THE ELECTRONIC STAFF RECORD PROGRAMME

NHS

NATIONAL HEALTH SERVICE

ESR-NHS0353 ESR PAYE BEST PRACTICE GUIDE

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1.3. DISTRIBUTION

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2. CONTENTS

3. INTRODUCTION

The purpose of this guide is to advise on key areas relating to PAYE that need to be considered highlighting best practice, along with the importance of accurate and timely reporting to HMRC. The guide is to provide hints and tips and highlight functionality which users may not be aware of.

It is not intended as a step-by-step guide for HMRC reporting and payroll processing. Full details of how to use functionality mentioned in this guide, can be found in the ESR User Manual on the ESR Hub, accessible from https://my.esr.nhs.uk/

4. REPORTING PAYROLL INFORMATION TO HMRC

Accurate and timely reporting of payroll information to HMRC is very important, it helps to ensure that employees pay the correct amount of tax and supports Universal Credit which is designed to increase the financial benefits of working.

The Full Payment Submission (FPS) must be submitted to HMRC each time an organisation makes a payment to an employee, it picks up data relating to the payments processed for the relevant period for the appropriate Payroll.

The FPS must be submitted on or before the date that employees are paid, this is the pay day, unless the normal payment date falls on a non-banking day (Saturday, Sunday or Bank Holiday).

The payment date organisations report on their FPS should be on or before the date employees are paid, not the payroll run date or another date, unless the normal payment date falls on a non-banking day.

Entering the incorrect payment date is one of the main reasons why some employers receive a penalty. If it is not possible to report payments on time and there is a reasonable excuse for doing so, a late reporting reason code should be used. This code must be included for every payment on the FPS where the circumstances apply. The following reason codes are available to select in ESR:

A – Notional Payment: to Expat by third party or overseas emp.
B – Notional Payment: Employment related security
C – Notional Payment: Other
D – Payment subject to Class 1 NICs but P11D/P9 for tax
F – No working sheet required: Impractical to report
G – Reasonable excuse
H – Correction to earlier submission

4.1. PAY DAY FALLING ON A NON-BANKING DAY

A regular pay day may fall on a non-banking day and because of this the payment is made on the last working day before the regular pay day or the next working day after the regular pay day.

For PAYE purposes the payment should be treated as having been made on the regular pay day. This is also the date that should be reported on the FPS as the 'payment date' even if the actual payment is made slightly earlier or later. For example, where an employee who is normally paid on the 28th monthly is paid on the 27th in August 2021 (as the 28th August is a Saturday which is a non-banking day) the employee must have 28th August reported as the payment date.

When the pay day for a payroll has to be changed because the normal pay day would have been on a non-banking day, the dates against the Payroll Calendar should not be amended. Doing so can cause issues with payment calculations for absences and may cause balances to be included in an incorrect tax period. In order to meet the HMRC requirement to report the FPS on the expected pay day, the FPS Payment Date (Override) is required to be populated, as per the screenshot below:
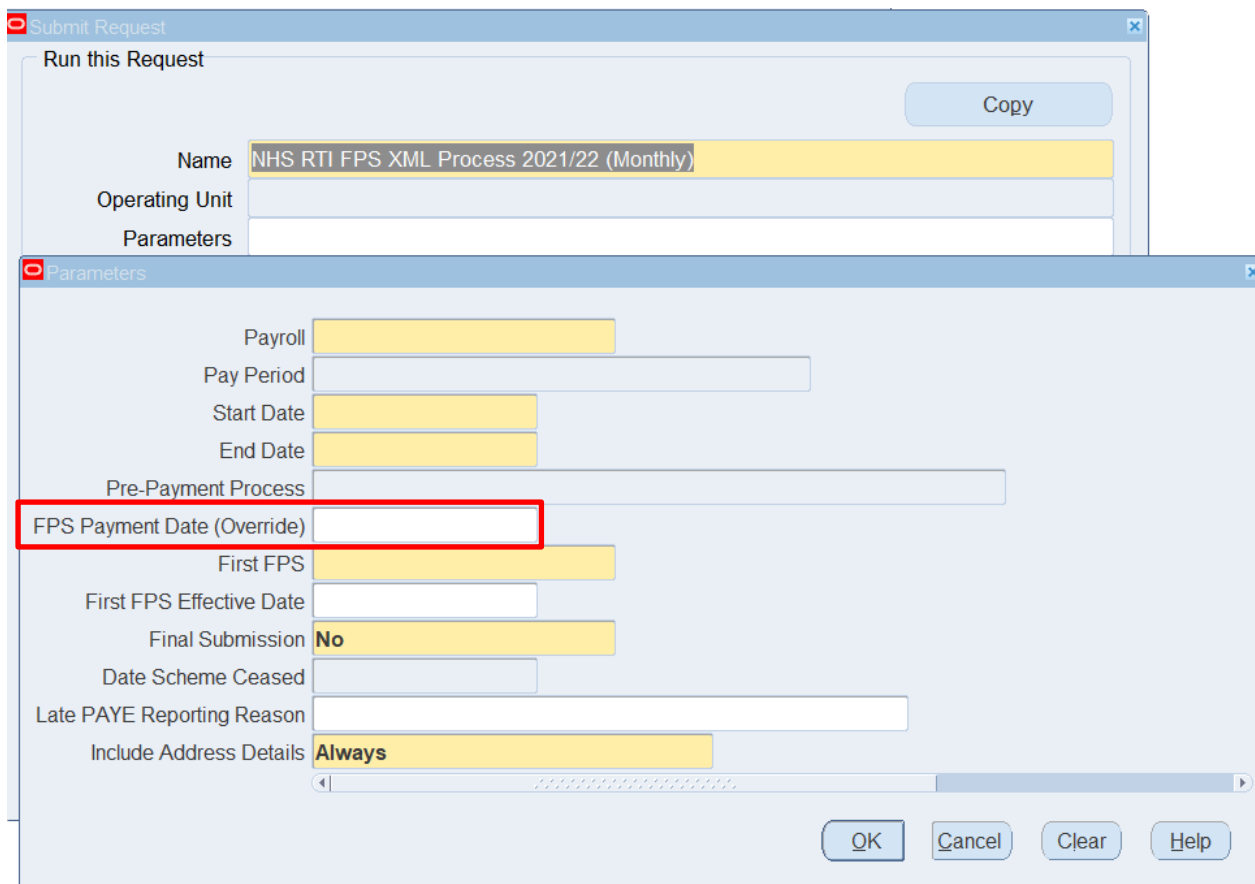
Image 1 – NHS RTI FPS XML Process parameters – FPS Payment Date (Override) field

As in the example above, if the pay day for an organisation is normally 28th of each month, however in August the 28th falls on a Saturday therefore the payment is made on Friday 27th August, the FPS Payment Date (Override) parameter should be completed as 28th August.

4.2. IMPACT ON UNIVERSAL CREDITS (UC)

Late or inaccurate reporting can negatively impact on employees as Universal Credit payments are linked to the payroll information which is reported. It is therefore very important to report payroll accurately and on time, as changes in earnings can affect the amount of Universal Credit that employees receive.

For employees paid via PAYE the FPS is sent to HMRC who, once the file is accepted, forward it directly to Department of Work and Pensions (DWP). DWP use the payment data and the payment date when assessing earnings for Universal Credit claimants.

When a claimant submits their request for Universal Credit, and it is granted, their assessment period commences from the date of the claim. Therefore, if the employee starts to claim on 2nd September, their first assessment period will be 2nd September to 1st October, and the following assessment period will be 2nd October to 1st November and so on. The employees earnings within that assessment period are then used to assess how much UC is payable. For every £1 earned, UC is reduced by 63p. If an employee is paid above a certain level in the period, then their claim will be stopped and they will need to re-apply when their pay reduces.

The payment frequency can have an impact upon UC as follows:

Monthly - same pay day every month (e.g. 25th)
If an employee is paid on same date every month, and only paid once in the period, then there should be no issues. Obviously pay may vary for out of hours working so the employee will have

adjustments to UC. However, where an organisation pays early, for example if pay day falls on a non-banking day such as a weekend or Bank Holiday, as detailed in the pay day falling on a non-banking day section above, the FPS Payment Date (Override) parameter on the NHS RTI FPS XML Process should be completed to reflect the normal pay day and the employee should not be affected.

