

# REWARD STRATEGY

INCORPORATING **PAYROLLWORLD**

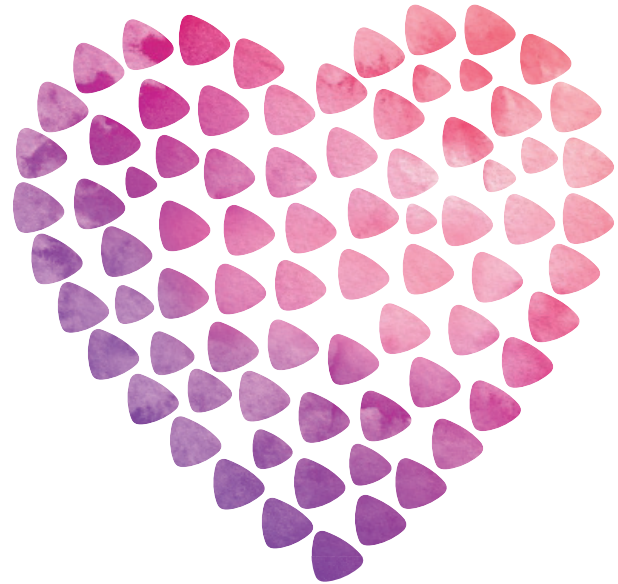
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## THE NEW PAYROLL

The metamorphosis into reward



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**Published by:**  
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1st Floor, Axe & Bottle Court,  
70 Newcomen Street, London SE1 1YT

**Printed by:** Stephens & George  
ISSN No: 1474-9068

**For membership to Reward Strategy visit**  
reward-strategy.com/member-zone  
or email rewardstrategy@circdata.com  
Membership starts from £165

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## PAYROLL HAS CHANGED...

...and so have we. Welcome to the first issue of *Reward Strategy*, the new incarnation of *Payroll World*. We first told you back in October that change was on its way, and I'm delighted now to present you with our new brand at last.

First, let me talk you through some of the changes. Along with a new name, you'll see the magazine has a fresh look and feel. We have dedicated sections to provide you with industry-leading commentary and advice on all the areas relevant to pay and reward professionals, including payroll, international payroll, HR, employment law, workplace pensions, employee benefits, careers and, of course, reward. A mixture of news, features, opinion and guidance will keep you fully up to date and informed on all these essential topics and burning issues for the profession.

Incidentally, you'll also find all these areas covered on our brand new website, [www.reward-strategy.com](http://www.reward-strategy.com) – I hope you visit regularly and contribute your views and knowledge to the news, opinion and advice you'll find there.

So, why the change from *Payroll World* to *Reward Strategy*? You won't need reminding that over recent years, the remit of the payroll professional has widened considerably. "It's not just payroll any more" is a common refrain within the industry, and it's true. As such, the different sections of coverage within this magazine reflect the broad reach of responsibility for pay professionals. The job of making sure workers are paid the right amount at the right time remains as important as ever, but added to that are crucial strategic decisions involving compliance, communication, employee engagement and wellbeing. Payroll remains at the heart of the job – just as it remains at the heart of this magazine – but the term is insufficient to convey the full scope of tasks covered by professionals in this industry. The lines between payroll and HR are becoming increasingly blurred, in terms of both work and systems, and the two functions are moving ever closer to ensure compliance with new and existing legislation and regulation. Payroll continues to move into the wider reward space and it is clear the sector is undergoing exciting change and development. The way the profession sees itself is also changing.

As Ken Pullar, CEO of the Chartered Institute of Payroll Professionals (CIPP) told *Payroll World* in December last year: "Organisations are realising the strategic value payroll can have. Payroll managers are becoming pay and reward managers."

Similarly, on page 11 of this issue, Ian Holloway tells us: "I now consider myself to be a UK reward professional, as payroll no longer reflects the work that we do." He adds: "I believe there will be an official move to renaming the profession as one of reward, as this is the more accurate description of what we do."

I wholeheartedly agree with these views and they reflect the vision behind *Reward Strategy*. We have entered a new era for the profession; *Reward Strategy* is there, with you, at the vanguard.

I look forward to you accompanying us on the journey ahead as the pay and reward sector leads the way forward and consolidates its place at the cutting edge of the modern organisation.

I hope you enjoy this first issue of *Reward Strategy*.



Jerome Smail

“We have entered a new era for the profession; *Reward Strategy* is there, with you, at the vanguard”

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# New website launched

## [reward-strategy.com](http://reward-strategy.com)



# REWARD STRATEGY

— membership —

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**Jerome Smail**  
Editor, Reward Strategy

We've completely regenerated Payroll World. Teamed with the rename to **Reward Strategy**, there's a **new and enhanced** magazine, website and membership.

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## Gig economy companies 'free-riding' on the welfare state

**T**he government must close loopholes that are currently enabling "bogus" self-employment and allowing firms a "free ride" on the welfare state, the Work and Pensions Committee has said.

According to the committee's findings, such practices are potentially creating an extra burden on the welfare state while simultaneously reducing the tax contributions that sustain it.

In an inquiry that has had to be curtailed because of the election, the committee heard from "gig economy" companies like Uber, Amazon, Hermes and Deliveroo, and from drivers who work with them. The evidence taken "painted starkly contrasting pictures" of the effect and impact of 'self-employment' by these firms.

Companies relying on self-employed workforces frequently promote the idea that flexible employment is contingent on self-employed status, but the committee says this is a fiction. It also says:

- The apparent freedom companies enjoy to deny workers the rights that come with "employee" or "worker" status fails to protect workers from exploitation and poor working conditions. It also leads to substantial tax losses to the public purse, and potentially increases the strain on the welfare state.

- Designating workers as self-employed because their contract offers none of the benefits of employment "puts cart before horse". However, the committee says that this logic has taken hold, enabling companies to propagate a "myth" of self-employment. Although this myth frequently fails to stand up in court, with recent Employment Tribunals going against the likes of Uber and CitySprint, the committee notes that individuals face huge risks in challenging their employment status that way.

- Where there are tax advantages to both workers and businesses in opting for a self-employed contractor arrangement, there is little to stand in the way.

- An assumption of the employment status of "worker" by default, rather than "self-employed" by default, would protect

both those workers and the public purse. It would put the onus on companies to provide basic safety net standards of rights and benefits to their workers, and make the requisite contributions to the social safety net. Companies wishing to deviate from this model would need to present the case for doing so, shifting the burden of proof of employment status onto the better resourced party – the company.

- Self-employed people and employees receive almost equal access to all of the services funded by National Insurance, especially with the introduction of the new state pension, yet the self-employed contribute far less. The incoming government should set out a roadmap for equalising employee and self-employed National Insurance contributions.

- The Department for Work and Pensions (DWP) needs to ensure that its programmes and resources reflect the positive contribution that self-employment can make to society and the economy. This may require an expansion of specialist support in Jobcentre Plus (JCP.)

- DWP is seeking to support entrepreneurship without subsidising unprofitable self-employment. The existing Minimum Income Floor (MIF) in Universal Credit (UC) does not get this balance right and risks stifling viable new businesses. The incoming government should urgently review the MIF with a view to improving its sensitivity to the realities of self-employment. Until then, the MIF should not apply to self-employed UC claimants.

**“COMPANIES  
PROFIT FROM  
BOGUS ‘SELF-  
EMPLOYMENT’  
DESIGNATION  
BUT ORDINARY  
TAXPAYERS ARE  
PICKING UP  
THE TAB”**

### Avoiding responsibilities

Frank Field MP, chair of the committee, said: "Companies in the gig economy are free-riding on the welfare state, avoiding all their responsibilities to profit from this bogus 'self-employed' designation while ordinary taxpayers pick up the tab.

"This inquiry has convinced me of the need to offer 'worker' status to the drivers who work with those companies as the default option. This status would be a much fairer reflection of the work they undertake, which seems to fall between what most of us would think of as 'self-employed' or 'employed'.

"It would also protect them from some of the appalling practices that have been reported to the committee in this inquiry.

"Self-employment can be genuinely flexible and rewarding for many, but 'workers' and 'employees' can and do work flexibly. Flexibility

is not the preserve of poorly paid, unstable contractors, nor does the brand of 'flexibility' on offer from these gig economy companies seem reciprocal. It is clearly profit and profit only that is the motive for designating workers as self-employed.

"The companies get all the benefits, while workers take on all the risks and the state will be expected to pick up the tab, with little contribution from the companies involved.

"It is up to government to close the loopholes that are currently being exploited by these companies, as part of a necessary and wide ranging reform to the regulation of corporate behaviour."



## Report: Middle and low income workers' rights at risk after Brexit

A study published by the Trades Union Congress (TUC) warns that working people in both the United Kingdom and the European Union are at risk from the erosion of workplace rights after Brexit – especially those in low-skilled jobs.

