

TPD/CFP/26953
23 February 2017

PRIVATE & CONFIDENTIAL

The Directors
Housing Ombudsman Service
150 Aldersgate Street
London
EC1A 4B

Payroll Engagement letter (with BACS)

Dear Sirs

We are pleased to accept the appointment to provide payroll services and are writing to confirm the terms of our engagement.

The purpose of this letter and the enclosed Standard Terms of Business is to set out the basis on which we are to act and to clarify our respective responsibilities. A separate letter will be issued to cover all other work to be undertaken.

We are bound by the code of ethics of The Institute of Chartered Accountants in England and Wales and accept instructions to act for you on the basis that we will act in accordance with those ethical guidelines.

1 Payroll, real time information (RTI) reporting and year end returns

1.1 This engagement will commence with the company's payroll period beginning April 2017.

1.2 We will prepare your UK payroll for each payroll period to meet UK employment tax requirements, specifically:

- Calculating the pay as you earn (PAYE) deductions
- Calculating the employees' National Insurance Contributions (NIC) deductions
- Calculating the employer's NIC liabilities
- Calculating statutory payments, for example Statutory Sick Pay and/or Statutory Maternity Pay
- Calculating other statutory and non statutory deductions.

1.3 We will prepare and send to you the following documents for each payroll period at or before the time of payment:

- Payroll summary report showing the reconciliation from gross to net for each employee and all relevant payroll totals. This summary will also show, where relevant, the other details that will be submitted online to HM Revenue & Customs on or before the employee payment dates – see below.
- Other reporting as agreed with you
- A payslip for each employee unless not required
- A P45 for each leaver
- A report showing your PAYE and NIC liability and due date for payment.

You must let us know, immediately and prior to the employee payment dates and HMRC reporting dates (see below), if you believe any of the data shown in these documents is incorrect.

- 1.4 We will prepare your Full Payment Submission (FPS) reports including all details required and based on the information provided by you. We will submit the FPS reports to HM Revenue & Customs prior to or at the time that employees are paid. Where you have no payments to make to HM Revenue & Customs in a particular month (or the payment you are making to HM Revenue & Customs has been reduced by statutory payments or construction industry scheme deductions suffered), we will prepare and submit the required Employer Payment Summary (EPS). If an error is made with regard to an earlier tax year, an Earlier Year Update (EYU) report may be required.
- 1.5 If you operate within the construction industry you agree to provide us with details of construction industry scheme (CIS) deductions suffered that you wish to offset against your PAYE payments to HM Revenue & Customs (company subcontractors only). This information must be received for each "tax month" (tax months run from the 6th of the calendar month to the 5th of the following calendar month) and by the 19th of the month in which the tax month ends. In addition, if you are a contractor within the construction industry but we are not providing services in regard to the operation of your CIS scheme (see section 2 below), you agree to provide us with details of the CIS deductions you have withheld in each tax month, if you wish us to advise you of the total amount due to HM Revenue & Customs (CIS and PAYE taxes combined).
- 1.6 As you are legally responsible for the accuracy of these returns, you must review the payroll summaries that we send to you and inform us if any of the information that we hold is incorrect:
- If we don't hear from you before the FPS (or EPS) submission date, we will take that as your approval for us to submit the return.
 - If you require us to make a correction after the FPS (or EPS) has been submitted, you will let us know as soon as possible and, ideally, before the next payroll run.
- 1.7 At the time of your final payroll report (FPS or EPS) for each tax year, we will make the necessary declarations and indications to HM Revenue & Customs and liaise with you where any of the information is not available to us. We will subsequently send you form P60 for each employee on the payroll at the year end.
- 1.8 We will deal with and, where necessary, process any adjustments to your payroll communicated to us by HM Revenue & Customs (this may be, for example, updated tax codes and identified National Insurance numbers). [We will provide you with a copy of these communications./Please let us know if you require a copy of such correspondence.]
- 1.9 Where relevant, we will also prepare and send to you for approval the end of year forms E92 and E89 for the 'Regional Employer National Insurance Holiday' in time to meet the statutory due dates. We will then submit the forms with HM Revenue & Customs.
- 1.10 Where required, we will assist you in calculating an employee's weekly exemption limit for childcare benefit purposes.
- 1.11 We will also provide such other taxation ad hoc and advisory services linked to your payroll as may be agreed from time to time. These services may be the subject of a separate engagement letter. Where appropriate we will discuss and agree an additional fee for such work when it is commissioned by you. Examples of such work include:
- dealing with any enquiry opened into the payroll returns by HM Revenue & Customs
 - preparing any amended returns which may be required and corresponding with HM Revenue & Customs as necessary
 - conducting PAYE and benefit health checks.
- 1.12 Where specialist advice is required on occasions we may need to seek this from or refer you to appropriate specialists.

