

Holiday Pay Adjustment Modifications

TEMPLACMS

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COMMERCIAL STATEMENT

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INTRODUCTION

Due to legislative changes regarding the calculation of holiday rates within the UK, TemplaCMS V6.1 has been modified to provide a simple method for calculating the required payments and completing timesheets, which will also require some configuration changes.

Holiday pay adjustment configurations can now be set up with user configurable holiday rules per datasource, allowing a number of reference weeks to be defined (e.g. 52 as per the new HMRC legislation) and how individual cost types should be assessed within those weeks. Each configuration can then be assigned to one or more payroll datasources. When timesheets are entered, the rate for each day's holiday is then calculated based on the defined holiday pay adjustment configuration.

When configured, this calculation is also used in:

- Leavers holiday pay
- Holiday monitoring
- Unused holiday accrual

For further details, visit this [link](#).

HOLIDAY PAY ADJUSTMENT SETUP

The following three areas detail the initial setup for Holiday Pay Adjustment (HPA):

Holiday Pay Adjustment Configurations

This new process allows the creation of one or more Holiday Pay Adjustment (HPA) configurations.

The screenshot shows a web-based configuration form titled "Holiday Pay Adjustment Configuration Details - Test". The form has a navigation bar at the top with "Close", "Previous", "Next", and "Save" buttons. Below this is a "General" tab, with "Cost Types" and "Dates" tabs also visible. The "General" tab contains the following fields and options:

- Code:** Text input field containing "Example".
- Description:** Text input field containing "Example".
- Holiday ref. period:** Text input field containing "52" with "(weeks)" next to it.
- Apply consistency across weeks?:** Checked checkbox.
- Week start day:** Dropdown menu set to "Sunday".
- Split costs to contributing sites?:** Checked checkbox.
- Split cost cost type:** Text input field containing "Holiday adjustment".
- Calculate within single site?:** Unchecked checkbox.
- Suppress on BH pay?:** Checked checkbox.
- Apply cover to primary site only?:** Checked checkbox.
- Allow rate reduction?:** Checked checkbox.
- Max reduction %:** Text input field containing "25.00%".
- Create item date drill down data?:** Checked checkbox.

Holiday Reference Period - This is normally set to 52 weeks, which means that, due to the fact an employee can work a week on and a week off, TemplaCMS will check back over the previous 104 weeks; to facilitate this, a new table has been introduced to keep employee/cost type/date level totals - this table will be automatically built for all prior pay run batches for the last two years overnight (via the Batch Queue) on the day these modifications are installed, which could take some time.

Apply consistency across weeks? - If checked, this ensures that consecutive holiday days (even where these days span two pay runs) are given the same holiday rate.

Week Start Day - HMRC generally regards a week as starting on a Sunday, however they do allow flexibility in this. If your pay period starts on a different day of the week then it recommended that you align the HPA configuration with this, as it will be easier to justify the resulting calculations if the weeks are in line.

Split costs to contributing sites? – Will reallocate the cost of holiday pay to all sites that the HPA has been calculated from via a journal when the payrun batch is posted.

Split cost cost type – The cost type which will be used for the above.

Caluclaute within single site? – Where an employee is contracted on multiple sites but does cover on other sites to which they are not contracted, HPA calculations will use the cover for calculations across all sites.

Supress on BH pay? – Use standard contracted rate for all bank holidays rather than HPA calculated rate.

Apply cover to primary site only? – Where an employee is contracted on multiple sites but does cover on other sites to which they are not contracted, HPA calculations only consider the cover work once, against the employee’s primary site.

Allow rate reduction? – When enabled, and the HPA rate for a day is calculated as less than the employee’s usual holiday rate for the day, the percentage difference in the rate reduction is compared to the max allowed reduction percentage (below). If within tolerance, the employee’s holiday rate will be reduced.

Max reduction % – The maximum percentage allowed for the above to be applied.

Create item date drill down data – When this HPA configuration option is selected and HPA data is calculated on timesheets, drill down data will be stored on the HPA log details of all timesheet items used in the calculation. With the data captured, a new drill down option from the HPA log allows access to these details, letting the user justify the calculated holiday pay rate. Drill down back to the source timesheet is available from the drill down details.

On the **Cost Types** tab, a list of all payroll cost types allows the user to determine whether or not to include them within the HPA calculation.