The report *Could a bad Brexit deal reduce workers' rights across Europe?* from the Work Foundation, commissioned by the TUC, reviews evidence on the relationship between labour standards and foreign direct investment (FDI), and looks at a range of potential consequences for working people in Britain and the EU after Brexit.

The study finds that better labour standards can help attract foreign investment, particularly in high-end sectors, creating a 'race to the top' for high-pay, high-productivity jobs. But it also finds that for low-pay and low-productivity sectors, there are real risks of a 'race to the bottom' if countries seek to compete by cutting workers' protections. The report warns that the chancellor has threatened to change the UK to a deregulated tax haven if a post-Brexit deal with the EU is not reached. This, it says, raises the risk that Britain may cut protections for people at work. The study suggests that this would lead to pressure on EU nations from multinationals to reduce working people's rights in order to compete for low-skilled jobs.

TUC general secretary, Frances O'Grady, said: "If we don't put strong protections for working people at the heart of our deal with the EU, Britain could become a bargain basement economy. And this will worry the EU too, as it could drive damaging competition that increases inequality.

"We've already seen the emergence of a low-skill, low-productivity economy that leaves many people trapped in dead-end jobs. Scrapping workplace protections, or gradually falling behind our European neighbours, would increase this trend. The next government must get a deal with Europe that protects current rights, like paid holidays, equal pay, and fairness for agency workers. And it must guarantee a level playing field with the rest of Europe now and in the future, so working people in Britain don't fall behind our European neighbours."

**"THE NEXT GOVERNMENT MUST GET A DEAL WITH EUROPE THAT PROTECTS CURRENT RIGHTS, LIKE EQUAL PAY"**

## HMRC giving wrong expenses advice, says intermediary trade body

HMRC call centres have been mistakenly telling contractors they are entitled to key expenses, says employment intermediary trade body PRISM.

The association is urging contractors to take independent advice in response to concerns over tax officials wrongly telling workers they are entitled to travel, subsistence and other expenses despite being subject to IR35 and Supervision, Direction and Control. According to PRISM, the latest examples of wrong advice being given relate to public sector contractors operating through their own limited companies.

Crawford Temple, chief executive of PRISM, said: "This is the most recent change to the tax legislation affecting contractors and the mistakes being made by HMRC are causing confusion and further tensions across the market.

"This is more evidence, if any were needed, that the whole system of tax and employment legislation is too complicated for people to understand.


"If those within HMRC are giving the wrong advice because it is not clear, what chance does a contractor have who just wants to carry out sensible financial planning and get on with the job?"

The Social Market Foundation has been carrying out an independent review of tax and employment legislation, sponsored by PRISM, which is due to report soon.

# THE NEW PAYROLL

Once seen as a back-office function, payroll is invaluable to many aspects of business strategy and employer compliance. Dawn Lewis assesses the changing roles, remits and perceptions within the profession and its growth in the wider reward space





“It’s not just about pay and tax – it’s about the full remuneration package and everything that affects that”

*Elaine Gibson*

**T**he old cliché of what payroll does dies hard. But things have come a long way since it was seen just as a ‘button pushing’ function. Today, the knowledge and skills that payrollers have acquired have made them invaluable to the businesses they support, while the profession offers a strong career path which can lead to director-level positions or branch off into employee benefits, reward, workplace pensions and HR.

As Elaine Gibson, education director at the Chartered Institute of Payroll Professionals (CIPP), highlights: “With all the different interactions that go through the payroll, it’s not just about pay and tax – it’s about the full remuneration package and everything that affects that.”

#### **Legislative changes**

The onslaught of legislative changes has meant organisations have had to rely more heavily on their payroll experts to understand how their business and employees will be affected.

Tony Joannou, UCI senior payroll manager at Computershare, believes the amount of work that payroll must contend with is only going to increase. “I see HMRC putting more work the way of payroll teams and the move towards mandatory payrolling of benefits is an example of this,” he says.

Although the payrolling of benefits is currently a voluntary process, it seems clear that HMRC is expecting employers to take on more responsibility, particularly as the government’s tax simplification programme progresses.

Linda Pullan, head of Payroll Alliance, adds that changes such as the payrolling of benefits, adjustments to salary sacrifice (or optional remuneration arrangements) and auto-enrolment have seen payroll involved in areas that in the past would have been the responsibility of HR.

“Payroll is getting drawn more into benefits,” she says. “With taxation becoming more complex, and in

“I now consider myself to be a UK reward professional, as payroll no longer reflects the work that we do”  
*Ian Holloway*

particular with the payrolling of benefits, payroll is getting more involved with this side of things. This is opening up opportunities for payroll to look at other areas to get involved with.”

As a consequence of the increasing complexity of legislation, Nick Day, managing director at James Gray Associates, a specialist payroll recruitment agency, believes the profile of payroll is rising within organisations. In turn, professionals are being held more accountable and are being asked to deliver even more.

“Although you might have been hired to be a payroll administrator, the reality is that you may well become involved in various pensions, benefits and reward-based activities,” he says.

**Two sides of the same coin**

The evolution of payroll is something that many professionals have witnessed during their careers. Ian Holloway, head of legislation and compliance at Cintra HR & Payroll Services, remembers starting in payroll just before Statutory Maternity Pay provisions were brought in. “It is fair to say that the profession was easier when I first came into it,” he says. “I cannot remember the need to pay attention to the wide range of issues that are part of the reward nature of the payroll profession now.”

It is this need to cover so many issues that has led to a closer working relationship with HR, as Elizabeth Strong, HR operations manager at Kerry Group, argues. She began her career in payroll before moving across to a dedicated HR role, and she believes payroll can no longer work in isolation because this can limit the effectiveness and efficiency of the function.

“It is so much more beneficial to the [payroll] department and to the business for those in payroll to not only be aware of the full end-to-end processes, policies and working practices that result in any payments or deductions, but also to be able to influence,” says Strong.

She adds that this means working more collaboratively with upstream teams such as employee benefits, pensions, reward, HR and operations, as well as downstream with finance, audit and risk and compliance.

Gibson agrees, arguing that “payroll and HR are one side of the same coin... one can’t properly function without the other”.

**Wider skill sets**

To keep pace with regulatory changes, payroll professionals are having to continually update their knowledge and widen their skills. Initial results from the CIPP’s latest market insight survey show that education is in high demand, whether in the form of formal qualifications, training courses or simply reading an e-newsletter or article.

As payroll moves from less of a back-office function to a more customer-focused one, soft skills have also had to be developed.

“The volumes of people going through education and training are increasing all the time,” says Gibson. “However, we don’t just deliver the hands-on topical courses. What we’re finding is that individuals are requiring the soft skills to support it [their technical knowledge], in terms of leadership, data protection, contingency and disaster recovery and sourcing payroll systems.”

**“AS THE REMIT BECOMES INCREASINGLY BROAD, IT REMAINS TO BE SEEN WHETHER IT WILL STILL BE KNOWN AS PAYROLL”**

### Changing roles

The changing nature of payroll is highlighted in the CIPP's insight survey. The job titles of the respondents are beginning to change from the traditional 'payroll manager' and 'payroll administrator' to more dual roles such as 'payroll and pensions manager' and 'HR and payroll manager'.

Day is also seeing a similar trend in the recruitment space. "There's an awful lot more hybrid positions that we're working on, be that a payroll and HR specialist, or particularly payroll and benefits or payroll and reward," he says.

"In years gone by these were always very separated positions and historically payroll would be based in finance, whereas now, 90 per cent of them are based in HR."

It is this widening remit that has led Holloway to conclude that he can no longer class himself as a payroll professional because of the different areas that he touches on, from pensions to benefits, payroll to tax and employment law. "I now consider myself to be a UK reward professional, as payroll no longer reflects the work that we do," he says.

Ian Hodson, head of reward at University of Lincoln, adds that it is no great surprise that payroll has evolved into a more influential voice within businesses thanks to legislative change. This has given rise to opportunities for payroll professionals to move into different areas, as he himself did, moving from payroll to reward.

"Payroll has always been the natural place to see voluntary benefits potentially grow into the employee reward proposition and with this, the chance for payroll managers to progress into strategic change roles," he says.

Strong explains her pragmatic decision to move from payroll to HR, saying: "My heart will always be in payroll, but my head recognises that widening the scope of what I do and bringing other areas under my responsibility makes absolute sense and is what leads to good

collaborative relationships and the most efficient, effective and robust processes."

### Global shift

Another major shift that Day has seen is a move towards more global positions. He explains that many businesses have either moved their operations offshore or have global or regional head offices in other countries. "A lot of the payroll professionals we're working with now need to be multilingual or need to have experience or understanding of legislation in different European countries, or have the ability to work with global vendors."