Monthly - paid on a particular weekday e.g., last Thursday
This particular payment date could cause issues for employees depending upon their claim assessment period. If an individual has an assessment period, for example 28th of month to 27th of following month, then in October and November 2021 they will be paid on 28th October and 25th November so two payment dates will fall into the same assessment period. In this case it is likely they will have their UC stopped. If their next pay day is 30th December, this will fall into assessment period 28th December to 27th January they will not be paid in that period and will need to resubmit a UC claim. Their next pay day is 27th January 2022 meaning they have two payments in the assessment period. Once again stopping the payment of UC. In such cases the DWP guidance is the claimant should budget for such events.

Weekly Paid Employees
Weekly paid employees will every so often have 5 weekly earning periods in an assessment period and this can impact upon their claim, maybe even stopping it. Again, the employee would need to start a new claim for the next assessment period.

Fortnightly and Four weekly paid employees
There will be occasions where more than two fortnightly payments appear in the same claim period causing issues for the claimant. Likewise for four weekly paid employees, at least once a year two periods will fall in one assessment period causing the claim to be potentially stopped.

Employee paid Monthly and has a Supplementary Payment
In these cases the employee could be disadvantaged if the supplementary payment date is in a different assessment period. It is therefore important that the FPS Payment Date (Override) parameter on the FPS process is used for supplementary runs.

Employee paid on monthly payroll with a weekly bank payment
This will confuse DWP who will see multiple payments when they assume that employees are paid once a month. All of the payments will be accrued in the assessment period. Therefore, it is best that employees claim regularly for bank work and do not store up bank work claims. Where an employee has their bank payment switched to weekly from monthly, they could also then have UC issues as they will have their monthly pay, their monthly bank pay and then potentially their weekly bank payments in one assessment period.

Employee paid incorrectly and an Advance given and recovered following month
Problems could arise if an outside of payroll payment is made and then recovered in the following pay period. HMRC and DWP both say this is incorrect and payments should be reported on the due date.

Payroll departments can assist employees with UC claim issues by adopting best practice for FPS submissions. The DWP do not deal directly with ESR or Employers on UC claims as they are personal to the individual and can be affected by a variety of issues outside of their employment. Paying correctly and on time is of course part of an organisations SLAs, and as mentioned above, it is important to report the normal pay day to DWP via the FPS where pay day is amended because it falls on a non-banking day, or is moved for a particular event e.g. paying early at Christmas. Organisations should ensure that FPS's are submitted on time, every time a payment is made to employees. Any errors on the FPS should be corrected so that all employees are reported each pay period. Retrospective notification causes delays to the employee's claims.

For further guidance please refer to the GOV.UK website which contains a Universal Credit section where a host of information can be found, including how different earning patterns and payment cycles can affect UC as above.

4.3. HMRC ELECTRONIC NOTIFICATIONS

HMRC provide electronic notifications throughout the tax period. As well as the standard P6/P9 and Student Loans files, they also provide other details such as confirmation of a submitted file and notifications relating to RTI and P11d.

It is important that any notifications received are dealt with in a timely manner. For tax codes and Student Loans these should be loaded when notified or as soon as possible after they have been received. Delaying this can lead to incorrect tax being deducted from an employee's pay or a student loan being over deducted.

RTI notifications are important messages from HMRC that should not be ignored as they are intended to be a helpful service to notify organisations that they haven't filed or paid on time. These notifications give organisations a chance to review their submission process to ensure that things are correct in the future.

HMRC will send organisations a message:

- once in a month when they receive an FPS later than the payment date without a valid reason
- on the 11th or 12th of the month where they have not received an FPS for the month that just ended on the 5th, or an Employment Payment Summary stating no employees were paid in that month

Submitting files late and ignoring any RTI notifications from HMRC can lead to penalties. You can get a penalty if:

- your Full Payment Submission (FPS) was late
or you did not send:
- the expected number of FPSs
- an Employer Payment Summary (EPS) when you did not pay any employees in a tax month

HMRC will not charge a penalty if:

- your FPS is late but all reported payments on the FPS are within 3 days of your employees' pay day, however employers who regularly file after the payment date but within 3 days may be contacted or considered for a penalty
- you are a new employer and you sent your first FPS within 30 days of paying an employee
- it is your first failure in the tax year to send a report on time

A workflow notification is sent to all users assigned to the Payroll Super Administration URP when a file is supplied by HMRC. On receipt of the workflow notification advising there is a file to be uploaded, the applicable upload process should be submitted via the Payroll Super Administration URP.

5. REVIEWING PAYROLL CALENDAR DATES

The Payroll Calendar should be reviewed and updated as required at the beginning of each Tax Year and checked regularly throughout the year to ensure that correct dates are held. BACS dates should be checked to ensure weekends and Bank Holidays are taken into consideration.

For expenditure purposes it is necessary to check the Accounting Periods for the Tax Year are correct prior to running any payrolls. They are automatically populated in line with the Statutory Calendar and can be amended locally if required. Failure to do so will affect financial reporting as the General Ledger file could be loaded into an incorrect accounting period.

Where you have updated the Payroll Calendar you will be presented with the following message:
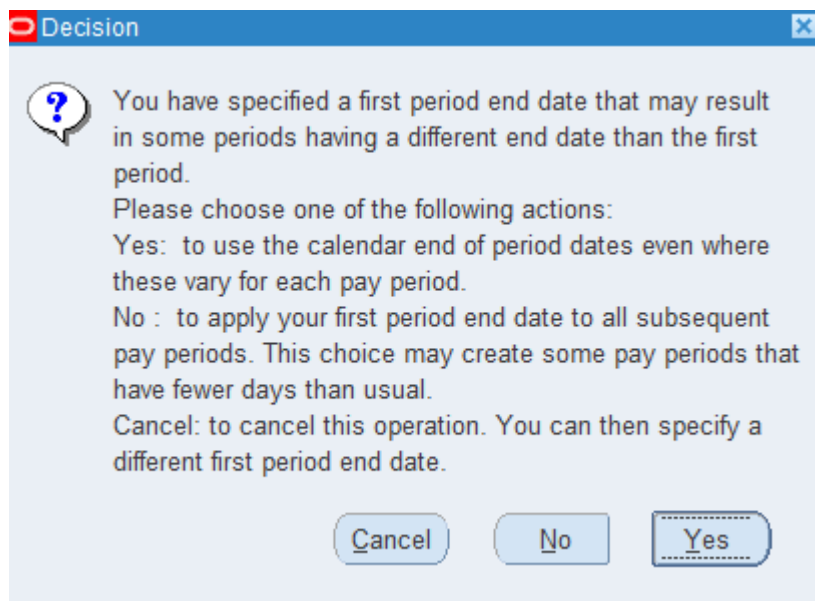
Image 2 – Payroll Calendar Decision window

It is imperative that you select YES when making the decision, to ensure full calendar months are used.

If you select No, all periods will have the same number of days i.e.30 days will be used for a 31 day month. This will cause numerous errors such as incorrect calculations for absence, failures on interface loads and impact on many other processes. If this happens, it cannot be amended and the only option available is to set up a new payroll at the beginning of the next unprocessed period and transfer all assignments across.

Where one-off date changes are required during the tax year, it is not recommended that they are done in the Payroll Calendar for the following reasons:

- Changing the weekly normal payment date can lead to the week being included in the wrong tax period, it can also lead to a Week 53 being created for a tax year that only 52 weeks apply
- Changing the payment date can also lead to an incorrect pay date being shown on the payslip, leading to queries and confusion for employees, this applies to both weekly and monthly payrolls
- Where there are cross frequency payrolls, changing the dates can lead to interlocks

If there is a need to change the BACS date as a one off, the Payroll Calendar should not be amended, however the Process Date parameter against the NHS BACS process should be changed accordingly:
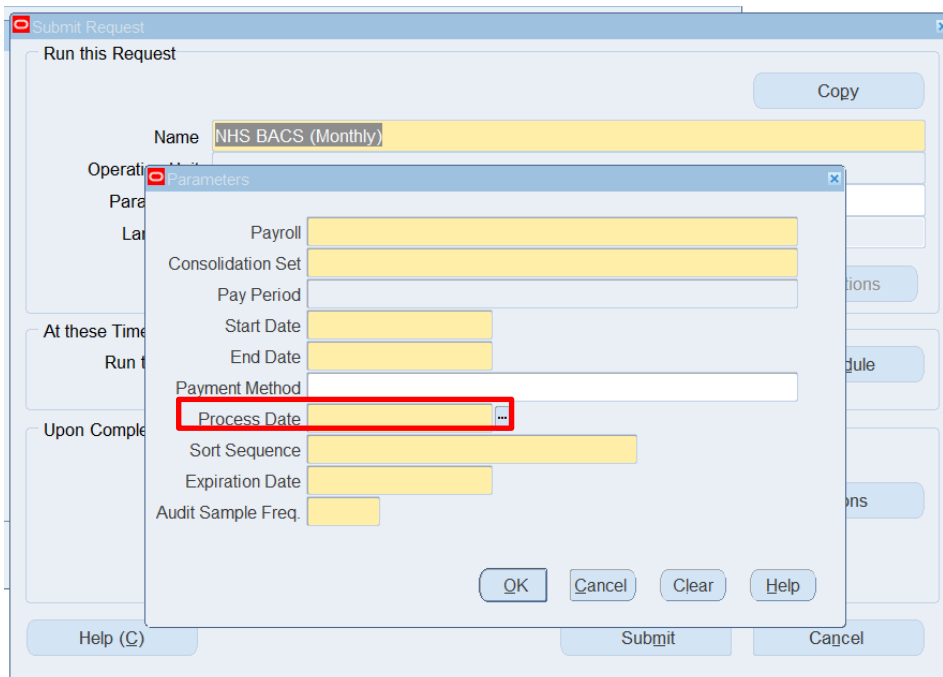

Image 3 – NHS BACS Process parameters – Process Date field

For example, for Christmas where payment may be made earlier, the Payroll Calendar dates should remain the same, however the Process Date against the NHS BACS process should be changed to one bank working day prior to your required payment.