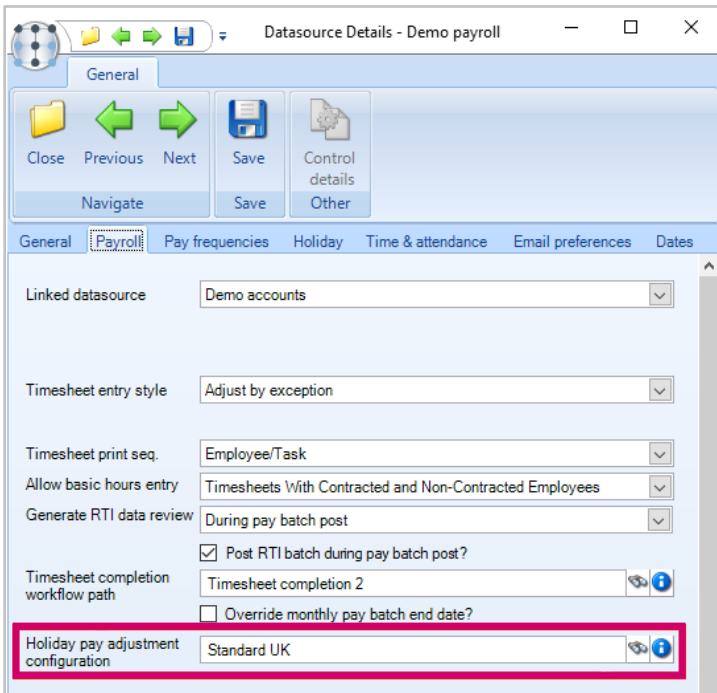
Payroll cost type	Include?	Number or weeks req.
a	Include	3
Absence Adjustment	Include	1
Accrued holiday (leaver)	Include	1
ANALYSISCODES	Include	1
Annualised pay (paid abs)	Exclude	0
Bank Holiday	Exclude	0
Bank holiday (extra)	Exclude	0
Basic Pay.	Include	1
Brought Forward	Exclude	0
Carry Forward	Exclude	0
Company sick pay	Exclude	0
Compassionate leave	Exclude	0
Cover Absence Pay	Exclude	0
Cover Holiday Pay	Exclude	0
Cover Pay	Include	1

For each cost type included, the user can also optionally specify the minimum number of working weeks within the reference period in which the payment must occur to be regarded as regular.

Note: The types of pay to include are not mandated by the government but decided upon by the business’s interpretation of the guidance. This interpretation may change over time. In this scenario, it is recommended that new configurations be created (named appropriately) and the originals be preserved for reference. In this way, the new configurations can be rolled out across the payrolls (see below) in a deliberate/controlled manner that does not result in definitions changing mid-period, with the ensuing inability to justify the calculations.

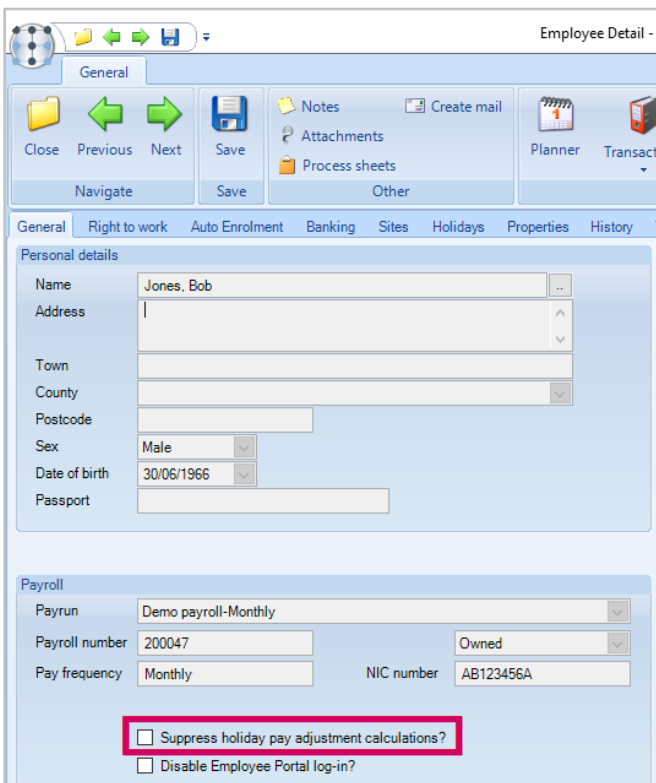
Datasources

Payroll datasources now allow the optional selection of the HPA configuration to be used. This is optional as some payrolls may contain entirely fixed hours salaried staff to which HPA does not apply.