There is also an increasing need for payroll professionals to have a knowledge of different taxation systems due to the large number of companies that now send their employees on secondments. "The payroll professional role has become a lot more complex than just running a standard UK payroll," he adds.

### Where next?

The prospects for payroll professionals run far and wide. Yet, as payroll's remit becomes increasingly broad, it remains to be seen whether it will still be known as 'payroll' in future.

"I believe that there will be an official move to renaming the profession as one of reward, as this is the more accurate description of what we do," says Holloway. "Reward encompasses payroll and pensions plus any other employment-related issue."

Hodson adds that he hopes reward will become seen as its own business area that is not controlled by HR or finance. "This will give a real opportunity for payroll professionals to have a clear career pathway to the strategic level, if they want to go down this route, and sit as an equal party to shaping plans and vehicles to achieve this."

Regardless of the career path that a payroll professional chooses, the button pushing cliché is not only outdated and untrue, but completely irrelevant to today's payroll and reward experts. ■

## CAREER PROGRESSION TIPS

**"Start building your profile through your internal and external networks as an influencer of positive change."** Ian Hodson, head of reward, University of Lincoln

**"If you can pick up skills through project team membership or management, these will certainly enhance any future career aspirations, as will softer skills such as management and communication."** Tony Joannou, UCI senior payroll manager, Computershare

**"Give serious thought to all the transferable skills you have and how much you know about other areas. Chances are you know a lot more than you realise."** Elizabeth Strong, HR operations manager, Kerry Group

**"Look for other ways to build your CV and add to your experience. I've put myself forward for several volunteer and 'extra-curricular' opportunities. They always help you gain new skills and network."** Elizabeth Strong, HR operations manager, Kerry Group

**"Future professionals should not feel restricted as they move into and through the profession. After the basic grounding, there are so many career options within the world of reward."** Ian Holloway, head of legislation and compliance, Cintra HR & Payroll Services

# VALUABLE RETURNS

**We have to boost employee productivity now if we are to avoid slower economic growth, says Charles Cotton of the CIPD, the professional body for HR and people development**



Charles Cotton

“With inflation rising and the real value of wages falling, most employees are going to see their costs of living increasing”

The latest Labour Market Outlook survey for Spring 2017 shows that labour demand remains robust for the second quarter of this year. Based on a sample of over 1,000 employers, the report’s net employment balance, which measures the difference between those organisations planning to expand their workforce and those anticipating to reduce staffing, remains positive at +22.

However, despite the positive employment expectations, the survey also indicates that the rate of salary growth will fall over the coming 12 months. According to the survey data, median basic pay expectations in the 12 months to March 2018 have fallen to 1% compared with 1.5% three months ago, which is lower than at any time during the past three and a half years. In addition, the average basic pay settlement (the mean) excluding bonuses has slipped down from 1.6% to 1.5% compared with the past quarter.

Nearly half of employers planning to make a pay decision in the next 12 months expect to increase salaries at their organisation, compared with just one in ten who intend to freeze pay (or over one in seven in the public sector).

Just one percent of employers expect basic pay to decrease in the next 12 months. However, some care should be taken because over four in ten employers are unable to predict their organisation’s next basic pay award.

Focusing just on those predicting a pay rise, the majority of expectations are clustered between 1% and 3%. One third of employers think they’ll increase salaries between 1% to 1.99% in the 12 months to March 2018, while another fifth expect basic pay to increase by 2% to 2.99%. Just one in 20 expect they’ll have to increase pay by more than 4%. Overall, the median rise of salary increases is 2% (2.16% at the median).

The proportion of organisations saying affordability and the National Living Wage (NLW) are reasons behind their

decisions to increase basic pay by 2% or more has increased since the previous report. Almost a third of organisations say their ability to pay is underpinning their decision to award 2% or more in their next pay settlement, compared with just over a quarter in the previous report.

A similar proportion of employers say the NLW is putting pressure on them to improve basic pay by 2% or more for the rest of the employees in the organisation.

Public sector pay restraint and affordability are the two most important factors keeping basic pay award increases to less than 2%. However, perhaps reflecting the challenges that some employers face in raising productivity levels, which are essential to making pay rises affordable, nearly one in six employers say that the recent increase to the NLW will have a negative impact on their organisation’s basic pay award.

The introduction or extension of other labour costs are also reported as limiting pay settlements, including auto-enrolment and the Apprenticeship Levy (one in ten in both instances).

With inflation rising and the real value of wages falling, most employees are going to see their costs of living increasing. This will probably have a negative impact on consumer confidence, a slowdown in customer spending and a fall in the rate of economic growth.

To avoid slower growth, we must start helping our employers increase the real value of reward in a sustainable way. This requires an increase in productivity, not by employees working harder, but smarter, through better designed work, jobs and organisations. Reward professionals have a key role in creating smarter work and sharing the productivity boost with employees through higher salaries or improving the benefits package. With the threat of an economic downturn, there’s never been a more important time for us to demonstrate our value to our organisations. ■

*Charles Cotton, performance and reward adviser, CIPD*



# THE REWARDS 2017

**ENTRIES CLOSE 7 JULY**

## Categories

- ▶ Best Business Award
- ▶ Best Employer Award
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# SPOT THE DIFFERENCE

**The P11D deadline is approaching. The form has changed and rules on benefits and expenses show that HMRC recognises employers have systems in place and can be trusted, says Norman Green**



**Norman Green**

“The honest employer not quite complying with the old reporting requirements ceases to be on the wrong side of the law”

It is HMRC’s expectation that most employers would have been payrolling benefits and expenses for the 2016-17 tax year and thus very few P11Ds will be due. There will always be some P11Ds, such as when payrolling breaks down because there is insufficient taxable pay paid as cash rather than in kind. There will also be P11Ds if employers’ systems cannot cope with payrolling.

Payrolling means adding the cash equivalent of each benefit or expense into taxable pay each pay period, equally over the tax year, so the employee pays tax at the time the benefits or expenses are enjoyed and does not have the values included in his or her tax code.

The P11D for the 2016-17 tax year (which is due to HMRC by 6 July 2017) is different to the P11D for the 2015-16 tax year. There is one less entry in section N – the entry for “General expenses allowed for business travel” has gone. HMRC expects employers to treat expenses that have no tax liability correctly, and put all other expenses through the payroll so that tax and National Insurance contributions (NICs) can be collected at the time the expense was paid.

Under the old rules, where an employer believed an expense payment was wholly, necessarily and exclusively allowable as a valid business expense, it could seek a dispensation from HMRC so that it did not need reporting. Typically, a number of expense payments for specific expenditure, not in excess of agreed limits and subject to proper controls within the employer’s organisation, would be included.

The dispensation meant that the employer did not have to report or tax the expense, and the employee did not have to make a claim for the expense to be taken out of taxation. It also avoided the double work for HMRC in taking the tax from the employer and refunding it to the employee.

When the approved mileage rate for business miles in an employee’s own

car was changed to be irrespective of engine size, employers no longer needed to seek HMRC’s approval to make mileage payments up to the approved rate. There are actually two rates: one for the first 10,000 business miles and a second, lower, rate for any business miles in excess of 10,000 miles. When introduced the rates were £0.40 and £0.25 per mile, often referred to 40ppm and 25ppm. The 40p rate was increased to 45p many years ago.

It was the first instance of employers effectively making for themselves the dispensation that was previously required from HMRC.

The absence of the item in section N is not a further example of self-dispensation because since the start of the 2016-17 tax year, dispensations no longer exist. Instead, an expense is either an exempt business expense or is liable for income tax. If it is exempt, being a genuine expense incurred in the employee’s employment, it does not need reporting. If it is not exempt, then it needs to be taxed and NIC’d at the time of payment. This does, of course, fit in with the concept of taxable benefits in kind being payrolled, and thus taxed at the point of enjoyment. Where an expense is only partly exempt, then the full value should be put through the payroll and it is for the employee to reclaim tax on the exempt amount. Where the exempt and non-exempt split is known, it is only necessary for the non-exempt amount to be put through the payroll.

Perhaps the most important point is that this demonstrates HMRC recognises that employers do not make wild expenses payments, do have systems in place to check and authorise expenses, and that employers can be trusted. The dishonest employer would never seek a dispensation or report non-exempt expenses. And the honest employer not quite complying with the old reporting requirements ceases to be on the wrong side of the law. ■

*Norman Green, payroll consultant*

# EYE OF THE STORM

Helen Hargreaves, associate director of policy and membership for the Chartered Institute of Payroll Professionals, assesses the impact of the snap election on a profession longing for respite

The announcement of a snap general election is likely to bring even more pressure to bear on payroll professionals over the coming weeks and months. Even before the prime minister's shock announcement, the CIPP was becoming increasingly concerned about the amount, pace and impact of change currently facing employers – gender pay gap reporting, the Apprenticeship Levy, salary sacrifice and Optional Remuneration Arrangements, intermediaries/IR35 and off-payroll working in the public sector, to name but a few. This has been exacerbated by the unreasonably short implementation window within which businesses must effect these changes, and for HMRC to develop comprehensive legislation and guidance for employers and advisors.

