Guide to paying members of the public for Patient and Public Involvement (PPI) in research and other non-research related Ad Hoc Services

Introduction

1. There are three main reasons for the increasing number of payments to lay persons involved in research failing to the conditions for tax exemption available where a lay person acts as a Volunteer on research related activities:
   a) The increase in Patient and Public Involvement ("PPI") in University research;
   b) The wider range of activities undertaken by lay members in support of research activities; and
   c) The higher level of payments that grant funding bodies suggest should be made to participants.

2. However the level of payment and activity in these cases does not always warrant the full University process for engaging self-employed individuals. To manage payments more efficiently to individuals who are engaged under PPI initiatives, or who provide ad-hoc services not necessarily related to research, the University has introduced a "Short Contract" payment route.

3. This process can be used to pay individuals in limited circumstances as vendors and via the Payments Team in the Finance Department.
   a) The process recognises the individuals are self-employed service providers;
   b) The engagement is recorded by signature of a formal, shortened, agreement for services ("Short Contract");
   c) The Short Contract confirms the University does not consider the individual to be an employee, and notifies the individual that disclosure of the payments for tax purposes is their personal responsibility; and
   d) The process generates payment for services delivered, without tax or NIC deductions at source, through the Payments Team as a vendor, subject to providing the relevant documents and references.

4. It is important to understand the relationship between the University and the individual is one of customer and external service provider (Vendor.) This shortened route to paying a vendor recognises the nature and level of activity and the lower level of payments made compared to the full Agreement for Services and Vendor routes. The standard process provides levels of governance and risk management that are not appropriate in the circumstances set out in this FAN.
5. If you are not clear that the vendor relationship properly reflects the circumstances, you should review this using the HR guidance on contractual relationships below.

**SHORT CONTRACT PAYMENT PROCESS**

**Nature of activities**

6. The type of activity for which the Short Contract process can be used would typically be research related activities and other ad-hoc services (not necessarily related to research.) It will **not** apply to all research related activities and it **must not be used** where there is an employment relationship.

**Confirmation of the relationship**

7. As with any engagement, before the University can pay an individual the nature of the relationship between the parties must be confirmed according to the published guidance on the University Finance and HR web sites:

   a) **HR website – Contractual Relationships at the University of Sheffield**
      This guidance must be followed to decide the nature of the relationship as an employee, worker or self-employed person.
      [http://www.sheffield.ac.uk/hr/guidance/contracts/contractualrelationships/principles](http://www.sheffield.ac.uk/hr/guidance/contracts/contractualrelationships/principles)

   b) **Financial Advice Note (“FAN”) - “Paying Individuals, or organisations, for services they have provided”**
      The decision made using the HR guidance above drives the payment route through Payroll or as a Vendor through the Payments Team.
      [http://www.sheffield.ac.uk/finance/staff-information/howfinanceworks/fan_az_index](http://www.sheffield.ac.uk/finance/staff-information/howfinanceworks/fan_az_index)

**Research Volunteers**

8. If you have decided the individual is not an employee or a worker (both of whom must be paid via Payroll) consider if they are a Research “Volunteer” (categories 1 and 2 in the attached table (“SC 01 Short Contract Categories of activities 170316”), in which case they can be paid tax free (usually in cash or vouchers.)

9. The link below is to HMRC’s guidance on “Research volunteers, lay participants and participants in clinical trials”. This will help when making the decision that the individual is or is not a “Volunteer” within categories 1 and 2 in the table.

**Provider of ad hoc services (research related or otherwise)**

10. If the individual is not within the HMRC tax exemption as a Research Volunteer then refer to the attached table for the categories of activities that arise in relation to University research or other ad hoc services. Once you have decided which category of activity is being undertaken the appropriate payment route must be followed.

**Conditions for Short Contract payment process**

11. The Short Contract process can only be used where the following are all present:
   a) The individual is not an employee or casual worker (as defined in the HR guidance);
   b) The individual falls in the category of a “Self Employed, Independent Contractor, Consultant” (as defined by the HR guidance); and
   c) The individual is providing ad hoc services; and
   d) Total payment for the engagement will be less than £1,000 in any year; and
   e) The level of activity / services and the fees payable above do not warrant signature of the full length Agreement for Services on the HR website above.
Steps to Payment under a Short Contract

12. Follow the steps below to generate the payment due under a Short Contract:

A. Make the decision on the nature of the engagement using the HR guidance.
   http://www.sheffield.ac.uk/hr/guidance/contracts/contractualrelationships/principles

B. If the activity is research related but not as an employee, review the nature of the activity using the guidance in the FAN (link above) and the table attached to decide if they are a Research Volunteer.
   (i) Use the HMRC / BUFDG guidance to decide if they are a Research Volunteer being paid a small, tax free sum for participation in research;
   (ii) If a Research Volunteer (Categories 1 and 2) contact the Income Office and arrange payment through the Cash Advance route.