Your responsibilities

- 1.13 You are legally responsible for the accuracy of these returns, You agree us to provide us with complete and accurate information regarding your employees and payments due to them, whether or not tax is to be deducted. It is vital that we are provided with correct and accurate data for each employee **before** their first wages payment is made.

- 1.14 Our payroll team will provide you with specific details of the information we require and when we need to have this information from you. You agree to provide the information they request. You recognise that where information is not provided to us within the timeframe we outline, we are not responsible for any delays for payments to employees or HM Revenue & Customs. Similarly, we are not responsible for any penalties imposed by HM Revenue & Customs.
- 1.15 You will be responsible for managing any childcare scheme operated for the benefit of your employees and for contacting us where you require advice as to available exemption levels.
- 1.16 You will be responsible for completing the checks on a new employee's eligibility to live and work in the UK in accordance with the Government's Code of Practice "Preventing Illegal Working" and section 8 of the Asylum and Immigration Act 1996.
- 1.17 You will be responsible for monitoring the annual leave entitlement of your employees and dealing with all aspects, legal or otherwise, of being an employer. In particular, you will be responsible for ensuring that your workers are paid at least the National Minimum Wage.

P11D benefits for directors/officers and employees earning over £8,500

Where requested by yourselves, we will assist with the preparation of forms P11D.

- 1.18 This engagement will commence with the company's P11D forms for the tax year 2016/17.
- 1.19 We will carry out the following in respect of forms P11D, P9D and P11D(b)
- We will prepare/review forms P11D and P9D as may be required for each employee including directors, from the accounts, information and explanations provided to us on your behalf.
 - We will submit the forms P11D and P9D with the form P11D(b) after the form P11D(b) has been signed by you.
 - We will prepare and send to you the P11D information for you to forward to your employees and directors by the statutory due date.

We will calculate your Class 1A NIC liability on the benefits returned in forms P11D that you are obliged to pay HM Revenue & Customs by the due date and send payment instructions to you as agreed to action payment.

- 1.20 We will also provide such other taxation ad hoc and advisory services in relation to P11D benefits as may be agreed from time to time. These may be the subject of a separate engagement letter. Where appropriate we will discuss and agree an additional fee for such work when it is commissioned by you. Examples of such work include:
- dealing with any enquiry opened into the benefits-in-kind returns by HM Revenue & Customs
 - preparing any amended returns which may be required and corresponding with HM Revenue & Customs as necessary
 - advising on dispensations and PAYE Settlement Arrangements
 - conducting PAYE and benefits health checks.
- 1.21 Where specialist advice is required on occasions we may need to seek this from or refer you to appropriate specialists.
- 1.22 We will be pleased to advise on any other taxation matter referred to us.

Your responsibilities

- 1.23 To avoid penalties, you agree to supply us with complete and accurate details of all benefits and expenses for the tax year (not the accounts year) within 14 days of the end of the tax year.

2 BACS

- 2.1 We will calculate each employee's net salary after appropriate deductions based upon information supplied to us by your nominated payroll contact, in accordance with the statutory tax and national insurance rates appropriate at the time.
- 2.2 We will arrange for payment of employees' salaries using BACS.
- 2.3 We will arrange for payment of PAYE deductions to HMRC using BACS.
- 2.4 We will arrange for payment of pension deduction to your pension provider using BACS.
- 2.5 You will advise us of BACS processing dates at least one month in advance of such dates.

Contingency service

- 2.6 Should our payroll operation be disrupted for any reason, we will provide as full a service as possible via our dedicated disaster recovery site.
- 2.7 We will advise you accordingly, should our services be disrupted to such an extent there is likely to be an adverse effect on the service provided.

Data Delivery

- 2.8 You will advise us of employee's bank account details, name, address, sort code and account number and ensure we are advised of any changes to these details.
- 2.9 Payroll input, i.e. hours worked, changes to bank details, salaries, tax codes, starters and leavers to be delivered to us, via fax, email or post, at least five working days prior to BACS "processing date".
- 2.10 We will provide payslips and reports in an agreed format, and will arrange for these to be delivered via Email or post at least 3 working days prior to BACS "processing date".

Data Verification

- 2.11 Upon receipt of the payroll reports and payslips it is your responsibility to check the processing date and bank details are correct and to verify the payroll details report received is in accordance with the information supplied to us for calculation of the salaries.
- 2.12 It is also your responsibility to check the BACS report to ensure:-
 - The number of transactions equate to the number of staff in employment;
 - The total of value of payments is in line with normal salary cost for a period;
 - The total value of payments does not exceed the limit negotiated with your BACS sponsor;
 - No single payment is exceptional, after taking into account overtime, commission or bonuses;
 - No more than one payment is destined for the same account, except where more than one employee shares a bank account; and
 - Any errors identified on the reports must be reported to us no later than 12 noon on the day of receipt.