On 21 April the government went into the pre-election period known as 'purdah', and during this time only essential government business is meant to take place so this has delayed consultation proceedings somewhat and expected publications are deferred.

The government's own guidance says that in a period of purdah "decisions on matters of policy on which a new government might be expected to want the opportunity to take a different view from the present government should be postponed until after the election, provided that such postponement would not be detrimental to the national interest or wasteful of public money". We are already feeling the impact of this as the Finance Bill 2017, which originally stood at 762 pages, has been reduced to approximately 140 pages, with the committee stage debate limited to four hours, and all Treasury select committee evidence sessions cancelled.

As a result, changes which were to have taken effect this year have been removed, including: taxable benefits – time limit for making good; taxable benefits – ultra-low emission vehicles; employer-provided pensions advice; termination payments;

and PAYE settlement agreements. Clauses dropped include those on Making Tax Digital and penalties for enablers of defeated tax avoidance schemes. And, of course, the result of the general election will no doubt bring more changes. While the payroll profession has become accustomed to change, the period of calm and stability which most of us are now craving will be a long time coming. As we deal with the legislative amendments that will come from whichever new government is elected, we then move straight into the complex Brexit negotiations and the inevitable change that exiting the EU will bring.

## CIPP quick polls

We continually consult the CIPP membership and the wider profession on both a formal and informal basis. Before the snap election was announced we ran a poll on our website asking how optimistic people were about the prime minister having the legal power to start Brexit negotiations. Of the 936 responses we received to this question, 43% were confident, 47% were not and 10% were indifferent to the whole process. Maybe we should run another poll post 8 June to see if the results are different.

Real Time Information (RTI) conciliation is always a topical subject and with reports of issues from some members, we recently ran a poll to try and ascertain how widespread the issue may or may not be. We received 388 responses in total, 61% of which said yes, they currently have issues where FPS values do not balance with what is being paid to HMRC; 31% said they did not currently have issues, and the remaining 8% said they did have issues but they have now been resolved. Of course, we have to bear in mind these results, and any of our poll results, are only a snapshot so this may not be as big an issue as it would appear – we would have to conduct a more in-depth survey to find out the real picture. ■

*Helen Hargreaves, associate director of policy and membership, CIPP*



Helen Hargreaves

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*Helen Hargreaves, associate director of policy and membership, CIPP*



**Helen Hargreaves**

“The period of calm and stability which most of us are now craving will be a long time coming”



# GOING 'GLOCAL'

Within the reward industry there are many claims of global solutions. However, Simon Parsons asks whether there really is such a thing as global when it comes to payroll systems



Simon Parsons

“Many solutions claiming to be global are not and contain localised culture bias towards their creator’s host nation”

Often, a business with heavy involvement in a single nation expands overseas believing that a well tried and tested process will easily transport. Although business process may be enforced, culture and local law are difficult areas to change. So in terms of payroll solutions, is there really a truly global option?

There are many ‘isation’ challenges that multi-country businesses face – and these translate to challenges for reward professionals. Among reward software suppliers there are several ‘new kids on the block’ with strong North American origins – a culture that retains clocking, ‘pay checks’ and a distrust of local small banks and direct credit. A pay cheque in the UK would be outdated.

And what about tax, social insurance, holiday, sickness, maternity and paternity leave, minimum pay law, data protection, bonuses, share equity schemes and employment rights? Can business policies around these be truly global?

There are challenges with HMRC’s insistence of unique payroll ID to prevent duplication, misbalance and collection activity. An insistence on enforcing legal entity structures for fiscal reporting might not match the UK legal requirement to report using different PAYE references (with multiple splits and in-pat/ex-pat separations). And it’s not as if we have a common fiscal year starting on the 1 January. Maybe we can call HMRC and ask them to change the tax year start!

The implementation of standardisation has enabled differing IT systems, business process and payments to be transacted internationally. But payroll is far from standard as you compare nation with nation in global organisations.

Standards can very much influence elements such as currency exchange and, potentially, technology. Language still presents a significant barrier. Although international standards have been adopted in relation to payment, the UK, with one of the few central clearing

systems, does not utilise the international payment standard – yet – but utilises a common interchange format for the purposes of UK interbank payments.

## Obstacles and solutions

Globalisation is an attempt to overcome all the obstacles, providing a world view as opposed to a focus on any individual nation. The challenge is that many solutions claiming to be global are not and contain localised culture bias towards their creator’s host nation. What are often claimed to be global solutions are actual national solutions with some added elements of internationalisation.

Does it work? To an extent, it might. Google, Facebook, Twitter *et al* can all potentially stay the same around the world with language adaptation, and so on. But converting a US payroll system to German does not result in a German payroll system. Significant localisation is required, meaning multiple variants of a perceived single solution to deal with the local elements of employment law, tax, social or National Insurance, parental pay rights, labour and union requirements.

This brings to mind the term “glocalisation”, introduced in the late 1980s in the *Harvard Business Review*. Sociologist Roland Robertson stated that “glocalisation means the simultaneity – the co-presence – of both universalising and particularising tendencies”. Similarly, the Japanese word *dochakuka* means ‘global localisation’ – adaptation of solutions, services, products, maybe even payroll services, to ensure they fulfil the requirements of the local obligations and needs, yet allow global coverage.

A major challenge is achieving the ability for real-time or near-time reporting information so that an accurate view of the business is maintained.

So, is a compliant global payroll solution possible? Only with a degree of localisation to make it glocal! It needs an integration service to knit it together. ■

*Simon Parsons, director, tax and compliance strategies, SD Worx UK*

**Nick Pedersen of EQ Global discusses the challenges of the global payroll sector, how to overcome them and what the future holds**

**Reward Strategy: How do you see the current state of the global payroll sector?**

**Nick Pedersen:** Traditionally we have seen a really clear distinction between companies who manage payroll in-house through their own human resource and treasury functions and those who completely outsource their entire payroll function.

What we're seeing now, however, is that this distinction is becoming blurred. One factor catalysing this is the move from large multinational established institutions to outsource their global payroll activities to third-party providers, something which has occurred widely across the tech sector. The nature of modern tech companies is typified by having numerous offices around the globe dealing in various different countries and currencies, yet typically they function from one operations team based out of their headquarters.

**RS: What are the challenges facing companies who manage global payroll in-house?**

**NP:** Managing global payroll can be complicated and administration-heavy. There are a rising number of functional software programmes available which can be used to address these challenges, helping to provide speedier and more accurate payment processing, but in many cases they require fully trained staff to run the software, resulting in further costs for businesses to cover.

There are also myriad staffing considerations when merging payroll in-house, as there's often an amalgamation of several different departments owning various strands of the payments procedure – right through from operations to accounts payable and HR. Furthermore, the level of knowledge needed to fully understand local tax restrictions or various international insurance policies across borders is an inevitable challenge. Where multiple countries are involved in the payments process, payments are subject to various restrictions and policies within each jurisdiction and as such, the challenges

become far greater than those within domestic payroll. This step in the process, if not managed carefully, can often lead to delayed or inaccurate payments delivered due to currency fluctuations.

**RS: How do in-house payroll teams overcome these challenges?**

**NP:** A primary solution for in-house teams is to simply hire third-party payroll providers where proprietary technologies are built specifically to handle bulk payments. These providers will likely also offer in-built adherence to ever-changing local payment regulations, alongside strategies to manage currency fluctuations more effectively. Moreover, they will have technologies in place to flag up any missing information before a payment is sent, minimising rejections and delays.

When paying employees overseas, it is recommended to buy a fixed sum of the foreign currency and sell a varied amount of sterling, thereby ensuring that employees receive a standard and reliable payment each month. This also improves the accuracy of a business's cash forecasting and will ideally lead to a more sustainable business model going forward. Another benefit of working with a third-party payroll provider is the potential link with major banks and global banking networks. Legacy banks possess the knowledge of the back-end processing and benefit from far greater global reach than payroll providers, which can result in a more reliable payments process. While cost-efficiency and speed are at the forefront of new banking technologies, it's also important to be aware of the accuracy that these banking networks bring to payroll activities.

Even for in-house teams, simply exchanging the currency earlier in the payroll process and capturing the right information and delivering it correctly will ensure the payment process is more streamlined and efficient.

