

# Shaw Trust Direct Payments Support Services

## Information Sheet 11: Managing your Finances

### Sheet Outline:

- Start-up and on-going budgeting
- Setting up as an employer with the Inland Revenue
- Opening a Direct Payments Bank Account
- Paying your bills and finding a payroll service
- Completing financial returns
- A quick list of financial 'Do's and Don'ts'

### Outcome:

- To increase understanding of how to manage Direct Payment finances

### Start-up and On-going Budgeting

The money you receive is for providing support for you to lead an independent and inclusive life as directed by the Care Plan drawn up by your local social services.

You must use your Direct Payment for legitimate purposes. You can use your direct payment:

- For start-up expenses such as recruiting and training staff (e.g. adverts, postage, stationery and administration costs, CRB checks, training etc).
- To pay an agency to provide your support.
- To pay for holidays and sickness and give enhanced payments for weekends, bank holidays and live-in fees.
- To fund emergency support.
- To pay for payroll services, employer's tax and national insurance costs and other associated expenses.
- To pay for general administration costs.

Therefore the amount you pay your PA is **lower** than the hourly rate you receive.

***Speak to your Support Officer for further information and guidance with start-up and on-going budgeting***

## Setting up as an Employer with the Inland Revenue

Until recently, new employers or their agents (including payroll bureaux and other intermediaries) wishing to register with HMRC for a new employer PAYE scheme needed to telephone the HMRC New Employer Helpline on 0845 6 070 143

Following a successful pilot, HMRC has now made available an online facility for new employers and agents to provide new employer registration details to request a PAYE scheme to be opened. This can be accessed via the HMRC website at: <http://www.hmrc.gov.uk/employers/new-emp-email.htm>

HMRC will issue an acknowledgement email to all online new employer registration details received. Following successful processing of the details, the new employer PAYE and Accounts Office reference numbers will be issued by post, usually within 3 working days. A Starter Pack will also be issued too, if requested.

For expert advice given to new employers on PAYE, NIC, Statutory Sick Pay, Maternity Pay, Tax Credits, Stakeholder Pensions, Student Loan Repayments and Construction Industry contact the HMRC Helpline line on 0845 6 070 143 (open Monday to Friday 8am to 8pm and Saturday and Sunday 8am to 5pm) or go to: <http://www.hmrc.gov.uk/employers/new-employer-helpline.htm>

## Opening a Direct Payments Bank Account

One of the first things you will need to do once your Direct Payment has been agreed is to set up a separate bank account for your funds to be paid into. You need to let the Local Authority have your bank details and they may require you to give consent for the bank to send copies of your accounts directly to them for their financial reconciliation.

The Department of Health has received a number of queries concerning difficulties individuals face with banks in respect of direct payments. A number of these concerns were raised directly with the Secretary of State for Health who wrote to the British Bankers Association (BBA). **Ask your Support Officer for a copy of this letter or go to:** [www.shaw-trust.org.uk/dp](http://www.shaw-trust.org.uk/dp).

Opening bank accounts for people who are unable to manage their own affairs will be easier following the introduction of new industry guidance for banks and customers by the British Bankers' Association.

The guidance, which is the culmination of extensive co-operation between the banks, government departments, including the Department of Health, the

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Public Guardianship Office and voluntary groups, is aimed at ensuring that there are practical procedures in place that will make it as straightforward as possible for people who are managing someone else's financial affairs to make suitable banking arrangements, yet still providing full protection for the customer.

As well as the guidance for banks, the BBA has produced a customer leaflet "Banking for mentally incapacitated customers" which helps to guide people through the complex legal requirements, explain the process and documents that the bank will need and gives useful sources of information. This will provide much-needed help for a broad spectrum of people who are affected through mental difficulties, not only people who themselves suffer from problems such as dementia, brain injury and learning difficulties, but their relatives and carers too. This leaflet can be accessed at: [www.bba.org.uk](http://www.bba.org.uk)

## **Paying your Bills**

An initial payment should be made into your new Direct Payments account to cover your advertising costs, any CRB checks and to cover your employer's liability insurance payment.

Speak to your local bank to make sure that your Direct Payments current account is issued with a cheque book so that you can pay your advertising invoices, wage bills, the Inland Revenue, payroll charges, administration costs etc.

## **Paying your employees**

By employing a Personal Assistant you need to be responsible for PAYE yourself, or use a payroll service such as Shaw Trust's Payroll. If you choose to manage the payroll function yourself, you need to first register with HM Revenue & Customs as a new employer (see above) and:

- You need your new employee's tax code which should be on their P45. If this is not available, contact your tax office for a code to use. The tax code tells you how much they can earn each year without paying tax. It is possible that your Personal Assistant will not be liable for tax if they do not earn enough.
- If your employees are liable to pay tax, as their employer you will probably forward their deductions to the Collections Agency by monthly or quarterly instalments.
- National Insurance Contributions (NIC's) are made up of an employee's contribution taken from their wages and a contribution from the employer. Your Personal Assistant might not be liable for this either. The level of earning above which NIC's are due changes periodically and is normally announced in the Chancellor's budget.