C. If not an employee or Volunteer does the activity meet all five conditions at 11 above?
   (This will usually be because the activity is PPI related or ad hoc services such as translation services)

D. For each individual engaged, the department should complete a template Short Contract (“SC 02 Template Ad Hoc Service Contract 170316”) with the relevant details of the Service Provider.

E. The Department sends the draft contract by email to Scott Graham in the Tax Team at tax@sheffield.ac.uk

F. The Tax Team will:
   (i) Provide a unique Short Contract reference number for each draft contract;
   (ii) Enter this on the draft contract; and
   (iii) Return the updated Short Contract (word document) to the Department.

G. The Department will:
   (i) Arrange for signature of the referenced contract by the individual Service Provider and the authorised signatory for the Department.
   (ii) Check the individual does not already have a Vendor number set up.

H. The signed contract is:
   (i) Check the individual does already have a Vendor number
   (ii) Sent by email to Matt Colbourne, Head of the Payments Team (copied to the Tax Team)
   (iii) At m.colbourne@sheffield.ac.uk
   (iv) Use email title: “Short Contract Vendor Reference”
   NOTE: Do not include any wording in the body of the email. If there is anything that you need to discuss please call Payments or the Tax Team.

I. Payments Team allocates a unique Vendor Reference to the individual and notifies the Department contact by email.

J. The event happens / service is provided:

   (i) Department and Service Provider complete the Short Contract Payment Form (“SC 04 Template Short Contract Payment Form 170316”):
• Both the Tax Contract Reference and the Payments Team Vendor reference MUST be shown in the relevant boxes on the Payment Form.
• The Short Contract Payment form must be signed by the Department authorising signatory and the Service Provider (as per the Short Contract.)

K. A scanned version of the completed, signed, dated Short Contract Payment form is:
   (i) Sent by email to Matt Colbourne;
   (ii) At m.colbourne@sheffield.ac.uk
   (iii) Use email title “Short Contract Payment Form”
       NOTE: Do not include any wording in the body of the email. If there is anything that you need to discuss please call Payments or the Tax Team.

L. The Payments Team will process the payment direct to the Service Provider’s bank account as detailed on the Short Contract used to set up the vendor.
   (i) If there is a change to bank account details since signature of the Short Contract (which requests bank details) the relevant box must be checked on the Short Contract Payment form and
   (ii) Form “SC 05 Template Change of Personal Bank Details 170316” must be sent to Matt with the Short Contract Payment form.
   (iii) Payments will amend the vendor bank details and make payment according to the Short Contract Payment Form.

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<thead>
<tr>
<th>APPROVAL AND AUTHORISATION OF SHORT CONTRACTS AND PAYMENTS</th>
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<tr>
<td>Departments should ensure they follow their own internal authorisation processes for engaging people; approving budget spending; and any other approvals needed to document the engagement for the purposes for research budgets and payments.</td>
</tr>
<tr>
<td>• You should specifically note that Payments will not verify the signature on a Short Contract or on a Short Contract Payment form;</td>
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<tr>
<td>• It is assumed that signatures have been checked and authorised correctly by each Department as part of their management of this process; and</td>
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<tr>
<td>• That any signatory to either form is authorised by the Head of Department and the PI to sign the documents</td>
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INDEX TO TEMPLATE DOCUMENTS

1. **SC 01 Short Contract Categories of activities**  
   Information to support the decision to follow the Short Contract payment process rather than treat the individual as a research Volunteer (payment tax free and usually in cash.)

2. **SC 02 Template Ad Hoc Service Contract**  
   Standard contract to engage an individual who provides ad hoc services to research projects but who cannot be paid free of tax because the amount is more than simple compensation and is payment for work done/services provided.

3. **SC 03 Template Attendance record**  
   A template attendance and signature record. (This has not been discussed in detail but is available for use if required.)

4. **SC 04 Template Short Contract Payment Form (excel doc)**  
   Form to be used to generate a payment due under the terms of a Short Contract through Payments. This is in effect a proxy for the usual invoice expected from a vendor to generate payment for services.

5. **SC 05 Template Change of Personal Bank Details**  
   Form for use where there has been a change in the bank details set out on the original Short Contract (SC 02 above) since this was used to set up the unique vendor number.

   This is sent to Payments with the Short Contract Payment Form where the box on the latter has been ticked to confirm a change in the bank details.