**RS: What opportunities does the current climate hold for global payroll?**

**NP:** With the increasing advent of new technologies, there are numerous ways to make and receive payments which are becoming more prevalent among both individuals and businesses, such as payments that are credited straight onto pre-paid cards, or payments which



**Nick Pedersen**  
Managing director of EQ Global  
**EQGLOBAL**

directly top-up a user's mobile app. While this type of technology hasn't reached payroll just yet, as the world's workforce becomes more globalised, consumers and businesses are always on the lookout for the simplest and quickest payment solutions. For example, there is growing demand from air stewards and stewardesses to receive their salary in the local currency where they are based at the time, rendering the ability to make payments in each country across the globe a much simpler process. It's just a matter of time before this technology reaches the payroll sector.

**RS: What are the key themes for global payroll over the next six months?**

**NP:** It's certainly an exciting time for the global payroll industry. A more globalised workforce, an increasing number of contract-based employees, coupled with further developments in technology and greater demand for different ways to receive payroll payments will surely have a dramatic effect on the shape of the payroll sector going forward.

We are definitely seeing a move away from the more traditional forms of payroll payments and a move towards bespoke payroll activities that link better with the consumer's or businesses' everyday requirements.

The industry is also seeing a shift where both banking partners and payroll providers are coming to the realisation of a mutually beneficial relationship, and, ultimately, it's the end-user who will benefit from this. As a combined force, the ability to address the growing challenges of global payroll with a complete solution is of considerable value to organisations, propelling this trend forward even further. ■

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# PROTECT AND SURVIVE

The General Data Protection Regulation (GDPR) will come into force on 25 May 2018 and will fundamentally alter the regime for how organisations use data. Scott Beagrie assesses the fallout for HR



**S**ince the UK voted to leave the European Union last June, speculation has been rife about the long-term impact on our legislation. While all of this discussion and debate has been taking place, however, preparation for one of the most important pieces of legislation to hit UK companies regarding data protection has seemingly been sidelined by some HR and payroll departments. The General Data Protection Regulation (GDPR) will come into force on 25 May 2018 and will fundamentally alter the regulatory regime surrounding how organisations use data.


#### **Attention needed**

The regulations are intended to bring harmony to the legislation that exists across the EU member states when it comes to data security, retention and governance. It means that far more careful attention around the whereabouts and handling of sensitive data such as personal, banking and health information, as well as credit card details, will be required. The important point to bear in mind is that the change will apply to all UK organisations, irrespective of Brexit. GDPR will also affect companies in the US and other countries as it will impact any company that does business in the region or with an EU organisation.

#### **Leaving it late**

Despite its implications, according to research released from information management specialist Veritas Technologies earlier this year, more than half of organisations have failed to begin any work on meeting minimum GDPR compliance.

The study, *The Global Databerg Report*, was conducted for Veritas by research firm Vanson Bourne to investigate how organisations store and manage their data, highlighting attitudes and behaviours that are fuelling an unprecedented data explosion. It surveyed more than 2,500 senior technology



“Individuals responsible for implementing a GDPR process face a variety of risks if data is not handled properly”

decision makers in 2016 across Europe, the Middle East, Africa, the US and Asia Pacific. Findings showed that 54% of organisations have not advanced their GDPR compliance readiness. Veritas points out that with a quarter of the EU’s grace period over before the legislation takes effect in May 2018, the responses bring into focus a number of operational, compliance and planning issues, in particular the ownership of GDPR processes and the ability to implement data cleansing policies and “end of life” requirements.

#### **Data protection remit**

Under GDPR, a data protection officer (DPO) becomes a legal requirement in some organisations. The DPO will be the first point of contact internally and externally regarding matters relating

to data protection. Clear reporting structures need to be in place from them to the top tier, but the study also suggests there is confusion over who is ultimately responsible for GDPR compliance.

One third (32%) of survey respondents believe the chief information officer is responsible for GDPR, compared to a fifth (21%) opting for the chief information security officer, 14% for the chief executive officer and 10% for the chief data officer.

According to the survey, those individuals responsible for implementing a GDPR process also face a variety of risks if data is not handled properly. One third (31%) of respondents were worried about reputational damage to their organisations from poor data policies, while two fifths were fearful of a major compliance failing within their business.

"GDPR is the most significant change to data protection in a generation and an imminent global issue that will dominate data privacy, management and regulation discussions in 2017," says Mike Palmer, executive vice president and chief product officer of Veritas. "To avoid potential regulatory fines or worse, damage to their corporate brands and reputations, global enterprises must take action now to understand where their data resides and how to protect it."



**Helen Farr**

Partner, Fox Williams

**GDPR: questions and answers**

To help HR and payroll departments start to plan for the new regime that will govern data protection in the future, Helen Farr, partner at business law firm Fox Williams, answers our questions.

**Reward Strategy: In your view, how onerous will compliance with the incoming GDPR regime be for HR departments?**

**Helen Farr:** While the GDPR builds on many of the principles of the Data Protection Act 1998 (DPA), there are new elements, as well as some practices which will need to be done differently. Penalties for non-compliance with the GDPR will also be much higher with fines set at the greater of 20 million euros or 4% of global turnover, so it is important to get it right.

The impact of this cocktail of change will be a lot of work for HR departments. As a minimum, we expect HR teams to be responsible for undertaking the following:

- a data inventory and mapping exercise to understand what data they have, how it is used and what third parties are involved in processing;
- a gap analysis to work out what compliance steps are needed;
- a review of privacy policies, data retention policies and incident response plans;
- drafting revised staff data protection policies and communications monitoring policies;
- a review of recruitment and selection processes and the use of data in these processes;
- a review of contracts of employment and policies and how the business uses employee data;
- a data privacy impact assessment;
- training staff on data protection;
- if the business has global offices and personal data is commonly sent internationally these processes will need review.

**RS: What is the likely profile of a data controller/data protection officer (DPO) and will the necessary skill sets already reside in the organisation – for instance, in the HR or payroll function?**

**HF:** Some companies will have employees working in HR or payroll with the right skills to undertake the role of data controller or DPO but this will not be the case for all.

A DPO is a new legal requirement and must be appointed by businesses who:

- are a public body;
- carry out regular and systematic monitoring of individuals on a large scale; or
- carry out large-scale processing of special categories of data or data relating to criminal convictions.

The DPO will be the first point of contact, internally and externally, in respect of data protection matters. A DPO is expected to have professional experience and expert knowledge of data protection law, and must have adequate resources to do the job and report to the board on data protection issues. Therefore, organisations should consider whether they currently have a member of staff who has such expertise or if an individual has the ability, interest and skill sets to acquire such knowledge.

It will be very difficult for a current member of staff to perform the DPO role adequately in addition to his or her existing duties. Assuming there is someone with the right skills and experience to do the job within the organisation we anticipate that for most businesses this will become a new full-time and dedicated role which will bring with it significant responsibility.

**RS: Is it yet another factor that will force organisations to outsource?**

**HF:** Not necessarily. The GDPR places new obligations on external service

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“Some companies will have employees working in HR or payroll with the right skills to undertake the role of data controller”

providers engaged by an employer, such as providers to whom some employers may outsource their payroll function. So in an outsourcing situation, the external service provider would be required to, among other things, maintain records of personal data and implement appropriate security measures.

**RS: What best practice processes will HR and payroll have to put in place to get their house in order?**

**HF:** In many organisations, HR is taking the lead in managing the process of preparing for the introduction of the GDPR. In particular, HR should be:

- reviewing policies and procedures currently in place and considering how they will need to be amended going forward, including data protection policies, communications monitoring, recruitment and selection;
- amending data protection clauses in employment contracts;
- providing training on data protection to the workforce;
- considering the impact of transferring data overseas; and
- looking at how data subject access requests will need to be dealt with.

**RS: Where are the biggest challenges likely to be?**

**HF:** The biggest challenge will be making sure that organisations don't leave it too late to get to grips with the GDPR.

HR teams will also need to get the support of colleagues in legal, compliance and commercial teams with responsibility for dealing with the other data that is processed within their organisation. Data protection is a team sport. Employers should not underestimate the scale of the task ahead, as there is a lot to do to achieve compliance by May 2018. The key

message is take action now, consider how the GDPR is likely to impact on your organisation and take advice from your legal and compliance advisers if needed.

**RS: How will employers have to demonstrate compliance?**

**HF:** Although there is an existing duty under the DPA for an employer to comply with data protection principles, employers will have to demonstrate compliance under the GDPR.

In practice, this means that, as a minimum, employers have to maintain adequate records of the data they are processing. They will also need to have data protection policies in place that show the processing of employees' personal data is performed in compliance with the GDPR. Employers will also need to be able to show they have implemented such policies, for example through staff training and audits.