5.1. SETTING ONLINE PAYSLIP AVAILABILITY DATES

The **Payslip Date Offset** field should be completed if online payslips are being used within your organisation. This field determines how many days before pay day the online payslip will be viewable to the employee. This provides the opportunity for any pay queries to be raised and if possible rectified ahead of pay day. If the field is left blank, payslips will be viewable on the Normal Payment date, entering -3 will enable them to be viewed 3 days before the normal payment date for example. The Payslip Offset date can be amended throughout the year as required, however this needs to be carried out before any payroll processing for the period commences in order for it to take effect from that period.

Image 4 – Payroll description window –Date Offset – Payslip field

It is good practice for organisations to promote when employees can view their online payslips. To assist with this, functionality is available to enable employees to opt into receiving an 'ESR Payslip now available' information email which advises them when their online payslip is available, to prompt them to review it if required. This can be done by the employee on the My Payslip and P60 portlet from the My ESR dashboard, by amending the Email me when Payslip available toggle button to Yes.

Image 5 – My Payslip and P60 portlet – Email me when Payslip available toggle button

6. RTI RECONCILIATION

An FPS must be run for every payroll process that is created and can only be generated after a Prepayment process has been run. Before submitting an FPS file to HMRC it is recommended that organisations:

- Have reconciled the Period to Date values to the relevant Gross to Net report
- Identified and recorded any assignments with errors that cannot be cleared and are therefore not included in the FPS file

Organisations should reconcile at the end of each individual pay period, and must reconcile at the end of each month, preferably no later than 19th of the following month. Any discrepancies should be investigated and resolved as soon as possible after the period has ended. It is against best practice to leave reconciling until the end of the financial year as this can make resolving discrepancies extremely difficulty and may lead to financial implications in relation to HMRC.

The following reports and information will assist in identifying employees that are causing differences between the Payroll and RTI submissions, but there are also others which organisations may wish to use:

- NHS RTI Year to Date Reconciliation Report – compares Gross to Net (GTN) and FPS, highlighting any differences
- FPS Reconciliation Report – details assignments reported in the FPS
- NHS GTN Assignment Detail Report – details assignments included in the GTN by element

6.1. RAISING A SUPPORT REQUEST (SR) FOR RECONCILIATION ISSUES

Where users are unable to reconcile, and require assistance, an SR should be raised as soon as the difference that is unable to be identified occurs, and at the very latest by HMRCs submission date of the 19th of the following month. The following information should be attached to the SR when it is raised:

- Reconciliation spreadsheet
- All reports that have been used to complete the spreadsheet, or the Request ID of the reports if unable to attach
- The RTI YTD Reconciliation report for the relevant period for all assignments, or the Request ID of the report if unable to attach
- Any information of issues encountered when running the payrolls
- Clear indication of which discrepancy which is unable to be identified
- Steps taken to rectify the discrepancy

Failure to provide the above information will cause delays in the help that can be provided. SRs will be put to Customer Response until such time detail is provided. The priority of the SR will depend on the urgency of the request for assistance:

- If users need to know the difference in order to send an FPS to HMRC and the payment date is within 3 days of the SR being raised, a P3 priority can be used
- All other requests should be raised as a P4

For Reconciliation issues, the ESR Support Team will only assist in identifying the assignments that make up the differences. It is the organisations responsibility to then investigate these and identify why. If the cause of the difference is unable to be identified, a separate standard SR will need to be raised to request further assistance.

6.2. FPS AMENDMENTS RECONCILIATION

The FPS Amendments Process allows any adjustments to the RTI balances made after the final regular FPS deadline for the tax year to be submitted to HMRC. In addition, it enables an employee's Year-To-Date RTI balances to be submitted to HMRC for the tax year regardless of whether there is an adjustment.

The NHS RTI FPS Amendments XML Process can be submitted as many times as required throughout the tax year. The FPS Amendments will report all of the Year-to-Date values for the relevant assignments processed.

To ensure that all RTI records balance against the Payroll YTD totals, and to work out the pay over to HMRC, the below steps should be followed each time the FPS amendments process is used:

- Before any changes are made or the FPS amendments process is run, organisations should submit the NHS RTI Year to Date Reconciliation Report Process and take a copy of the report totals from the bottom of the spreadsheet. This gives the YTD balance before any adjustments are made. These figures should be checked to ensure that they balance to previous YTD figures
- Once the required adjustments are made, the NHS RTI FPS Amendments XML Process can be run, ensuring there are no errors
- Submit the NHS RTI Year to Date Reconciliation Report Process and take a copy of the report totals from the bottom of the spreadsheet. There should not be any new discrepancies reported, these should be cleared before proceeding
- Compare the results of the two report totals, the differences are the changes that have been made and the amounts that need to be adjusted in the next pay over to HMRC

7. COMMON RTI ERROR MESSAGES

There are a number of common errors that can cause the FPS file to fail. These have been detailed below , with some guidance that may help in resolving the issue.

ESR Error Message
The Address Line 1 of the assignment <assignment_number> is missing.   The Address Line 2 of the assignment <assignment_number> is missing.
Guidance
Current residential status is required on every employment record. The FPS requires 2 lines of address to be completed, not necessarily Address Lines 1 & 2. The 2 lines of address can either be Address Line 1 and 2 or Address Line 1 and Town - both combinations will allow the FPS to be submitted without error.

ESR Error Message
The Address Line 1 <address_line1> of the assignment <assignment_number> has invalid characters.   The Address Line 2 <address_line2> of the assignment <assignment_number> has invalid characters.   The Address Line 3 <address_line3> of the assignment <assignment_number> has invalid characters.   The Town or City <town_or_city> of the assignment <assignment_number> has invalid characters.   The Country <country> of the assignment <assignment_number> has invalid characters.
Guidance
Valid characters for Employer PAYE Reference, Address Line and Foreign Country: Letters, lower case and upper-case   a to z and A to Z   Numerals   0 to 9   Space character   Full Stop   .   Comma   ,   Hyphen/minus sign   -   Opening and closing parentheses   ( )   Oblique stroke (slash)   /   Equals sign   =   Exclamation mark   !   Quotation mark   "   Percentage sign   %   Ampersand   &   Asterisk   *   Semi colon   ;   Less than sign and greater than sign   < >   Apostrophe   '   Plus sign   +   Colon   :   Question mark   ?

ESR Error Message
The Last Name <last_name> of the assignment <assignment_number> has invalid characters.   The First Name <first_name> of the assignment <assignment_number> has invalid characters.   The First Name <middle_name> of the assignment <assignment_number> has invalid characters.
Guidance
Valid characters for Surname, Forename and Second Forename   Letters, lower case and upper case   a to z and A to Z   Space character   Hyphen/minus sign   -   Apostrophe   '

ESR Error Message

The Postal Code <postal_code> of the assignment <assignment_number> has invalid characters

Guidance

Valid characters for UK postcode
Letters, lower case and upper case   a to z and A to Z
Numerals   0 to 9
Space character

ESR Error Message

The Date of Birth of the assignment <assignment_number> is missing.

Guidance

You must show an employee's date of birth on all RTI submissions. Even though the Date of Birth field is not mandatory against the Person record within ESR, an employee cannot be entered onto a Payroll without a DOB.

ESR Error Message

The Date of Birth of the assignment <assignment_number> is invalid.

Guidance

Examples of this error are an employee is aged 8 or 164

ESR Error Message

The National Insurance number <national_identifier> of the assignment <assignment_number> has invalid characters.