2.13 The BACS file will not be transmitted until signed confirmation is received from an authorised signatory.

Cancellation of payments

- 2.14 You will arrange for cancellation of any individual payment by contacting your BACS sponsor.

2.15 If it is necessary to withdraw the whole BACS file, you must advise us before 3pm on input day.

BACS input report

2.16 This report provides details of the payments that have been sent via BACS on your behalf.

- It is your responsibility to collect this report via the BACS payments service website on the morning of processing day and check the details are as per the payroll BACS report, for details on collection of reports visit www.bacs.co.uk.
- If the report is not showing on the website you must contact your BACS sponsor for verification of the BACS transmission.
- You are responsible for dealing with any rejected or adjusted records identified on the report and for advising us of the same.
- You must immediately advise your BACS sponsor, and us, of any errors identified on the Input Report.

2.17 For the purpose of this Service Agreement the following applies:-

- i. BACS Input Day (Day 3) - transmission of BACS file, any withdrawals must be made by 5pm
- ii. BACS Processing Day (Day 2) - BACS process the file, any recalls must be made by 12 noon
- iii. BACS Payment Day (Day1) - Day payment reached employees bank accounts.

3 Subcontractors

3.1 You have not asked us to become involved in operating the Construction Industry Scheme for the subcontractors you engage. However, we can offer advice should you so require.

4 Data Protection

- 4.1 The terms "Data Controller", "Data Processor", "Data Subject", "Process" and "Processing" shall have the meaning prescribed under the DPA.
- 4.2 We shall (and shall ensure that all of our Staff) comply with any applicable registration requirements and notification requirements under the DPA and duly observe all obligations under the DPA which arise in connection with our appointment. We shall perform our obligations under this appointment in such a way as does not cause you to breach any of your obligations under the DPA.
- 4.3 Notwithstanding the general obligation in point 4.2, where we and/or any Staff Process Personal Data as a Data Processor for you we shall:
 - (a) process the Personal Data only in accordance with your instructions (which may be specific instructions or instructions of a general nature) as set out in this appointment or as otherwise notified by you;
 - (b) comply with the Law;
 - (c) process the Personal Data only to the extent; and in such manner as is necessary for the provision of the Contractor's obligations under this Contract, or as is required by Law or any Regulatory Body;
 - (d) implement appropriate technical and organisational measures to protect the Personal Data against unauthorised or unlawful Processing and against accidental loss, destruction, damage, alteration or disclosure. These measures shall be appropriate to the harm which might result from any unauthorised or unlawful Processing, accidental loss, destruction or damage to the Personal Data and having regard to the nature of the Personal Data which is to be protected;

- (e) take reasonable steps to ensure the reliability of Staff who may have access to the Personal Data;
- (f) obtain prior written consent from you prior to any transfer of Personal Data to any sub-contractor for the provision of the Services;
- (g) not cause or permit the Personal Data to be transferred outside of the European Economic Area without your prior Approval which is to have come from your Senior Information Risk Officer (or equivalent) and, where you so Approves such a transfer, comply with:
 - (i) the obligations of a Data Controller under the Eighth Data Protection Principle set out in Schedule 1 of the DPA by providing an adequate level of protection to any Personal Data that is transferred; and
 - (ii) any reasonable instructions notified by yourselves;
- (h) ensure that all Staff required to access the Personal Data are informed of the confidential nature of the Personal Data and comply with the obligations set out in this point;
- (i) ensure that none of the Staff publish disclose or divulge any of the Personal Data to any third parties unless directed in writing to do so by you;
- (j) not disclose Personal Data to any third parties in any circumstances other than with your written Approval or in compliance with a legal obligation imposed upon you;
- (k) notify you (within five Working Days) if it receives:
 - (i) a request from a Data Subject to have access to that person's Personal Data; or
 - (ii) a complaint or request relating to your obligations under the DPA;
- (l) provide you with full cooperation and assistance in relation to any complaint or request made, including by:
 - (i) providing you with full details of the complaint or request;
 - (ii) complying with a subject access request within the relevant timescales set out in the DPA and in accordance with your instructions;
 - (iii) providing you with any Personal Data it holds in relation to a Data Subject (within the timescales required by you); and
 - (iv) providing you with any other information requested by you.
- (m) permit your representative or his/her nominee (subject to reasonable and appropriate confidentiality undertakings), to inspect and audit*, our Processing activities and comply with all reasonable requests or directions by you to enable you to verify and/or procure that we are in full compliance with its obligations under this appointment; and

* Audit

We shall keep and maintain until two years after the Contract has been completed records to the satisfaction of you of all expenditures which are reimbursable by you and of the hours worked and costs incurred in connection with any employees of the Contractor paid for by you on a time charge basis. We shall on request afford your representatives such access to those records as may be required by you in connection with the Contract.
- (n) provide a written description of the technical and organisational methods employed by the Contractor for processing Personal Data (within the timescales required by you).