If things go wrong and there is a personal data breach (meaning a breach of security leading to the destruction, loss, alteration, unauthorised disclosure of, or access to personal data) the GDPR introduces a legal requirement to report this. The GDPR requires businesses to notify the Information Commissioner's Office (ICO) of a data breach without undue delay and within 72 hours (unless the data breach is unlikely to result in risk to the individual).

If the breach is likely to result in high risk to the individual, businesses must also inform data subjects "without undue delay" unless an exception applies. There is also a new requirement to keep an internal breach register.

In conclusion, it is important to have in place the right procedures to detect, report and investigate a personal data breach. It is also best practice to develop an incident response plan for managing data breaches.

There is much at stake. Failure to report a breach when required to do so could result in a fine – as well as a fine for the breach itself. ■

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# FALLING THROUGH THE CRACKS?

Giving notice to terminate employment might seem simple, but when it actually takes effect may not be so straightforward. Sarah Peacock considers a case where a £200,000 additional pension entitlement hinged on this crucial point



Sarah Peacock

“Timing notice to avoid the employee gaining rights on reaching a certain age may amount to age discrimination”

**T**he timing of notice is sometimes crucial, and could dramatically affect entitlement to a bonus/ additional payments, insurance or benefits, the right to claim unfair dismissal or a redundancy payment, or pension entitlements.

In the case discussed here, an employee's entitlement to a significantly higher pension depended on whether her employment ended before or after her 50th birthday.

#### **Contractual vs statutory**

There is a key difference between rights given by statute, such as unfair dismissal or redundancy payments, and rights under the contract of employment. When notice takes effect will not necessarily be the same for both.

A Supreme Court ruling in 2010 (*Gisda Cyf v Barratt*) concerned the statutory right to claim unfair dismissal.

A letter dismissing an employee without notice did not take effect until the employee, absent from home, returned and read the letter a few days after it arrived. She had not deliberately avoided opening or reading it. That meant she was still in time to bring her unfair dismissal claim.

However, in *Newcastle Upon Tyne NHS Foundation Trust v Haywood*, Ms Haywood's pension entitlement depended on contractual principles, namely when her employment terminated under the terms of her contract.

There is an implied term that an employer and employee may give written notice to each other, including by post. However, nothing in Ms Haywood's employment contract covered when notice was deemed to be given. The court could not imply such a term, so it had to rule when notice was effectively given.

#### **Timing of notice**

On 13 April 2011 Ms Haywood's NHS employer ("the Trust") placed her at risk of redundancy. Ms Haywood told the Trust that she would be entitled to a higher

NHS pension of about £200,000 if she was made redundant on or after 20 July 2011, her 50th birthday. She also mentioned she would be on annual leave from 19 April until 3 May and was going to Egypt. On 19 April she flew to Egypt, returning home on 27 April.

On 20 April, the Trust sent her three letters: by ordinary post, recorded delivery, and email to her husband's email address. The letters gave 12 weeks' notice stating that her employment would end on 15 July 2011 (five days before her 50th birthday).

Ms Haywood claimed that notice was not validly given until she read the letters on her return on 27 April. Therefore, the 12 weeks' notice ended on or after her 50th birthday and she was entitled to the higher pension.

The High Court agreed, and the Trust appealed to the Court of Appeal.

#### **When did notice validly take effect?**

For the Trust to succeed, notice would need to be effectively given on 26 April. In her absence, Ms Haywood's father-in-law had collected the recorded delivery letter from the Post Office and left it in her home on 26 April. Due to flight delays, Ms Haywood arrived around 1.30am on 27 April, and read the letter around 8.30am. The Trust was aware that Ms Haywood was likely to be abroad, even if it did not know exactly when. She had not unreasonably avoided receiving the letter.

The email was read on 27 April, but the Court of Appeal ruled this was irrelevant, because Ms Haywood had provided a postal address and had not agreed that notice could be delivered to her husband's email address.

#### **Ruling**

For various reasons, the Court of Appeal could only consider the recorded delivery letter. In the absence of contractual provisions, two of the three Court of Appeal judges ruled that the contents of the letter had to be communicated to the employee before it could take effect (one

judge disagreed). The majority held that in employment law (unlike other areas of commercial law) the employee must know where he/she stands. When Ms Haywood read the letter on 27 April was when the notice validly took effect, and she was entitled to the higher pension rate.

Surprisingly, and despite previous contractual case law turning on when a letter arrived, the court came to the same conclusion as the *Gisda* case.

#### **Crucial timing**

The case highlights that simply sending notice via email or recorded delivery may not guarantee valid receipt if timing is crucial. Employers should also note that timing notice to avoid the employee gaining rights on reaching a certain age may amount to age discrimination which would have to be objectively justified. ■  
*Sarah Peacock, partner, Blake Morgan*

## **POINTS TO REMEMBER**

- **Employers should check the exact contractual notice provisions, although when notice takes effect may depend on whether contractual or statutory rights are affected**
- **Pay in lieu of notice is sometimes appropriate, but it may not prevent age discrimination or an employee accruing statutory rights, and could jeopardise restrictive covenants**
- **The surest method of giving notice is to hand the employee a letter personally, and confirm verbally that notice is being given**

# DROPPING NAMES

**Darren Ryder, acting director of auto-enrolment at The Pensions Regulator, explains the organisation's decision to name and shame firms who won't comply with the law on workplace pensions**



**Darren Ryder**

“The employer has had to pay more than £42,000 in fines and court costs that could have been avoided”

**A**uto-enrolment is not an option – it is the law. More than 500,000 employers have now automatically enrolled more than seven million staff into a workplace pension. The vast majority of employers are successfully meeting their auto-enrolment duties and workplace saving is now the norm.

Yet a tiny proportion of employers believe the law does not apply to them. Some claim they don't have the time to become compliant. Others say it is too expensive. Neither of these arguments holds water – and neither will be allowed to deny workers the pensions they are entitled to under the law.

### Time is of the essence

We have always called on employers to ensure they leave enough time to act, and to ensure they understand exactly what they will need to do and when.

We are here to help employers and where an employer does become non-compliant, a compliance notice is usually enough to get them back on track. But we will take further action if an employer remains wilfully non-compliant.

### Naming names

In our latest quarterly bulletin we have, for the first time, taken the step of naming employers who have failed to become compliant despite having been issued with – and paid – an escalating penalty notice (EPN).

We have also named those who have refused to pay their penalty notice and for whom we have had to secure a court order to demand payment.

We hope that naming these employers will prompt them and other non-compliant employers to take the steps they need to comply with the law.

### An inspector calls

The bulletin also shows a sharp increase in the number of inspections of business premises carried out by our teams to ensure these employers are meeting

their duties correctly. This reflects our proactive drive to validate compliance.

### Record fines

The report also highlights the record levels of fixed penalty notices (FPNs) and EPNs that were issued in the first three months of 2017. These increases are in line with the growth in the number of UK employers who have reached the start of their auto-enrolment duties.

### Johnsons Shoe Company

We work with employers as closely as possible to ensure they become compliant and don't run the risk of getting fined unnecessarily.

Unfortunately, some employers do not take this option and run up what can be hefty bills.

Johnsons, a shoe retailer based in Shepperton, is the perfect example of what an employer should not do.

The retailer turned a £400 fine into a bill for more than £40,000, claiming it was too busy to meet its auto-enrolment responsibilities.

Johnsons was issued with a £400 FPN after it failed to comply with the law on the auto-enrolment of its staff into a workplace pension.

Johnson paid the £400 fine but still did not become compliant. Despite repeated reminders and being warned it could face a new fine that would increase by £2,500 a day if it did not meet its responsibilities, the business continued to flout the law.

You can read about the case on our website, but in short, the employer has had to pay more than £42,000 in fines and court costs that could have been avoided if it had simply taken steps to become compliant when it should have.

### Get the message

Our message is clear: fail to comply with the law on workplace pensions and you may be fined. Fail to pay your fine and we may take you to court. ■

*Darren Ryder, acting director of auto-enrolment, The Pensions Regulator*

# WHO WILL OWN PENSIONS?

The general election might well signal another shake-up regarding the governmental remit of pensions. But as Henry Tapper notes, the territorial landscape could be shifting in more ways than one

**A**t 11am on Tuesday 18 April I shook hands with Richard Harrington, our pensions minister, and began a meeting that discussed how small businesses could in future measure how effectively their workplace pensions were working.

The meeting was interrupted by the minister's phone vibrating with calls from colleagues. To his credit, he put pensions before politics and went on to meet John Cridland to discuss his analysis into the state pension age.

We now know that the planned announcement from the Department for Work and Pensions (DWP) on Cridland's work will be delayed until the next parliament, that the Finance Bill was mutilated to get assent before parliament dissolved but the Pensions Bill has received Royal Assent and is enacted.