Guidance

Required on every employment record therefore an employee's National Insurance number must be shown on all RTI submissions where it is known. If the employee does not have a National Insurance number, a National Insurance number Verification Request (NVR) must be sent to HMRC.
A National Insurance number consists of two letters, followed by six numbers, followed by one letter A, B, C or D or a space. A made up number should not be used, a default number or one belonging to someone else.

ESR Error Message

The start date of employment for the assignment <assignment_number> is invalid.

Guidance

Check start date of employee

ESR Error Message

The end date of employment for the assignment <assignment_number> is invalid.

Guidance

Check end date of employee

ESR Error Message

The Tax Code is missing for assignment <assignment_number>.

Guidance

Required on every employment record

ESR Error Message

The Tax Code <tax_code_in_use> for assignment <assignment_number> is invalid.

Guidance

Four valid formats:
1. Numbers followed by a suffix letter (L, M, N, P, T or Y), for example 870L
2. K followed by numbers, for example K73
3. D followed by a number, for example D1
4. BR, 0T, NT The S prefix to indicate that a Scottish tax code was in use should be reported in the TaxRegime field. The C prefix to indicate that a Welsh tax code was in use should be reported in the TaxRegime field. Do not indicate here if the code is non-cumulative – use the Basis is noncumulative field

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ESR Error Message

The Starter Declaration is missing for assignment <assignment_number>

Guidance

New Starter (RTI) tab against the Tax Information area within ESR

ESR Error Message

The Starter Declaration <starter_declaration> for assignment <assignment_number> is invalid.

Guidance

New Starter Declaration field is a list of values within ESR

ESR Error Message

NI Category <ni_category> of the assignment <assignment_number>is invalid.

Guidance

Check NI category

ESR Error Message

The Annual amount of Occupational Pension <annual_occupational_pension> for assignment <assignment_number> must be greater than zero.
Employee Pension contributions l_benefits_n_class1_nic> for assignment <assignment_number> must be greater than zero.
The Taxable Pay to Date for assignment <assignment_number> must be greater than zero.
The Total Tax to Date for assignment <assignment_number> is invalid
Taxable pay l_taxable_pay for assignment <assignment_number> must be greater than zero.
Tax deducted or refunded is missing for assignment <assignment_number>.
Items subject to Class1 NIC <l_items_class1_nic> for assignment <assignment_number> must be greater than zero.
Employee contributions not paid <l_emp_contri_not_paid> for assignment <assignment_number> must be greater than zero.
The Total of Employer contributions Year to Date is missing for assignment <assignment_number>.
The Total of Employer contributions in this period is missing for assignment <assignment_number>
The Total of Employer contributions in this period for assignment <assignment_number> must be zero.

The Employee contributions Payable Year to Date is missing for assignment <assignment_number>
The Employee contributions Payable this period is missing for assignment <assignment_number>.
The Employee contributions Payable this period for assignment <assignment_number> must be zero.
The Employee contributions Payable Year to Date for assignment <assignment_number> must be greater than or equal to zero.
The Total of Employer contributions Year to Date for assignment <assignment_number> must be greater than or equal to zero.
Earnings above PT up to UEL Year to Date for NI Category <ni_category> of the assignment <assignment_number> is missing.
Earnings above PT up to UEL Year to Date for NI Category <ni_category> of the assignment <assignment_number> must be zero.
Earnings above PT up to UEL Year to Date for NI Category <ni_category> of the assignment <assignment_number> is invalid.
Pay subject to NICs in this period for NI Category <ni_category> of the assignment <assignment_number> is missing.
Pay subject to NICs in this period for NI Category <ni_category> of the assignment <assignment_number> is invalid.
Pay subject to NICs in this period for NI Category <ni_category> of the assignment <assignment_number> must be zero.
Earnings at Lower Earnings Limit Year to Date for NI Category <ni_category> of the assignment <assignment_number> is missing.
Earnings at Lower Earnings Limit Year to Date for NI Category <ni_category> of the assignment <assignment_number> is invalid.
Earnings at Lower Earnings Limit Year to Date for NI Category <ni_category> of the assignment <assignment_number> must be zero.
Earnings above LEL upto PT Year to Date for NI Category <ni_category> of the assignment <assignment_number> is missing.
Earnings above LEL upto PT Year to Date for NI Category <ni_category> of the assignment <assignment_number> is invalid.
Earnings above LEL upto PT Year to Date for NI Category <ni_category> of the assignment <assignment_number> must be zero.
Non Tax or NIC Payment <l_non_tax_nic_payment> for assignment <assignment_number> must be greater than zero.
Deductions from Net pay <l_net_pay_deductions> for assignment <assignment_number> must be greater than zero.
Pay after Statutory deductions <l_pay_after_statutory> for assignment <assignment_number> must be greater than zero.

Guidance

If this relates to a previous tax year remove negative figures and apply to the correct tax year using balance adjustments and the FPS Amendments process. For current year errors check that any manual adjustments entered have been calculated correctly. Where the error is relating to NI also check that the NI ER net adjustment has been correctly entered

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ESR Error Message

The Total Student loan repayment recovered to date for assignment <assignment_number> is less than one.
Student Loan repayment recovered l_student_loan_repay for assignment <assignment_number> must be greater than zero.
Tax deducted or refunded <l_student_loan_repay> for assignment <assignment_number> must be greater than zero.
The Total Postgraduate loan repayment recovered to date for assignment <assignment_number> must be greater than or equal to zero.
The Total Postgraduate loan repayment recovered to date exceeds 99999.00 for assignment <assignment_number>
Postgraduate Loan Repayment recovered <postgraduate_loan_repayment> exceeds 99999.00 for assignment <assignment_number>

Guidance

If this relates to a previous tax year remove negative figures and apply to the correct tax year using balance adjustments and the FPS Amendments process. For current year errors check that any manual adjustments entered have been calculated correctly.

ESR Error Message

Benefits taxed via Payroll <l_benefits_taxed_payroll> for assignment <assignment_number> must be greater than zero.
Benefits subject to Class1 NIC <l_benefits_class1_nic> for assignment <assignment_number> must be greater than zero.
Benefits not subject to Class1 NIC <l_benefits_n_class1_nic> for assignment <assignment_number> must be greater than zero..

Guidance

If this relates to a previous tax year remove negative figures and apply to the correct tax year using balance adjustments and the FPS Amendments process. For current year errors check that any manual adjustments entered have been calculated correctly.

ESR Error Message

Gender must be female for assignment <assignment_number> to claim Statutory Maternity Pay

Guidance

Check correct gender has set on the person record

ESR Error Message

Statutory Paternity Pay <l_spp> for assignment <assignment_number> must be greater than zero.
Statutory Adoption Pay <l_sap> for assignment <assignment_number> must be greater than zero.
Shared Parental Pay <aspp_shpp_pay> for assignment <assignment_number> must be greater than zero.
Shared Parental Pay <aspp_shpp_pay> exceeds 999999.99 for assignment <assignment_number>.

Guidance

If this relates to a previous tax year remove negative figures and apply to the correct tax year using balance adjustments and the FPS Amendments process. For current year errors check that any manual adjustments entered have been calculated correctly.

8. AGGREGATION

ESR provides the ability to aggregate earnings for the calculation of NI contributions across assignments. These assignments may be on the same or different payrolls and the same or different payroll frequency and with the same or different NI Category letters. If an employee with multiple assignments is subject to aggregation of NI contributions, then that aggregation is applied to all assignments.

ESR also provides the ability to fully aggregate earnings for the calculation of NI and PAYE across assignments. These assignments may be on the same or different payrolls and the same or different payroll frequency but must be on payrolls with the same Employer PAYE Reference. If an employee with multiple assignments is subject to aggregation of PAYE, then that aggregation is applied to all assignments. It is only possible to aggregate PAYE across multiple assignments if all assignments have the same PAYE information. If there are multiple assignments with different tax details, then an error will be displayed at the point of trying to aggregate.

When a secondary assignment is entered, ESR automatically defaults the tax code to BR Non-Cumulative, so that the employee will not underpay tax, this should be checked for higher earners, where an employee is not going to be aggregated for PAYE. Where PAYE aggregation does apply, the tax code on the secondary assignment must be amended to match the tax code already used on the primary assignment.

Although PAYE aggregation across payroll frequency is supported it is not recommended, as weekly periods in which there are no earnings can generate a tax refund which then results in larger than normal PAYE deductions on the monthly pay. This is wasteful in terms of BACS payments and can generate significant quantities of pay queries.