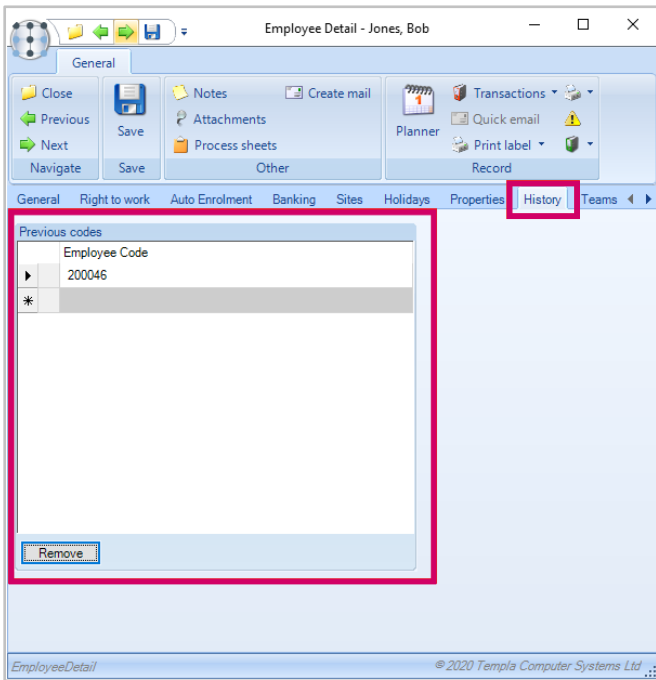
Employees

While omitting the HPA configuration from a data source will disable the process for the entire payroll, there may be instances where specific employees should not apply HPA, while others in the same payroll should. As such, a new *Suppress holiday pay adjustment calculations?* setting has been added for employees.



Where an employee ceased employment for a period but then returns, their previous employment history is NOT relevant to HPA. However, on occasion, employees may change code (i.e. moving between payrolls), and in this case, the history on their

prior code will be relevant to HPA. To accommodate this, the new **History** tab on Employee Details allows a list of previous employee codes to be entered against employees.



Note:

- There is no validation against entered employee codes.
- The employee code history linking is currently only used within HPA calculations.

HOLIDAY PAY ADJUSTMENT PROCESS

Timesheet Entry

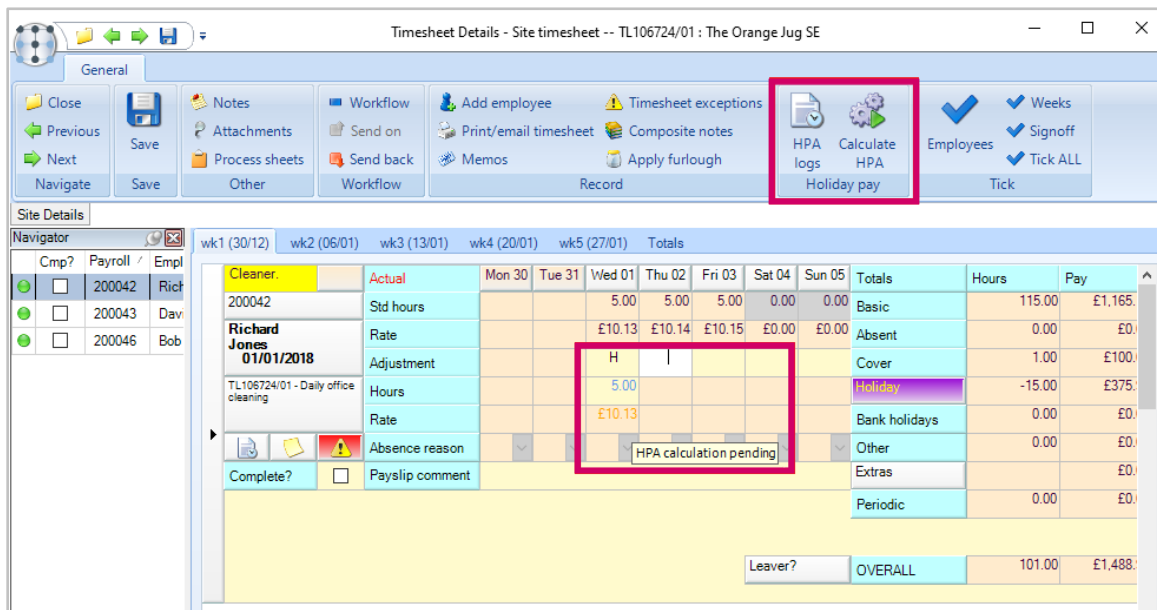
During timesheet entry for payrolls with an HPA configuration defined, and with the employee not set to suppress HPA calculations, each H or BH timesheet adjustment will need to have its rate assessed.

