all teachers' appointments and teachers' terminations of employment.
- d) Provide access to records held by the school or the school's payroll provider for the purposes of verification by the County Council's external auditors.

The Teachers' Pension Agency will impose fines for late monthly payments. Where the late submission is due to the school's or the school's payroll provider's failure to submit the necessary details and the payment by the due date then the penalty will be recharged to the school.

The County Council is liable to the Teachers' Pension Agency for the incorrect deduction of both employee's and employer's pension contributions. Where this results from an error or omission by the school or their payroll provider the school's budget will be charged with the pension contributions due.

The school should ensure that any contract with an external payroll provider allows for recompense in the event of financial penalties being incurred which is the result of an error or omission by the payroll provider. The school will be responsible for any outstanding contributions for historical missing service due to errors by outsourced payroll providers.

## **P2.4 Local Government Pension Scheme (Non teaching staff)**

Lincolnshire County Council is responsible for the administration of the Lincolnshire Pension Fund on behalf of all scheme employers. It is administered by the Pensions Section of Lincolnshire County Council.

### **Where the Payroll Pensions and HR Administration is provided by LCC**

Where both the Payroll Pensions and HR Administration service is provided by LCC the information required for reporting purposes will be available from Lincolnshire County Council's Payroll and HR systems and the school need take no further action.

### **Where the Payroll and/or HR Administration provider is not the County Council**

The school will be required to administer its responsibilities as an employer directly with the Pension Fund administered by West Yorkshire Pension Fund ( WYPF ). Below are the main requirements.

The school must:-

- a) Inform new employees of their right, or otherwise, to join the pension scheme, and issue appropriate pension information to the employee.
- b) Notify new employees who join the pension scheme of their pensionable status.
- c) Ensure that in terms of employees who are eligible to join the Local Government Pension Scheme, the school's payroll provider is advised to assume that membership of that scheme is their preferred option unless the Pensions Section has been advised to the contrary, i.e. by completion of the relevant options form.
- d) Ensure that the appropriate rate of contribution payable on pensionable pay as defined in the employees' guide is as set out therein and that the payroll

provider deducts accordingly from each payment of salary/wage made. It should be noted that the school's contribution as the employer is subject to triennial review following an Actuarial Valuation of the County Fund.

- e) Where an employee is paying additional contributions by option, ensure that no employer's rate is set against these amounts.
- f) Complete the monthly return with details of pension deductions and employer contributions ( uploaded to the WYPF portal ). This needs to include new starters, changes and leavers. The school must also ensure that the total amount is paid by BACS to WYPF.
- g) Details of all changes including all hours changes together with maternity leave, leave of absence, strike breaks, name changes, etc and any other information which is considered as relevant for pension purposes.
- h) Ensure all leavers are provided with the leavers guide to the Local Government Scheme, which gives full information to employees of options available to them. Also ensure that the option form enclosed with the booklet is completed by the employee and returned to the LCC Pensions Team.

## **SECTION P3: GUIDANCE FOR SCHOOLS CONSIDERING A PAYROLL SERVICE PROVIDER OTHER THAN LINCOLNSHIRE COUNTY COUNCIL**

### **P3.1 General**

Options are:

- a) To set up and operate a payroll service "In-House"
- b) To contract out the whole payroll service to an external provider
- c) A joint arrangement with school staff preparing the input and the external provider handling the processing and salary payments.

## P.3.2 Issues to consider

### a) Level of Service

Ensure that the service to be provided is as comprehensive as that provided by Lincolnshire County Council, and that all elements of the service which you expect to be included are charged within the contract price.

### b) Information required by Lincolnshire County Council to meet its statutory responsibilities

- i) Ensure that the recording of payroll transactions is sufficiently detailed to update the prime accounts.
- ii) Ensure that information required in respect of employees who are members of the Local Government Pension Scheme (nonteaching staff) is provided to LCC Pensions Team in accordance with their requirements. (**Note:** Details of the level of information that is required is included in Section P2 in this Finance Handbook).
- iii) Ensure that Lincolnshire County Council can be provided with any additional information that may be required, either to meet changes in statutory reporting requirements or internal monitoring and control requirements. This provision should be specified within the contract with the external payroll provider.

### c) Financial Control and Integrity Issues

- i) Ensure that there will be adequate backup facilities in the event of IT system problems or staff shortages.
- ii) Ensure that the payroll system is properly registered under the Data Protection Act 1998.
- iii) Ensure that the staff with responsibility for providing the payroll service, either in-house or external, have the necessary skills to maintain and run the system both on a daily basis and dealing with month end and year end requirements.

### d) If providing the payroll service, in house, it will be necessary to:

- i) Set up a BACS payment facility.

- ii) Ensure financial control/internal check arrangements are in place.
- e) If contracting out the payroll service to an external provider:
- i) Tendering arrangements as defined in LCC's contract regulations must be observed.
  - ii) Ensure that the proposed payroll provider's systems and controls meet the Council's requirements in terms of controls, security and standards.
  - iii) Obtain Financial References from the payroll provider, together with the names of three current reference sites.
  - iv) Ensure the contract document provides for a right of access for LCC Corporate Audit and Risk Management staff to the Contractor's records and control systems.
  - v) Request evidence of Professional Indemnity insurance, with the required minimum limit, and with a reliable insurer approved by LCC. Annual evidence of the policy should also be obtained.