Aggregation can only be set at the start of a tax year or when an assignment has been created but not yet included in a payroll process, and no date track changes exist for either the People form or the Tax Information form between the Assignment start date and the date that aggregation is being applied.

If a secondary assignment is created, the NI Multiple Assignments checkbox will be ticked automatically at the point of creation, unless the secondary assignment is an Off Payroll Worker and subject to IR35 regulations.

8.1. AGGREGATING ACROSS MULTIPLE ASSIGNMENTS WITH DIFFERENT NI CATEGORIES

If an employee has multiple jobs with differing NI categories, the order in which National Insurance contributions are calculated is Z, M or H, J, B, A and C. Category M (under 21) and H (apprentice under 25) are treated with the same priority. This is regardless of the order that the assignments are processed.

If the second processed assignment NI category should have been calculated first the system will recalculate the NI Contributions and show the adjustment on the second assignments pay. The decision on which weeks fall into which month is determined by reference to the normal payment date. So, if the normal payment date of a week is within the tax month (which runs from 6th of one month to 5th of the next month) those weeks and that month are calculated together.

8.2. AGGREGATING ACROSS MULTIPLE ASSIGNMENTS WITH DIFFERENT PAY PERIODS

When processing multiple assignments, a default payment period is required to be entered when different assignments are paid in different payment periods. This can be assigned in the Tax Information form – Period Type field, within the Payroll URPs, as per the screenshot below.

The **Period Type** field is only relevant for multiple assignment processing and indicates the default earnings period to be used for calculating NI contributions when different assignments are paid in different payment periods. Where an employee has multiple assignments that are aggregated for NI the earnings from each assignment will be added together and the National Insurance contributions calculated on the total earnings. Where the multiple assignments are paid on different payroll frequencies a single earnings period for all assignments should be defined.
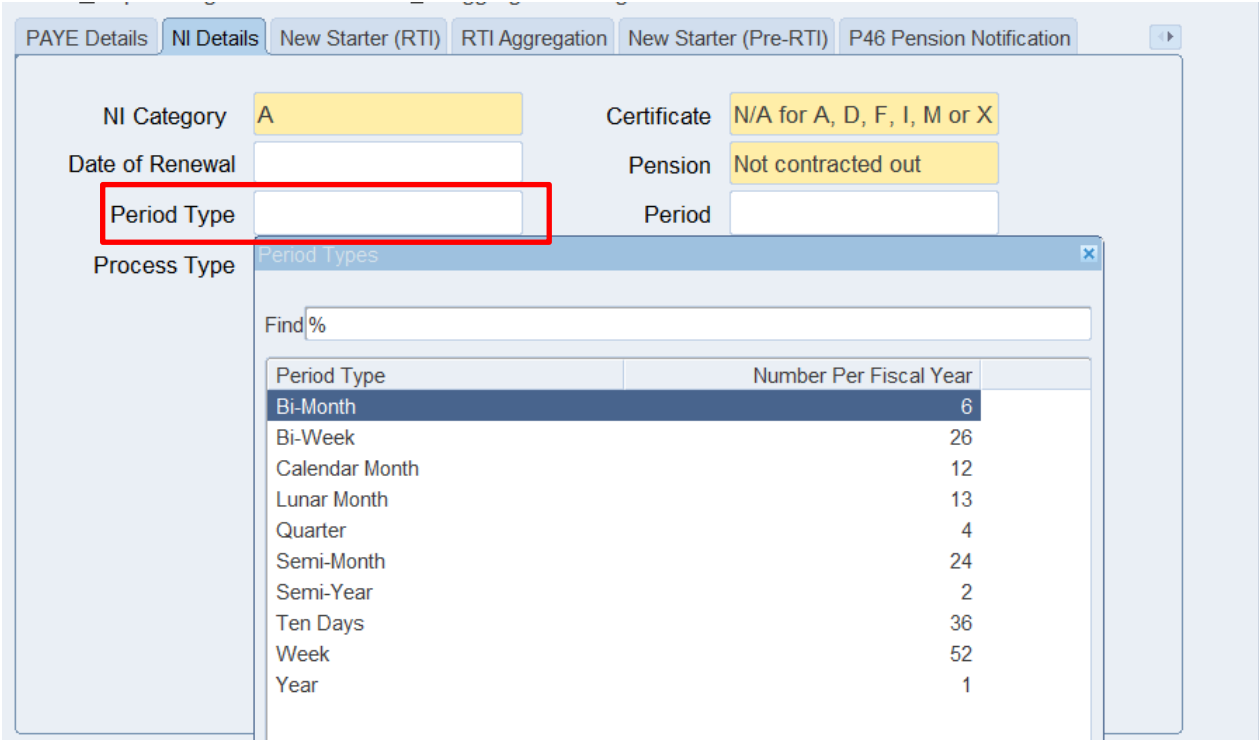
Image 6 – Tax Information window – NI Details tab – Period Type field

Please note that where there are weekly and monthly assignments for an individual, and one of the assignments is terminated, consideration must be given to the earning period being used for the remaining assignments. For example, where the NI Period Type Calendar Month has been assigned to the weekly assignment, if the monthly assignment is terminated, the NI Period Type Calendar Month would need to remain in place for the weekly paid assignment until the end of the current tax period (usually the end of the month), then it could be changed to the NI Period Type Week if only the weekly post was remaining. If in this example, the Period Type against the weekly paid assignment is not amended, and remains at Calendar Month, the NI would be calculated incorrectly from the next period and could lead to implications with HMRC.

8.3. UNIQUE RTI PID FOR DE-AGGREGATED ASSIGNMENTS

HMRC's requirements specify that the same RTI PID cannot be used for an employee. In line with this, the following scenario details the circumstances in which a unique ID will be automatically created.

Scenario

Tax Year 2018/19
Employee has multiple assignments with NI aggregation only. The following RTI PIDs are reported to HMRC:

Primary Assignment: 12345678
Non-Primary Assignment: 12345678-2

Tax Year 2019/20
Employee's aggregation status is updated to NI and PAYE. The following RTI PID is reported to HMRC:

Primary Assignment: 12345678

Tax Year 2020/21
Employee's aggregation status is changed to NI only aggregation. The following RTI PIDs are reported to HMRC:

Primary Assignment: 12345678
Non-Primary Assignment: 12345678-2A1*

* as the 12345678-2 RTI PID was reported in the 2018/19 tax year, the same PID cannot then be used.

When the FPS is run for Week 1/Month 1 a new RTI PID, starting with the assignment number and ending with A1, will be automatically generated. This can be viewed on the FPS Reconciliation Report output.

Should a further assignment be created for the employee in tax year 2020/21, the RTI PID would be generated as 12345678-3. As this is the third assignment for the employee and this RTI PID has not been used before there would be no requirement to add A1.

8.4. HMRC REPORTING FOLLOWING CHANGES TO AGGREGATION

With the above in mind, changes to aggregation need to be reported to HMRC. The NHS RTI Additional FPS XML Process (Terminate Aggregate Assignments) 20XX/XX request is available to deal with employees where they have been processed during the year as NI only aggregated multiple assignments, but from the beginning of the new tax year will be aggregated for NI and PAYE.

The process is available to be run from the Payroll Super Administration URP and is required to create a termination record which will notify HMRC of any assignments that will no longer be reported following the change in aggregation status. This must be run at the beginning of each tax year following changes to an employee's aggregation status and the corresponding XML file successfully submitted to HMRC following Week 52/Month 12 processing and prior to any Week 1/Month 1 processing.

8.5. REHIRES AND AGGREGATION

Although aggregation can be set when hiring a new employee number, where the rehire functionality is used, the aggregation status must not be changed until the start of the new tax year. HMRC do not accept changes to aggregation during a tax year and as such will cause reporting errors leading to incorrect tax codes being applied to employee records.

As detailed in 8.3 above, HMRC's requirements specify the same RTI PID cannot be used for an employee therefore a new RTI PID is created for any rehired record. When rehiring, NI aggregation is applied automatically, and NI reporting takes place on the primary assignment.

If the rehire is to take place in year, the aggregation status must be kept the same as it was prior to rehiring. As stated, the aggregation status should only be changed at the start of the tax year, and not on commencement of employment, unless the start date happens to be the start of the tax year.

Any record that is to be rehired, and for which there is a wish to change the aggregation status this will need to be adjusted at the start of the tax year and:

- after final Week/Month payroll is complete for the financial year and the FPS has successfully been sent to HMRC
- after SOY processes are complete and all P9 files have been loaded
- before any Week 1/Month 1 processing

Further guidance can be found on the ESR Hub within the ESR-NHS0331 ESR Guide to Rehiring Ex-Employees.