Given the length of the reference period, the volume of data that would need to be processed is potentially significant. As such, any H or BH adjustment rate is initially assigned the standard contracted rate (as now), with the rate highlighted in orange to indicate that an HPA calculation is pending.

When the **Calculate HPA** button on the toolbar is manually pressed, the calculation will then be made, and the following occurs:

- The timesheet is saved
- Leavers holiday pay is calculated
- The pay batch is posted (when rates are recalculated to ensure they are correct)

The process of calculating HPA generates HPA logs, i.e. week-by-week details of the qualifying pay and the averaging applied. The user can view the HPA Logs (as shown below) via a new **HPA logs** toolbar button.



HPA TIMESHEET CALCULATION

The first step of the calculation requires the identification of the reference period relevant to the holiday entry. How this is determined depends on the working pattern of the employee, when they joined, and whether consistency is required across contiguous weeks of holiday.

Reference period – Working from the week (i.e. based on the defined HPA configuration *Week Start Day*) of the first timesheet item, the preceding 52 weeks (i.e., the *Holiday reference period* as defined on the HPA configuration) in which hours were recorded for this employee and site will be identified. Where an employee has full week gaps in their history the reference period may therefore extend beyond 52 weeks into the past, though will not contain more than 52 weeks of information. Where an employee has less than 52 weeks of history, the process will use as much as is available.

Holiday period – If an employee takes multiple days of holiday within a single week, the reference period would be the same, and hence the resulting HPA rate would be the same for each. If holiday occurs across two or more contiguous weeks, the reference period would be different and therefore the HPA rate could differ. Where there is a gap in the holidays, such as Thursday in week 1, and Tuesday in week 2, this is justifiable. However, where holiday is taken from Thursday/Friday in week 1 to Monday/Tuesday in week 2 then this could be deemed to be one single period of holiday, and as such would be more easily justified if it were to use the same reference period and therefore the same rate. The government guidance is unclear on how this should be handled and, as such, TemplaCMS allows the decision as to whether to set *Apply consistency across weeks?* on the HPA configuration (as above).

Qualifying pay – This will include all pay related to the contracted site where holiday has been entered, plus all pay on all other non-contracted sites (i.e. where an employee has been added as a single period joiner) and will comprise all pay where the relevant cost types have been flagged as *Include* on the HPA configuration.

From the identified weeks in the reference period, the qualifying pay for the employee for those payroll cost types included on the HPA configuration will be summed per week on the relevant sites (i.e., the site on which the holiday is taken or other non-contracted sites where the employee has been added as single period joiner) and taking into account that some cost types may be present but not meet the (*Minimum*) *Number of working weeks required* so may not be included, but (from 2020.04a) also ignoring any sites if an accrual-based holiday method is assigned.

HPA TIMESHEET CALCULATION EXAMPLE

If an employee contracted to work at sites A and B, but does additional work within the reference period at sites C, D and E will have HPA calculated as follows:

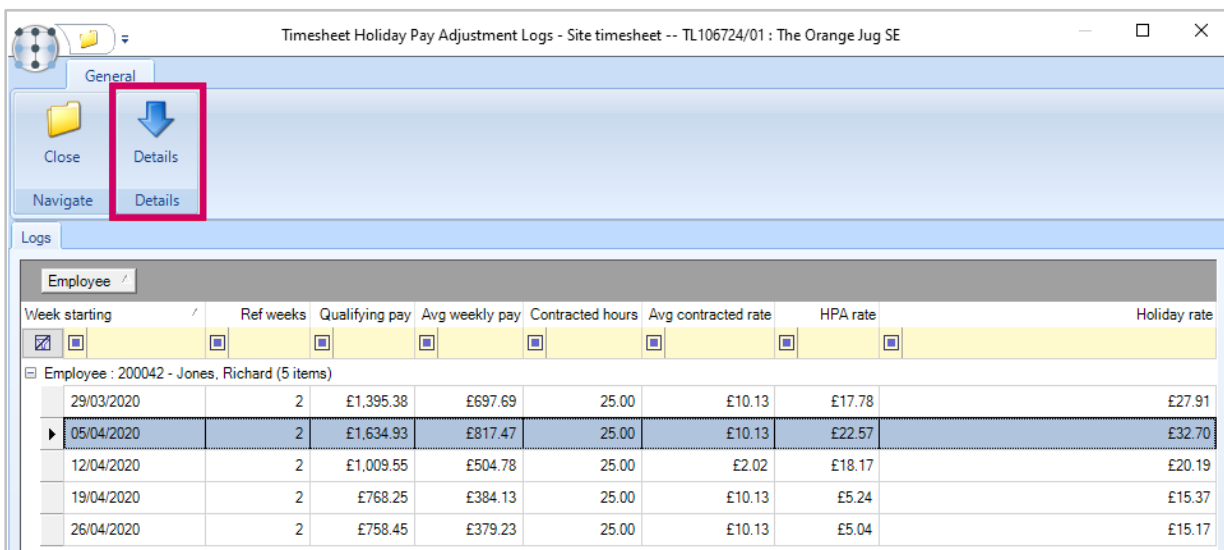
- When taking holiday from site A, using qualifying pay on sites A, C, D and E
- When taking holiday from site B, using qualifying pay on sites B, C, D and E

NB: this therefore means where an employee is contracted on more than one site, other contracted sites' pay will not affect the HPA calculation.

From the per week total Qualifying pay, an Avg weekly pay will be calculated, which will then be divided by the employee's current Contracted hours per week, in order to determine the Holiday rate, accounting for an average of their additional non-contracted work, with the variance to the Avg contracted rate noted in the HPA rate column. This Holiday rate will then be used as the rate at which to pay the holiday/bank holiday adjustment but only where the calculated rate exceeds the contracted rate (i.e. HPA will never result in a reduced hourly rate for holiday). Furthermore, where the Holiday rate varies over contiguous holiday days within a single reference period, the earliest dated Holiday rate will be used.

Note: It will not be possible to override the calculated rate, however where a rate has been manually entered on a timesheet (before calculating HPA) this rate will not be overridden by the calculation.

To justify the calculations, summary details are displayed on a new HPA log screen, which is accessible from within the timesheet (for users who do not have restricted access to values), which will include a **Details** option when a row has been selected.

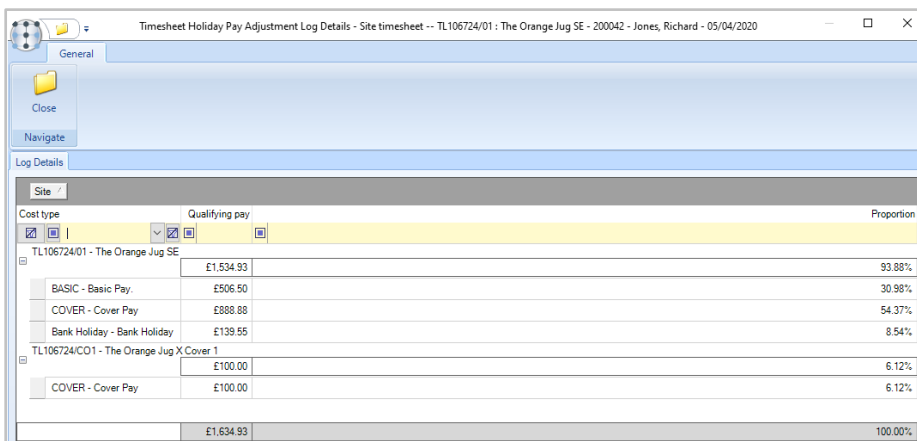


The screenshot shows a software window titled "Timesheet Holiday Pay Adjustment Logs - Site timesheet -- TL106724/01 : The Orange Jug SE". It features a "General" tab with a "Details" button highlighted by a red box. Below the tab is a "Logs" section containing a table with columns: "Week starting", "Ref weeks", "Qualifying pay", "Avg weekly pay", "Contracted hours", "Avg contracted rate", "HPA rate", and "Holiday rate". The table lists five items for employee "200042 - Jones, Richard".