Harrington became the first parliamentary under-secretary for pensions in July last year; previously the role carried a senior ministership. The demotion of the role was no slur on Harrington but a reflection of the reduced influence the DWP has in pension policy.

It is a useful reminder to those who work on the auto-enrolment project that the critical decisions on pension taxation, the indexation of the state pension and the schedule for phasing auto-enrolment contributions are subject to Treasury approval. Increasingly, the business of pensions regulation and governance is transferring from The Pensions Regulator (TPR) to the Financial Conduct Authority (FCA). My discussion with Harrington focused on FCA initiatives (independent governance via IGCS and the pensions dashboard). The FCA has also assumed control of the costs and charges initiative, crucial to the value for money scoring, which its intended employers and members can use to benchmark their workplace pension.

Increasingly, TPR's role is limited to managing compliance of auto-enrolment and protecting the pension protection

fund from failing defined benefit (DB) schemes. Harrington asked me if I was in favour of merging TPR and FCA. I replied that the FCA would not merge but acquire. Despite disapproving looks from civil servants in the room, the minister smiled knowingly.

Though the DWP currently has a number of open consultations (including its triennial review of AE), the critical decisions for employers and their payrolls will be taken by the holy trinity of the Treasury, HMRC and the FCA.

This is the first edition of *Reward Strategy*, with its renewed focus on workplace pensions. I'm pleased to see the magazine develop this way as pensions are deferred pay and integral not just to payroll but to strategic reward.

How and when we are rewarded for our work is proving a critical issue in the current election campaign. The result will have implications not just for the employed and the pensioner but also for those working in the gig economy and the professionally self-employed.

But while we talk of workplace pensions in the same breath as DB schemes and the state pension, they are increasingly seen within government as feeder arrangements to the retirement freedoms granted by the Treasury in the 2015 Finance Act. Workplace pensions are only pensions in name and in the tax treatment on contributions and investment gains. Extreme libertarians argue that we might as easily auto-enrol into workplace ISAs and break any formal link with pensions.

While I can see an argument for workplace pensions being regulated by the FCA, I fear the loss of influence from the DWP on pensions policy. DB pensions – as distinct from pension freedoms – are deferred pay; workplace pensions are – like the DWP – suffering an identity crisis.

We need to be clearer on what we mean by workplace pensions, who has the governmental remit for them and where accountability for outcomes properly lies. ■

*Henry Tapper, director, First Actuarial*



Henry Tapper

“How and when we are rewarded for our work is proving a critical issue in the current election campaign”

# TIME FOR CHANGE

**Ian Holloway considers the two pension age reviews the next government will have to consider when it enters the new working parliamentary session after the general election**



**Ian Holloway**

“I am not sure that all employers are going to engage fully with these new policy and statutory suggestions”

**S**ection 27 of the Pensions Act 2014 applies to the whole of the United Kingdom (even though the rest of the act largely only applies in Great Britain). It required the government to carry out two independent reviews when looking at future increases to the State Pension age (SPa). Further, it required the Secretary of State to digest these and publish a report to lay before Parliament by 7 May 2017. Of course, the deadline has been missed and nothing will happen now until after the general election. However, in the meantime, it is worth digesting the two reviews that the new government will have to consider when parliament returns. The issue obviously impacts the world of auto-enrolment and workplace pensions as these play a crucial role in sustaining the ageing population in retirement along with the State Pension.

## Review 1

John Cridland CBE, former director-general of the CBI, was appointed to carry out an independent review of future SPa increases, examining a wide range of evidence and analysis. Importantly, his review was not to cover SPa increases already in legislation up to 2028 (at which time the SPa will have increased to 67). His review for post-2028 individuals makes recommendations as follows:

- Affordability is only maintained if the SPa rises to 68 between 2037 and 2039, though there should be flexibility for “disadvantaged groups”.
- Thereafter, in normal circumstances, the SPa should not increase by more than one year in any ten-year period.
- The government must improve communication about SPa changes.
- The triple lock for State Pension rises should not be maintained and should be withdrawn in the next parliament.
- The State Pension should also mirror some of the flexibilities of private pensions such as the opportunity for lump sums and partial drawdowns for

people that defer taking it at their SPa. He also recommends that the 2017 review of auto-enrolment considers bringing the self-employed into the regime and improving pension coverage for women. For employers, he suggests “eldercare” policies and a new “Statutory Carers’ Leave” entitlement. Further, employers and government together should facilitate “mid-life MOTs” to better equip individuals to assess their working, health and retirement futures. Also, there is the recommendation that older workers should be used as trainers/mentors to ensure their knowledge is passed to the younger generation.

I am not sure that all employers are going to engage fully with these new policy and statutory suggestions. Many employers will but there are a greater number who will not. Using older workers to pass on skills is something that companies should be doing at the moment anyway as part of their long-term business-skills continuity plans.

## Review 2

The Government Actuary’s Department was asked to carry out a review with a much tighter remit to analyse whether individuals will spend a specified proportion of their adult life in receipt of the State Pension. It was asked to make recommendations looking at an adult in receipt of the State Pension for either 32% or 33.3% of their projected adult life in retirement. For the 32% scenario, their report suggested an SPa rise to 69 between 2040 and 2042. For the 33.3% scenario, an SPa rise to 69 was suggested between 2053 and 2055.

It seems inevitable that SPa increases are on the way. Looking at the major parties’ manifestos in the current election campaign, the controversial suggestion of doing away with the Triple Lock has only been embraced by the Tories. No doubt politicians are wary of the backlash from the ‘silver voters’.

*Ian Holloway, head of legislation and compliance, Cintra HR & Payroll Services*

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# DEVIL IN THE DETAIL

The rules for optional remuneration arrangements, otherwise known as salary sacrifice, could cause an HR headache when it comes to employees' contracts. Alastair Kendrick explains why



Alastair Kendrick

“It is important not to rely on any advice given prior to the date of the Spring Budget as this may no longer be right”

Since the time of the Autumn Statement we have been advised of the proposal to curtail salary sacrifice advantages from April 2017. It is worth noting that since the time of the original announcement we have seen a number of significant changes to what was originally proposed. It is therefore important not to rely on any guidance or advice given prior to the date of the Spring Budget seeing as this may no longer be right. The latest rules are set out in Section 69A of the Income Taxed Earnings and Pensions Act (ITEPA) 2003.

The proposed changes and transition to 'optional remuneration arrangements' impact on traditional salary sacrifice arrangements (called type A within the rules) and those who are eligible for a cash or benefit in kind in their contract of employment, for example cash or car (called type B within the rules).

These changes impact on most salary sacrifice or cash or benefit in kind arrangements, although there are certain exceptions, including for ultra-low emission vehicles (those with a CO2 emission below 75gm are exempted via paragraph 58, schedule 2 of the Finance Act 2017).

## Dates of change

The change in the rules applies post 6 April 2017, and for those employees who are in an arrangement prior to 5 April 2017, the date the new rules apply depends on the specific benefit in kind which is provided. There are transitional rules which have been introduced. These are set out in paragraph 58, schedule 2 of the Finance Act 2017.

The transitional rules set the date of change to be 6 April 2018 unless they are in respect of cars (excluding ultra-low emission cars), living accommodation and school fees, for which the date is 6 April 2021.

It is important to appreciate that for arrangements in place prior to 6 April 2017, the date of change is the earlier

of the date of change in the employee's contract or the date set in the transitional rules, being either 6 April 2018 or 6 April 2021.

Most arrangements entered into before 6 April 2017 will continue to be subject to the pre-2017 benefit valuation rules until the end of the transitional period, unless there is a change in the employee's contract. In this context the rules state a change includes a variation, renewal (including auto-renewal) or modification of the arrangement (but a variation because of accidental damage or otherwise for reasons beyond the control of the parties is not considered a variation).

Variation of an arrangement is also disregarded if the variation is in connection with an employee's entitlement to statutory sick pay, statutory maternity pay, statutory adoption pay, statutory paternity pay or statutory shared parental pay.

This means those employees who have entered into a salary sacrifice scheme or offered a cash or benefit in kind arrangement within a flexible benefit may find that the contract is renewed annually when the employee makes their selection of benefits for the forthcoming year; therefore, this will constitute a change of contract, triggering a charge under the new rules.

From the date the transitional rules cease to apply, the new rules will come into force, requiring the employee to be taxed by virtue of Section 69B ITEPA 2003 to the greater of the salary sacrificed/cash allowance offered or the benefit in kind arising on the particular item provided. For the sake of clarity, the greater of these two values will give rise to a benefit in kind with a Class 1A National Insurance charge arising on the same figure payable by the employer.