- 4.4 Where we or any sub-contractor, as part of the Services, Processes Personal Data as a Data Controller, such Personal Data shall have been obtained fairly and lawfully. The Contractor shall ensure that it is able to disclose such Personal Data to you and that the Services are designed in such a way as to ensure that use by you of any such Personal Data obtained in connection with the Services does not breach the provisions of the DPA.
- 4.5 In the event that we or any Staff fail to comply with this point, you may exercise the rights detailed in 4.6.
- 4.6. Default by Contractor
- If the Contractor shall have failed to comply with any terms of the Contract, either in relation to provision of the Services or otherwise, THO shall be entitled (whether or not the Services or any part thereof have been accepted by THO) to avail itself of any of the following remedies at THO's discretion:
- (a) rescind the Contract; or
 - (b) give the Contractor the opportunity to carry out remedial work in respect of the Services at the Contractor's expense so that they comply with the terms of the Contract; or
 - (c) refuse to accept any further performance of the Services and/or terminate the Contract in whole or in part without any liability to the Contractor; or
 - (d) carry out (either itself or using a third party) at the Contractor's expense such work as may be necessary to make the Services comply with the Contract; or
 - (e) claim such damages, costs and expenses as THO may have sustained in consequence of any breach of the terms of the Contract or failure by the Contractor to comply with any statutory or other legal obligations herein specified or implied by law

5 Limitation of liability

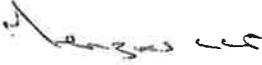
- 5.1 We wish to advise you the extent of our liability to you in respect of the professional services described within this engagement letter (the professional services).
- 5.2 Having considered both your circumstances and our own, we consider that £20,000 represents a fair maximum limit to our liability as a firm in the event of any one claim arising, in respect of the professional services. This maximum total liability includes any claims for loss or damage, however caused, whether in respect of breaches of contract, tort (including negligence) or otherwise in respect of the professional services and shall also include all other related costs including legal fees, interest, etc.
- 5.3 We acknowledge that the limit in respect of our total aggregate liability will not apply to any acts, omissions or representations that are in any way criminal, dishonest or fraudulent on the part of the firm, its partners/directors/members or employees. To confirm our discussions and for the avoidance of doubt we would confirm that the limitation of liability as detailed in section 5.1 and 5.2, will not apply to any penalties/fines arising from a breach in respect of our responsibilities with regard to Data Protection.

6 Agreement of terms

- 6.1 This engagement will start with the period ending on 28 February 2017.
- 6.2 We will also deal with matters arising in earlier years as appropriate.
- 6.3 This letter supersedes any previous engagement letter for the period covered. The terms set out in this letter and our attached Standard Terms of Business (last revised 12 November 2015) shall take effect immediately upon your countersigning this letter and returning it to us. If we are instructed to start work before receiving a signed copy of this letter we will treat that as acceptance of the full terms of this engagement letter, unless we hear from you to the contrary within 30 days of you giving that instruction.

- 6.4 You or we may agree to vary or terminate our authority to act on your behalf at any time without penalty. Notice of variation or termination must be given in writing. In the case of termination, three months written notice must be given by either party.
- 6.5 Once it has been agreed, this letter and the attached Standard Terms of Business will remain effective until they are replaced. We shall be grateful if you could confirm your agreement to these terms by signing the enclosed copy of this letter and returning it to us immediately. If this letter and the attached terms of business are not in accordance with your understanding of our terms of appointment, please let us know.

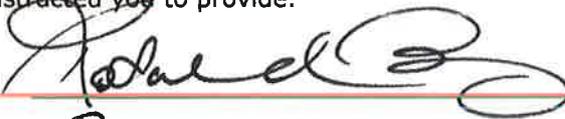
Yours faithfully



Menzies LLP

We confirm that we have read and understood the contents of this letter and the enclosed Standard Terms of Business dated 12 November 2015 and agree that they accurately reflect the services that we have instructed you to provide.

Signed



Date

15/3/17

Signed



Date

For and on behalf of **Housing Ombudsman Service**