Week starting	Ref weeks	Qualifying pay	Avg weekly pay	Contracted hours	Avg contracted rate	HPA rate	Holiday rate
29/03/2020	2	£1,395.38	£697.69	25.00	£10.13	£17.78	£27.91
05/04/2020	2	£1,634.93	£817.47	25.00	£10.13	£22.57	£32.70
12/04/2020	2	£1,009.55	£504.78	25.00	£2.02	£18.17	£20.19
19/04/2020	2	£768.25	£384.13	25.00	£10.13	£5.24	£15.37
26/04/2020	2	£758.45	£379.23	25.00	£10.13	£5.04	£15.17

Drill down via the **Details** button, or double-clicking a row, displays a **Timesheet Holiday Pay Adjustment Log Details** screen, showing the qualifying pay at site and cost type level, along with the proportion of the total value shown as a percentage.

Filtering and grouping on this grid is possible.



The screenshot shows a software window titled "Timesheet Holiday Pay Adjustment Log Details - Site timesheet -- TL106724/01 : The Orange Jug SE - 200042 - Jones, Richard - 05/04/2020". It features a "Log Details" section with a table showing the breakdown of qualifying pay by site and cost type.

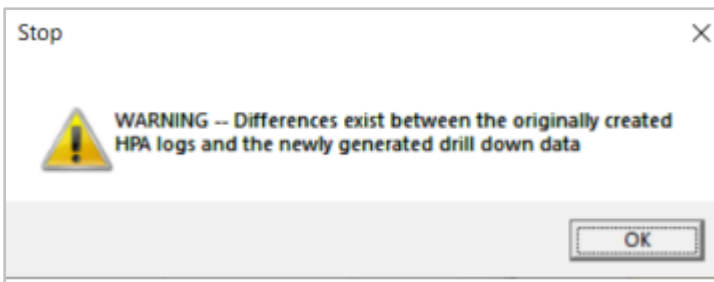
Site	Cost type	Qualifying pay	Proportion
TL106724/01 - The Orange Jug SE		£1,534.93	93.88%
	BASIC - Basic Pay	£506.50	30.98%
	COVER - Cover Pay	£888.88	54.37%
	Bank Holiday - Bank Holiday	£139.55	8.54%
TL106724/01 - The Orange Jug X Cover 1		£100.00	6.12%
	COVER - Cover Pay	£100.00	6.12%
		£1,634.93	100.00%

Note: Upon installation, drill down may not be available on all HPA logs until HPA calculation has taken place on a timesheet.

When the *Create item date drill down data?* option is selected from the HPA log, it allows access to these details, letting the user justify the calculated holiday pay rate. Drill down back to the source timesheet is available from the drill down details.

Pay batch id	Site	Cost type	Item date	Qualifying pay
589	VIK001/01 - Viking Funer	ABS_ADJ - Absence	01/01/2021	-£180.00
589	VIK001/01 - Viking Funer	ABS_ADJ - Absence	11/01/2021	-£180.00
589	VIK001/01 - Viking Funer	ABS_ADJ - Absence	12/01/2021	-£180.00
589	VIK001/01 - Viking Funer	ABS_ADJ - Absence	13/01/2021	-£180.00
589	VIK001/01 - Viking Funer	ABS_ADJ - Absence	14/01/2021	-£90.00
589	VIK001/01 - Viking Funer	ABS_ADJ - Absence	15/01/2021	-£180.00
590	VIK001/01 - Viking Funer	ABS_ADJ - Absence	31/03/2021	-£180.00
				-£1.170.00

For timesheets posted prior to item drill down data being created in the HPA calculations, a new taskbar option on the HPA logs on a second Calculate ribbon is available for Generate posted drill down data. When taken, a regenerate of HPA calculations is made on an in-memory copy of the timesheet. Should there be any differences between the newly generated data and the originally generated data, for example, due to changes in the HPA configuration, the user is prompted with a warning.



A new HPA logs window is then launched with the timesheet copy's logs, allowing access to the drill down details. As all calculations are made with an in-memory copy of the timesheet, no changes due to the recalculation are saved on the timesheet itself, including the generated drill down data.