9. NI ADJUSTMENTS

9.1. LATE NEW STARTER NI ADJUSTMENTS

The Late Starter NI Adjustments functionality is available to assist users in making NI adjustments for late new starters.

In order to be eligible to be processed using the functionality, the Employee selected must be a new employee who has not been paid or processed in a prior NI Period to the NI Period which is being adjusted. If the Employee selected has NI aggregation, then the NI Period will be defined by the payroll frequency unless they are aggregated over multiple payrolls with different pay frequencies (e.g. weekly/monthly).

If an employee has already been processed in a payroll for at least two NI periods, then a message will be displayed and the New Starter Adjust button will be disabled.

It is not possible to use the functionality to adjust NI for:

- Aggregated assignments on different NI categories
- Employees that already have an NI adjustment element entry present on any of their assignments
- For NI adjustments across tax years
- Aggregated assignments where there is more than one assignment with the same NI category, and the adjustment is only required on one of the Assignments

The Late Starter NI Adjustments functionality is available in the Payroll Admin and Payroll Super Admin URPs.
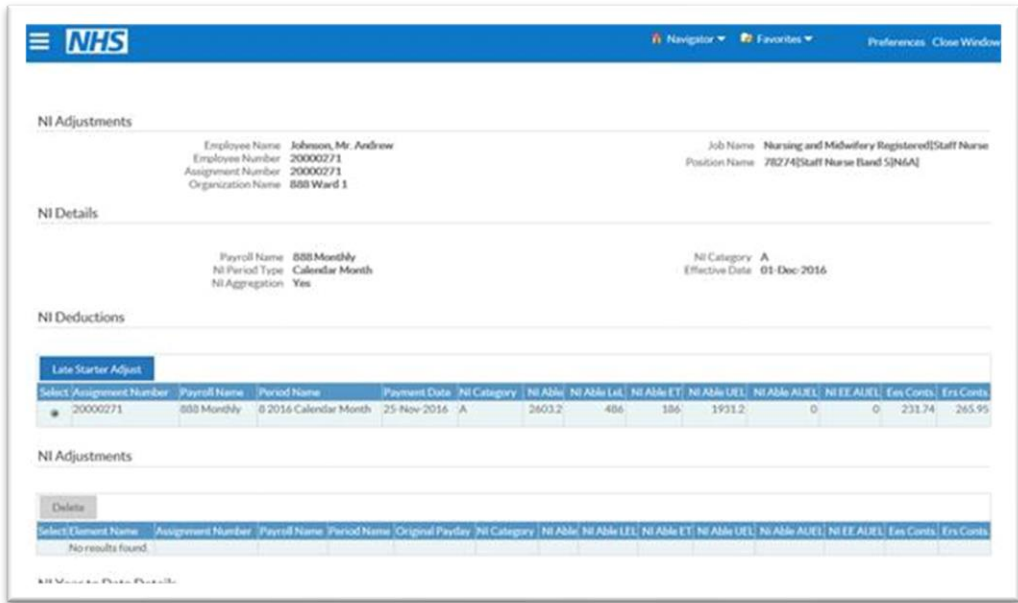
Image 7 – NI Adjustments screen

9.2. MANUAL NI ADJUSTMENTS

As it is not possible to use the Late Starter NI adjustments functionality for every scenario for which organisations may wish to amend NI, as highlighted above, manual NI adjustments can be made using element entries. The NI adjustment elements are not subject to retrospection therefore adjustments should always be applied within the current pay period.

Before you make any adjustments, it is advisable to do a quick pay for the current period to get the starting balances. Once the quick pay has completed you can look at the balances in the balance matrix screen, take a note of the values then delete the quick pay.

In the following example an adjustment is to be made to remove some contributions from NI letter A and then add an adjustment to NI Letter C.

In the element entry screen you need to select the NI letter you wish to adjust, in this example we are amending NI Letter A:

Image 8 – NI A adjustment element input values

The mandatory fields need to be completed, with a negative entry if removing values or a positive entry if adding a value. For information the 'Pay Value' field is where the adjustment for Employee contributions would be entered. In our example, there are no adjustments being made to the NI Able levels, however these fields would need to be completed where required.

The next step is to add the values to NI Letter C, again you would need to select the NI Letter you are looking to adjust:

Image 9 – NI C adjustment element input values

In this example the Pay Value (Employee contributions is blank as NI Letter C does not attract employee contributions, if you were adjusting a NI Letter that would require employee contributions to be amended, this field would need to be completed.

The final step is to add the net change to the Employer contributions, this time you would select the NI Employer element:

Image 10 – NI Employer element input values

In the example, the net adjustment to the NI Employer contributions is zero. This element must be completed with the net adjustment value even when it is zero. Failure to do so will cause an imbalance on the NI contributions and potentially fail the record when the FPS is produced.

Once the adjustments have been made, it is advisable to run another quick pay to check that the balances amended are correct. Should there be any further pay changes to the assignment before the payroll is run, it would be advisable to check that the adjustments made are still valid and that there are no balancing discrepancies. Use of the NHS NI Contributions Report can assist with this.

It is important to note that making adjustments to NI, either using the functionality for late new starters or by manual input in the Element Entry screen, should only be done to amend balances in the current tax year. If an adjustment is required for a previous tax year, this must be done by Balance Adjustments in the relevant tax year with a date track date of the end date of the last period for that year, e.g. for a monthly adjustment, this would be the 31st March.

10. INCORRECT PURGING OF PAYE ELEMENTS

The PAYE Details should never be purged from Element Entries or Tax Information screen. If an organisation purges the PAYE Details this cannot then be reinstated by the organisation themselves and will require an SR to be raised for the ESR Support Team to apply a datafix, this in turn could cause delays on payroll processing times.

If PAYE information is incorrect such as Tax Code, Tax Basis etc, this should be corrected from the PAYE Details tab of the Statutory Details area of the assignment, as shown below.

Image 11 – Tax Information window – PAYE Details tab

11. OFF-PAYROLL WORKERS

Determination of where the rules for an Off-Payroll Worker apply is down to the organisation to decide, help with this can be found on the HMRC website.

Where it is identified that the Off-Payroll worker rules apply, it is the organisation's responsibility to deduct tax and NI contributions on payments being made and the Off-Payroll Worker indicator should be used.

The field to populate this is present within the RTI Information Assignment Extra Information Type which is available from Payroll and HR URPs:
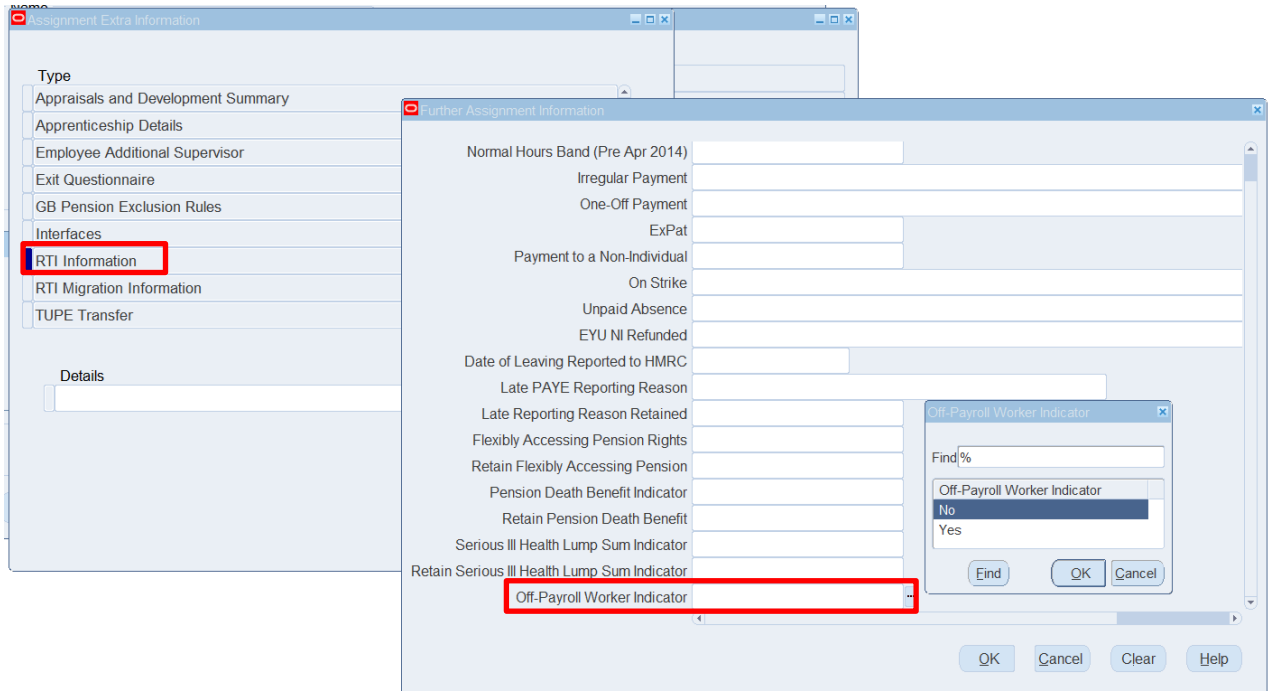
Image 12 – RTI Information Assignment Extra Information Type – Off-Payroll Worker Indicator field

This data item will then show within the RTI FPS to identify any Off-Payroll workers, and is also displayed on the NHS RTI FPS Reconciliation Report as follows:

Assignment Number	NI Number	Employee Name	Start Date	Leave Date	Aggr. NI / PAYE	Off Payroll Worker	Tax Code	Tax Basis
20000001	AA111111A	Smith, Mr. Ben	01-May-20		N / N		BR	Non Cumulative

Image 13 – NHS RTI FPS Reconciliation report example row

If payments are to be made through ESR for Off-Payroll workers, the IR35 Worker Payment NR NHS element should be used.

