Lytham Town Council – Payroll Procedure

Report to: Reference Document
Date: N/A
From: Clerk / Responsible Financial Officer
Agenda Item: N/A
Subject: **Payroll Procedure**

1. Purpose of Report

This document sets out how Lytham Town Council manages the payment of its employee(s), and is annotated to show how each step of the procedure gives effect to the Council's Financial Regulations, Standing Orders, and Counter Fraud and Corruption Strategy. It should be read alongside Financial Regulation 11 (Payment of salaries and allowances) and Appendix 2 (Payroll Provision).

2. Legal Framework

- Local Government Act 1972, Section 151.
- LTC Financial Regulations, Regulation 11.

3. Overview

Payroll at Lytham Town Council is operated as a three-stage process:

1) an external payroll provider carries out the calculations, and then
2) the Clerk/RFO then creates and processes the actual payments, finally
3) two independent Councillors must authorise all online payments prior to them being paid.

The separation of these functions is deliberate. It means the person calculating what should be paid is not the same person who releases the money, or the people who authorise the payments for transmission. This is one of the most basic and effective controls a small council can put in place.

4. Process steps in greater detail

Stage One: External Payroll Calculation

The Council has appointed an external payroll provider, Carter & Co Ltd (based in Leicester), by means of resolution to carry out the technical payroll calculations each month. Carter & Co Ltd are contracted to provide the calculation and administration service; they do not handle or process any of the actual payroll monies themselves, and are paid a separate fee for their services (see Section 6). Carter & Co Ltd calculate:

- Gross and net pay for each employee;
- Employee and employer pension contributions to the Lancashire County Pension Fund;
- Income tax and National Insurance contributions (both employee and employer) required under HMRC rules;
- The relevant monthly payslip;
- End-of-year documentation, including the P60.

Carter & Co send the completed payslip to the Clerk/RFO each month, which forms the basis for the payments generated at Stage Two.

Stage Two: Payment generation
Using the figures supplied by Carter & Co Ltd, the Clerk/RFO sets up the required payments through the Council's online banking portal. This covers payments to HMRC (for tax and National Insurance [employee and employer elements) and to the Clerk/RFO as the employee by way of the Net Salary.

Stage Three: Payment authorisation
Every online payment, including payroll payments, must be independently authorised by two councillors before it is released. This applies without exception, including where the payment is the Clerk/RFO's own salary.

5. Pension Contributions
To ensure compliance with the legislative requirements, the Clerk/RFO updates the relevant pension calculations received from Carter & Co Ltd within the Lancashire County Pension Fund portal each month. Pension contributions are then collected by direct debit directly from the Council's bank account, rather than being paid manually alongside salary.

6. How the Payroll Provider was appointed
Following the appointment of the Clerk/RFO in September 2025, one of the first practical issues identified was how the Council would calculate and administer pension contributions correctly.
Following research, there was no straightforward or free way to do this that would adequately protect the Council from loss or criticism, or protect the Clerk/RFO from any suggestion of error or impropriety in administering their own pay.

A decision paper was brought to Council on 29 October 2025 (agenda item 7(5)), setting out three payroll providers researched by the Clerk/RFO and a recommended option.

The Clerk/RFO declared an interest in the report, given the payroll arrangement would include administration of their own salary.

The recommendation was made with reference to the Local Government Act 1972, Schedule 12A, which governs the categorisation of information as exempt for the purposes of publication, given the report compared confidential commercial quotations.

The motion was moved, seconded, and agreed unanimously by Council, appointing Carter & Co Ltd as the Council's payroll provider.

7. Fees
Carter & Co charge a fee for the provision of payroll services, which is included within the Council's annual budget and is coded specifically for this use. There is a definition legal power[1] covering this expenditure.

This fee covers the calculation, administration and reporting service only.

Carter & Co Ltd do not handle, hold or transmit any of the salary, tax, National Insurance or pension monies themselves.

These payments are made directly from the Council's own bank account by the Clerk/RFO, using the figures Carter & Co Ltd provide, and subject to the two-signatory authorisation set out in Section 3 and Step 3.

[1] Local Government Act 1972, s.151

8. Summary of Controls

Risk	Control	Regulation
Clerk/RFO calculating or influencing their own pay	Calculations carried out independently by an external, competent provider (Carter & Co Ltd)	FR 11.10, Appendix 2
Unauthorised or erroneous payment released	Two councillor authorisations required for every online payment, with no signatory able to approve a payment to themselves	FR 7.1, 7.2, 7.7
Missed or duplicated pension payment	Pension contributions collected by direct debit rather than manual payment	FR 7.10
Provider appointed without proper scrutiny or value for money	Three quotations obtained and compared in a report to full Council, with the decision made by resolution	FR Appendix 2, cl.3
Conflict of interest in appointing a provider who administers the Clerk/RFO's own salary	Declaration of interest made in the decision report to Council	FR Appendix 2, cl.3(e)
Loss of funds in transit via a third-party provider	Carter & Co Ltd calculate and administer only; all salary, tax and pension monies are paid directly from the Council's own bank account, never through the provider	FR 11.10

Prepared by Luke Russell, Clerk & Responsible Financial Officer, Lytham Town Council.

Signed:

C-RFO

Luke Russell
Clerk
14th August 2026