Leavers Holiday Pay

The existing leavers holiday pay process has been extended to apply the HPA calculation for any outstanding holiday pro-rata balance at the point of generating leavers pay, whereupon it uses the week start date of the HPA configuration *Week start day* preceding the employee leaving date. As the timesheet is not directly accessible from the leavers holiday pay calculations, new optional columns have been added so that the HPA calculations can be seen directly on the grid.

daily rate	Qty to pay	Payslip comment	HPA week start date	HPA ref weeks	HPA qual pay	HPA contr. hours	HPA avg contr. rate	HPA hol rate	HPA adj. rate
£150.00	0.33		19/01/2020 00:00	2	£750.00	25.00	£10.00	£30.00	£20.00
£14.83	20.64		29/12/2019 00:00	2	£0.00	12.50	£5.89	£0.00	£0.00

Holiday Monitoring

The holiday monitoring valuation process now applies the HPA calculation to employees where relevant, using the week start date of the HPA configuration week start day preceding the employee leaving date. Within UK holiday calculations, the daily rate for valuation is calculated as the HPA log average weekly pay divided by the number of days the employee is contracted for within the given week. As the timesheet is not accessible from the holiday pay monitoring list, new optional columns have been added so the HPA calculations can be seen directly on the grid.

Balance value	Pro-rata bal value	HPA week sta	HPA ref	HPA qual pay	HPA avg week pa	HPA contr. hours	HPA co	HPA avg contr. rat	HPA hol rate	HPA adj. rate	
0.00	-30.7	29/03/2020	0	2	1,395.38	697.69	25.00	5	10.13	27.91	17.78
330.00	317.9	29/03/2020	0	2	550.00	275.00	25.00	5	11.00	11.00	0.00
300.00	289.0	29/03/2020	0	2	500.00	250.00	25.00	5	10.00	10.00	0.00
300.00	289.0	29/03/2020	0	2	500.00	250.00	25.00	5	10.00	10.00	0.00
100.00	100.0			0	0.00	0.00	0.00	0	0.00	0.00	0.00
200.00	188.5	29/03/2020	0	2	500.00	250.00	25.00	5	10.00	10.00	0.00
50.00	43.5	29/03/2020	0	2	500.00	250.00	25.00	5	10.00	10.00	0.00

Unused Holiday Accruals

The unused holiday accruals process now applies the HPA calculation to employees where relevant, using the week start date of the HPA configuration *Week start day* preceding the accrual batch date.

The source text on the holiday accruals has been extended to display the HPA calculations for transparency.

Batch: batch 594 - accruals for Demo accounts period 2019/12
 Cost type: Holiday Pay
 Site: The Orange Jug SE
 Task type: Daily office cleaning
 Financial period: 2019 / 12
 Accrual value: £1,377.36
 Text: Actual for 31/03/2020 to 31/03/2020

Source:

Employee: 200042 - Jones, Richard Value: £802.36 Pro-rata balance: 5.75 HPA Week start: 29/03/2020 Ref weeks: 2 Qual pay: £1,395.38 Avg week pay: £697.69 Contr. hours: 25 Contr. days: 5 Contr. rate: £10.13 Hol rate: £27.91 Hol adj: £17.78
Employee: 200043 - Jones, David Value: £287.50 Pro-rata balance: 5.75 HPA Week start: 29/03/2020 Ref weeks: 2 Qual pay: £500.00 Avg week pay: £250.00 Contr. hours: 25 Contr. days: 5 Contr. rate: £10.00 Hol rate: £10.00 Hol adj: £0.00
Employee: 200046 - Jones, Bob Value: £100.00 Pro-rata balance: 2 HPA Week start: 01/01/0001 Ref weeks: 0 Qual pay: £0.00 Avg week pay: £0.00 Contr. hours: 0 Contr. days: 0 Contr. rate: £0.00 Hol rate: £0.00 Hol adj: £0.00
Employee: 200047 - Jones, Bob Value: £187.50 Pro-rata balance: 3.75 HPA Week start: 29/03/2020 Ref weeks: 2 Qual pay: £500.00 Avg week pay: £250.00 Contr. hours: 25 Contr. days: 5 Contr. rate: £10.00 Hol rate: £10.00 Hol adj: £0.00

Note:

- In the new holiday accrual adjustment batch process, the adjustment (or not) is based on valuation of o/s holiday, so if the valuation changes, it will adjust; as such, the fact that it's an HPA valuation rather than a simple contracted rate does not matter.
- The new HPA calculation should not be activated until the holiday accruals up to March 2020 have been processed as HPA legislation is active from 1st April 2020, yet there is no check within the software against this date.



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