It is also important to note that Off-Payroll workers should not have multiple assignments, and student loan or postgraduate loan deductions should not be made. Off-Payroll workers are not entitled to statutory payments (SAP, SSP, SMP, SPP, ShPP or SPBP) and are not subject to pension auto-enrolment.

12. P45 PRINTING

The output of the NHS Submit P45 Report is available in a PDF format. The output can either be submitted to the central printing service or an additional option is available to enable users to choose to download the output and print it locally, either for the whole file or an individual assignment.

12.1. DOWNLOAD AND PRINT P45 LOCALLY

Three options are available to download and print P45s locally as follows:

Option 1 – Run the NHS P45 Process

Submitting the NHS P45 Process with the Defer Printing parameter set to Yes stops the NHS Submit P45 Report from being submitted automatically therefore the file is not submitted for central printing.
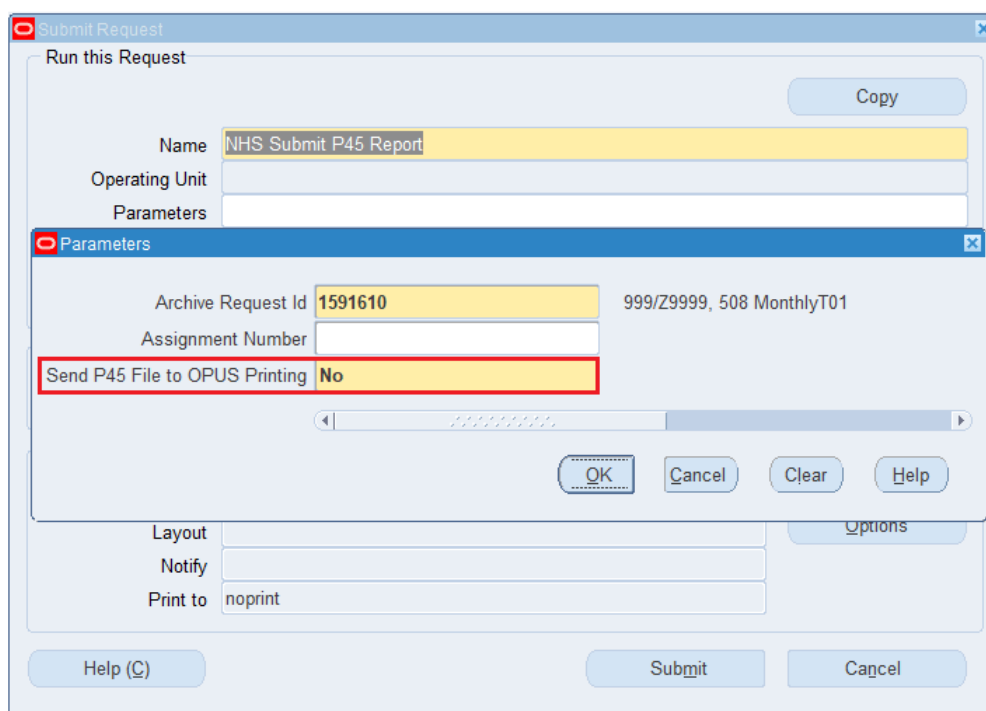
Option 2 - Run the NHS Submit P45 Report

When the NHS P45 Process (Frequency) is complete, the NHS Submit P45 Report must be processed separately with the value No selected for the Send P45 File to OPUS Printing parameter. This ensures that the file is not submitted for central printing, and users can then download and print the file locally. Users may choose to run this either for the whole P45 Archive or for an individual assignment.

Option 3 - Local Printing for whole P45 Archive or for individual assignment

Download the File for the whole P45 Archive for Local Printing

Run the NHS Submit P45 Report without any Assignment Number and select No against the Send P45 File to OPUS Printing parameter. This processes the P45 Report and generates the PDF file for the whole of the selected archive process.

Image 13 – NHS Submit P45 Report – Send P45 File to OPUS Printing parameter set to No

Clicking on the View Output button from the Requests window enables the user to view the P45 Report which will open the full file in PDF format in a separate window. The file can then be downloaded and printed locally.

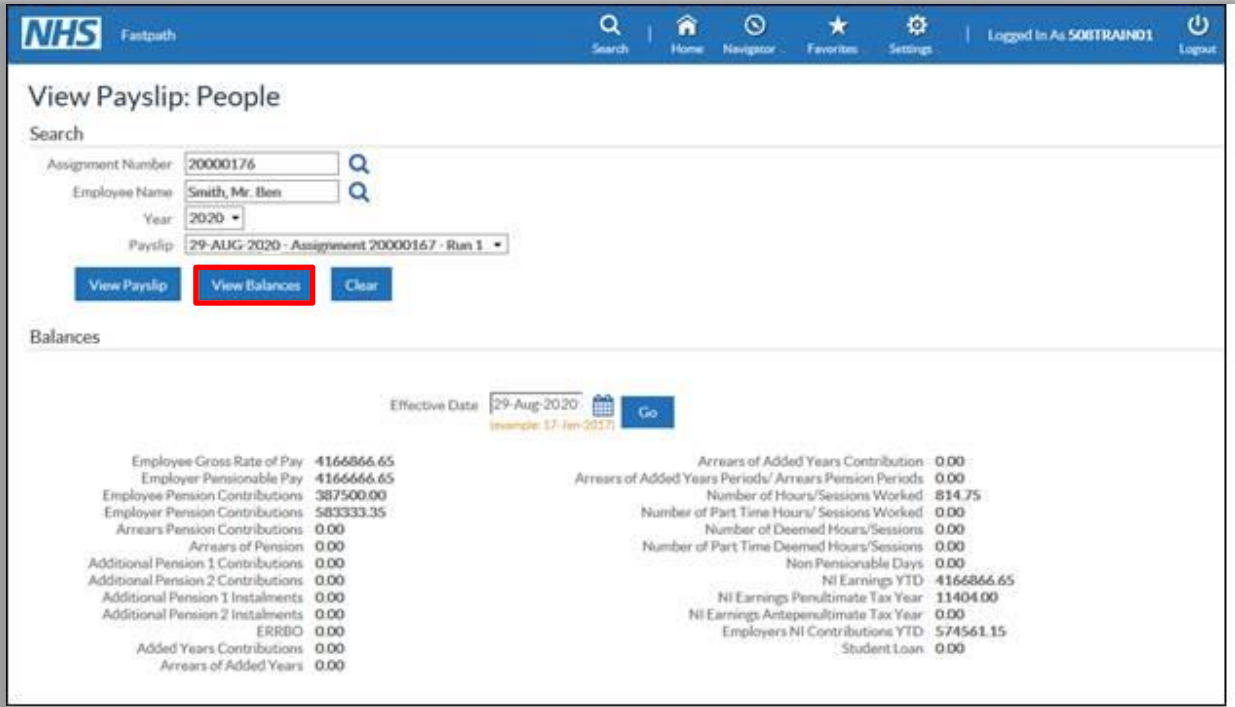*Download the File for an individual assignment for Local Printing*