While the rules we have finished up with seem relatively straightforward, they do create a headache for those in HR who manage workers' contracts. ■

Alastair Kendrick, tax advisor

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Contact: Nham Lee

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Target employee range: Unlimited

Frontier Software PLC, a leading provider of integrated HR and Payroll solutions, offers total integration across all modules. The easy to use and versatile products meet the ever changing needs of Human Resource and payroll management to organisations in the UK and worldwide. chris21 is continually enhanced and updated to keep abreast of business and government legislative changes. Additional modules include Time & Attendance, Employee/Manager self service, Learning and Development, Recruitment, expenses and health & safety. Frontier Software PLC is accredited to PAYE Recognition Scheme, ISO27001 and ISO9001:2000 and BACS approved.



### INTELLIGO

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Website: intelligosoftware.co.uk  
Contact: Fiona Cullinane  
Target employee range: Unlimited

Intelligo's flagship payroll product Megapay, is the Number 1 payroll system choice for corporate organisations and the public sector. Megapay is used throughout every major industry from Manufacturing, Telecoms, Top 5 Accounting Firms, Government Departments, etc., with clients ranging from 500 to 20,000+ employees. As a Certified Workday Global Payroll Cloud Partner, Megapay is certified as interoperating with Workday HCM. In addition, Megapay also interfaces with leading T&A and Financial applications.



### PAYROLL BUSINESS SOLUTIONS

Unit 6 Bourne Court, Southend Road,  
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Email: sales@payrollbs.co.uk  
Website: payrollbs.co.uk  
Contact: Sales  
Target employee range: 25 to unlimited

Accord Payroll simplifies payroll processing through advanced features that include statutory and occupational sickness and maternity schemes, holiday entitlement, salary sacrifice, umbrella company calculations, expenses dispensation and user definable calculations.

We offer hosted (SaaS) and in-house software solutions. Our software is HMRC-recognised for EOY and RTI e-filing and basic payroll values. Advanced accounting features with journal export, plus HMRC DPS Interface for outgoing documents and notifications from HMRC. Optional, fully Integrated modules: Accord MyPay – online payslips and P60s, P11D and reports, pensions auto-enrolment –assessment and pension provider interface, recruitment modules – Accord timesheets, invoicing and credit control, Accord CIS.



## Software

### PEGASUS SOFTWARE LTD

Address: Orion House,  
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Tel: 0800 919704  
Email: [info@pegasus.co.uk](mailto:info@pegasus.co.uk)  
Website: [pegasus.co.uk](http://pegasus.co.uk)  
Contact: Enquiries department  
Target employee range: 1 to unlimited

With over 35 years' experience, Pegasus is a market-leading supplier of payroll & HR software. Pegasus Opera 3 Payroll & HR has HMRC PAYE Recognition and caters for RTI, auto enrolment and salary sacrifice as standard. It also offers integration with NEST and NOW: Pensions, to help streamline submissions to these pension providers. It's flexible for your business needs, as it can integrate with other Opera 3 applications or it can be used stand-alone. It simplifies complicated payroll procedures and its functionality includes e-mail payslips and P60s; the ability to export reports to Excel; Statutory Payments and AEOs; P11 & P32 processing, reporting and consolidation; Directors NI & Retrospective NI Calculations; detailed history and payslip retention for 999 periods, and much, much more.



## Software as a service

### FRONTIER SOFTWARE

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Contact: Sales Department  
Target employee range: 1 to 50,000

Founded in 1983, Frontier Software PLC is one of the most trusted global suppliers of HR and Payroll software and services to all areas of the public and private sectors. Implementation of the fast growing technology platform of Software-as-a-Service (SaaS) has allowed Frontier Software PLC to meet their client's needs and produce measurable business benefits both in the UK as well as around the World.



## Training

### REWARD STRATEGY TRAINING IN ASSOCIATION WITH LEARN PAYROLL

The Learn Centre Ltd  
3A Penns Road, Petersfield,  
Hampshire GU32 2EW  
Tel: 01798 861111  
Email: [michaels@thelearncentre.co.uk](mailto:michaels@thelearncentre.co.uk)  
Website: [reward-strategy.com/events](http://reward-strategy.com/events)  
Contact: Michael Short  
Target employee range: All PAYE employers

Reward Strategy, formally known as Payroll World, has been well respected by payroll, HR and finance professionals for over a decade for incisive comment and practical advice. Now in association with Learn Payroll, we offer a select range of CPD certified short courses to develop real skills. Courses range from the Payroll Introduction course to the Payroll & HR Update. You can find the variety of courses available online and for more information call us today on 01798 861111.



## Workforce management

### FRONTIER SOFTWARE

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Website: [frontiersoftware.com](http://frontiersoftware.com)  
Contact: Sales department  
Target employee range: Unlimited

Frontier Software PLC, a leading provider of integrated HR and Payroll software solutions, offers chris21, a comprehensive HR integrated solution, for effective workforce management. Intuitive and easy to use, chris21 is continually enhanced and updated to keep abreast of business and government legislative changes. Additional modules include Time & Attendance, Employee/Manager self service, Learning and Development, Recruitment, expenses and health & safety. Frontier Software PLC is accredited to PAYE Recognition Scheme, ISO27001 and ISO9001:2000 and BACS approved.



# THE PERSONAL TOUCH

Learning how to manage people is a key aspect to moving forward in your career. Karen Thomson continues her guide to the personality types found in the workplace



Karen Thomson

Welcome to another instalment on managing people. In the last two issues (back when this magazine was still called *Payroll World*), we looked at behavioural styles, and I finished by raising the question of what you might do with the information gained on them.

It is vital you do use your newfound knowledge about yourself and your colleagues to good effect. Determining the behavioural style of a colleague can be difficult, as unless they are an extreme, it can be very subtle and many of us will demonstrate a number of traits.

Your style will obviously be dominated by the person you are and you shouldn't be looking to change that. What you do need to do, though, is 'flex' your natural behavioural style.

So what does 'flexing' mean? For me, it means adjusting my communication style to ensure the people I want to convey a message to are hearing and listening to what I am saying.

doesn't receive a message, it is down to the person delivering it, and not the one receiving it, to get it right.

So flexing your style can really help you get your message through.

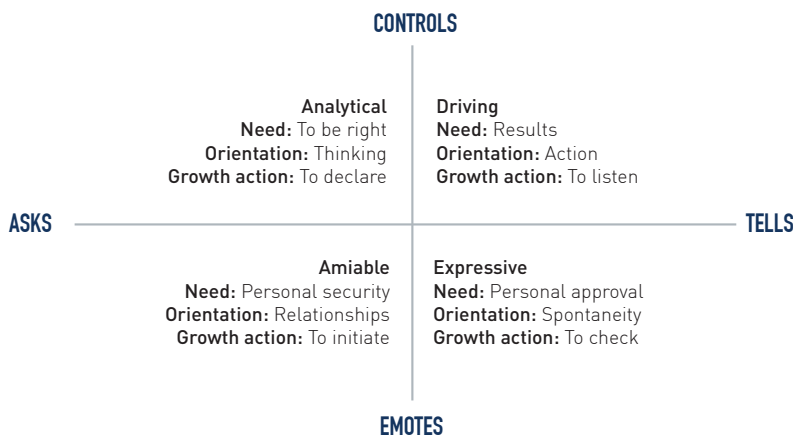
We have discussed some of the main traits about different styles previously but as a reminder, the diagram below adds further detail such as: controlling, emoting, telling and asking.

What I try to do now when talking to my boss – who is a 'driver' – is to get to the point. As a driver he will not naturally be a good listener and will prefer a bullet-style approach. By this I don't mean I go in and give him a list of bullet points, but what I must always do is prepare for the meeting. I will ensure I have my key areas for discussion documented and, ideally, I will have provided him with an agenda before the meeting. If, for example, my intention was to ask for something, I will ensure I tell him the 'what', the 'why' and 'how much'. If I go into the meeting waffling my way through, albeit with lots of enthusiasm, he will switch off and I will get nowhere; I will also leave his office, most likely feeling demotivated. Whose fault would that be? The message deliverer – me, in this case. However, bear in mind my boss has also been trained in flexing and will therefore do his best to show some emotion towards me, perhaps engaging in some small talk about my weekend to allow me a small amount of time to be an expressive.

A word of caution when flexing; my right-hand woman is also a driver and after receiving some feedback I decided to practise my flexing with her. When I changed my behavioural style to what I thought would suit her best, it didn't! There is a real difference between changing your style and slightly adjusting it. My colleague thought something was terribly wrong as I wasn't my normal enthusiastic self.

Remember, flexing doesn't mean changing who you are! ■

*Karen Thomson, director, Armstrong Watson Payroll Services*



Yes, they are different in my opinion. Colleagues will often hear what you are saying but may be switched off and therefore not actually listening to you. I firmly believe that when a person

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