Run the NHS Submit P45 Report, select the value for Assignment Number and select No against the Send P45 File to OPUS Printing parameter. This processes the P45 Report and generates the PDF file for the selected assignment. The Assignment Number drop down will contain the list of assignments processed in the selected P45 Archive process.
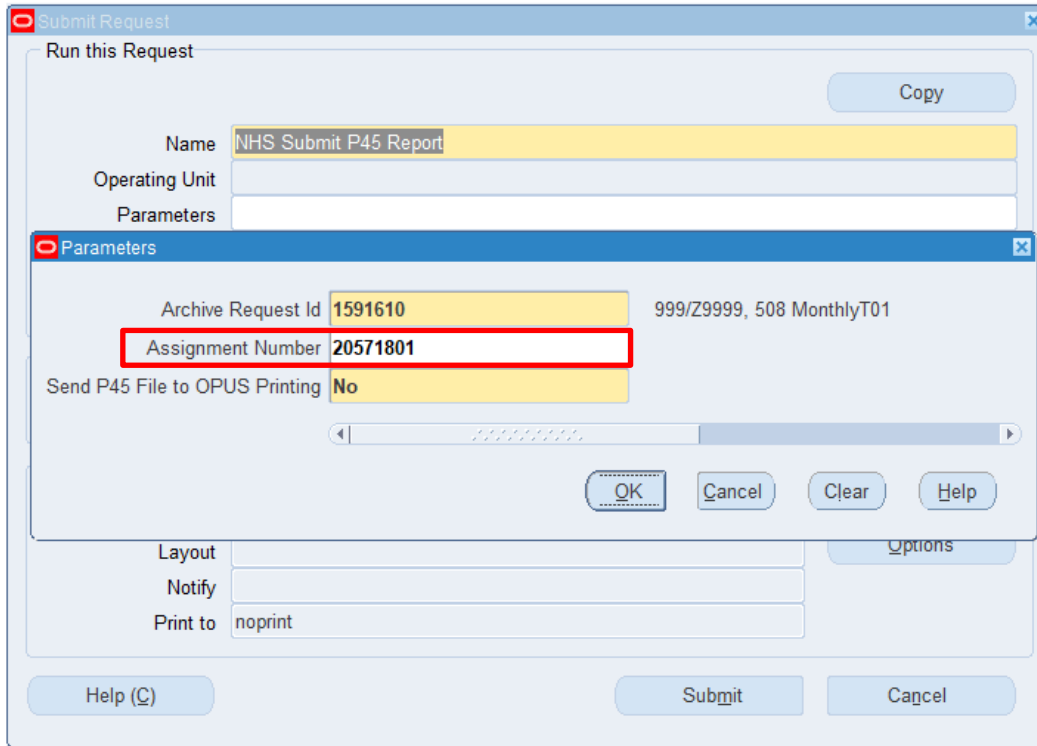
Image 14 – NHS Submit P45 Report showing Assignment Number parameter populated

Clicking the View Output button in the Requests window enables the user to view the P45 Report which will open the P45 file for the assignment in PDF format in a separate window. The file can then be downloaded and printed locally.

13. PAYSLIPS

If organisations have moved to online payslips and only print payslips for exceptions such as leavers, if they choose to print P45s locally (as per Section 12), they could become completely self-sufficient for printing and print payslips locally also. Payslips can be printed on an individual basis or for multiple employees.

13.1. PRINT INDIVIDUAL PAYSLIP LOCALLY AND VIEW BALANCES

To print an individual payslip locally, the View Payslip functionality can be utilised, which is accessible from the Fastpath area of the Payroll URPs, as well as the Finance Reporting and HR Management URPs.

Users are able to search for the required employee and select the relevant payslip. Within the same area, users also have the option to View Balances to assist with balancing and checking YTD figures. The Effective Date field can be changed to enable the user to view the balances as at the chosen date.

Image 15 – View Payslip: People window – View Balances information

13.2. PRINT PAYSLIPS FOR MULTIPLE EMPLOYEES LOCALLY

Organisations are able to print payslips locally for multiple employees by utilising the NHS Copy Pay Advice process, which can be run as a standalone process, or as part of the NHS Payroll Run. Running this process not only automatically submits the NHS Generate Payslip Data Archive process to create a data archive file that will be used to create online payslips, it also produces a PDF copy of the payslips that can be used as part of the checking process, and also to print payslips locally.
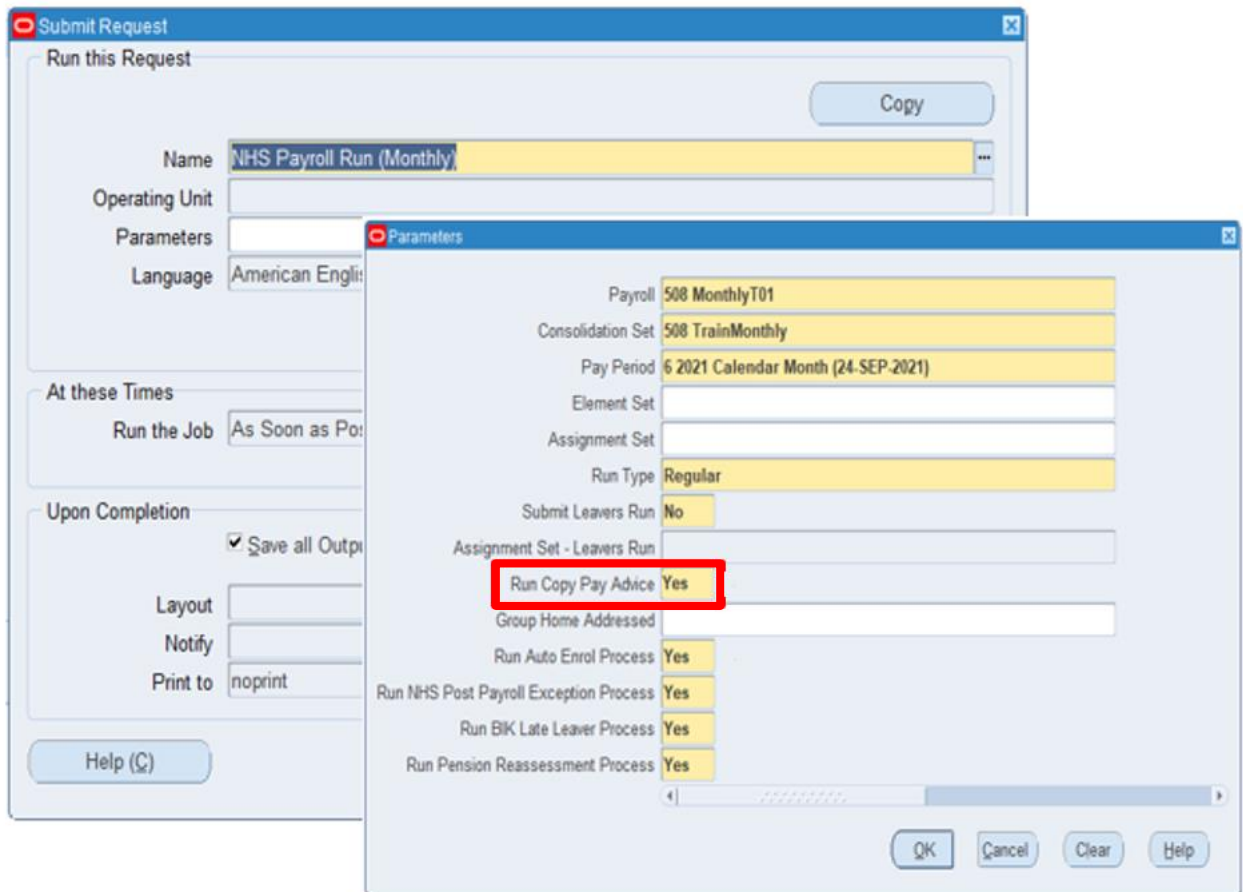
Image 16 – NHS Payroll Run process – Run Copy Pay Advice parameter

14. ANNEX A – USEFUL INFORMATION

Full guidance on the following subject areas can be found in the ESR User Manual under the following headings:

- Enter and Maintain NI information
- Tax & NI Aggregation (Payroll)
- Controlling NI deductions – including aggregation and Controlling PAYE deductions
- Reporting Terminations to HMRC following changes to aggregation
- Unique RTI PID for De-Aggregated Assignments
- HMRC
- Reconciliation Webinar
- Late Starter NI Adjustments
- NHS Internal Payroll Transfer Process
- Full Payment Submission (FPS)
- Payrolling of Benefits in Kind
- View an online payslip
- Produce a P45

Additional information on the above topic areas is also available within:

GOV.UK website
- Further guide to PAYE and National Insurance contributions
- Universal Credits section

ESR Guides
- ESR-NHS0331 ESR Guide to Rehiring Ex-Employees
- ESR-NHS0320 Guide to Payroll Set Up
- ESR-NHS0340 Payroll Processing Guide