If your payments to the tax office are less than a certain amount per month, you can send them quarterly. This includes all tax and national insurance contributions. The HM Revenue & Customs booklet, "PAYE and NICs Rates and Limits for 2006/7" includes information about PAYE tax and National Insurance. This booklet also contains mileage rates, payable to staff who claim mileage off you for the driving they do whilst at work.

**For more information speak to your Support Officer, ask for Information Sheet 12 or go to: [www.hmrc.gov.uk](http://www.hmrc.gov.uk)**

## **Finding a payroll service**

If you decide that you would rather not take responsibility for calculating pay and liaising with the Inland Revenue then you may wish to purchase the support of a Payroll Service such as the service provided by Shaw Trust. Payroll Services enable Personal Assistant employers to pay their wage bills without the worry of having to work out tax and national insurance contributions. Services can:

- set them up as an employer with the Inland Revenue;
- send payslips in order for employers to pay their staff wages;
- send quarterly Inland Revenue bills; and
- complete the End of Year Returns.

## **Completing Financial Returns**

You must be accountable for all expenditure and ensure that your Local Authority can audit your accounts if they wish to do so. To do this, you must keep records of your expenditure, receipts and bank statements and complete Financial Returns/Monitoring for your Local Authority – usually on a quarterly basis. You can request assistance with these tasks from your PA, a family member or a friend however it is your responsibility to ensure that this is done correctly and on time.

Your Local Authority may provide you with the necessary documentation to complete your Financial Return, if not then **ask your Support Officer for a Balance Sheet template which you may be able adapt to your needs.**

In some areas, Managed Accounts are available which can remove some of the worry and paperwork involved in the financial management of Direct Payments.

***Speak to your Support Officer to find out if Managed Accounts are available in your area and if you are eligible to use this service, or go to [www.shaw-trust.org.uk/dp](http://www.shaw-trust.org.uk/dp).***

## A Quick List of Financial Dos and Don'ts

- **DO NOT** use cash when paying your bills - **NO CASH** transactions are allowed. All payments must be made by cheque or bank transfer into the worker's own bank account so Social Services can account for how the payments are being used. Cut up your cash card if your bank issues you with one. You must inform the Local Authority if there is a reason why you cannot do this. If your worker does not have a bank account you will still need to pay them via cheque and you will also need to provide the worker's name, address and National Insurance number as supporting evidence, in addition to your bank statements, and cheque details.
- **DO NOT** use your Direct Payment funds for personal things, for e.g. food or clothes – you can only use the money for the services/support that your Care Manager has agreed that Social Services will fund.
- **DO NOT** use the designated bank account for anything except Direct Payments and any Independent Living Fund money.
- **DO** clearly label your Direct Payments chequebook – especially if you have more than one bank account with the same bank.
- **DO** submit all supporting documentation for all payments made with the Monitoring Form on a monthly basis. This includes all:
  - bank statements
  - receipts
  - invoices
  - timesheets
  - PAYE records
  - national insurance records
  - other payroll records etc.
- **DO** use one monitoring form per bank statement. (Failure to do so could result in your Direct Payments being stopped).
- **DO** keep all your receipts and record all transactions on the monthly monitoring form – no matter how minor the expenditure. A small percentage of your Direct Payments can be used to pay for items that you need to set up or manage your Direct Payments' arrangements. All receipts must be kept and transactions recorded on the monthly monitoring form. This can be used for the following:
  - payroll service
  - ongoing advertising costs (initially you can receive a one off payment to cover recruitment associated costs)
  - stationery to include: postage stamps, envelopes, folders, pens, paper, photocopy costs, recorded delivery costs of posting

original paperwork to finance officer, ink cartridge if using a computer to manage Direct Payments

- phone calls relating to organising your support (itemised, dated phone calls must be recorded on a separate sheet and total added to monitoring form) etc.
- **DO** keep all your small petty cash receipts: If you purchase items to manage your Direct Payments with your own money (e.g. stamps paid for with cash) if you retain the receipts then you can reimburse yourself by writing yourself a cheque from the Direct Payments account.
- **DO** always photocopy the documents before you post them. Or you can send your original copies by recorded delivery and these will then be returned to you.
- **DO** keep your bank statements, all invoices, payslips, your chequebook stubs and any other relevant paperwork in a file together.
- **DO** keep all your Direct Payments documents for 6 years, particularly National Insurance records, PAYE & Payroll records. (*Please note this is a legal requirement.*) You do not need to keep the remittance advice slips that Social Services send you for each payment as these just confirm the payment has been made into your account.
- **DO** keep a copy of your Certificate of Employer's Liability Insurance as this must be provided to the Local Authority once a year. If your workers are self employed, it is your responsibility to request a copy of your worker(s) Insurance Certificate, ensure that cover is adequate for the work they will be doing and verify the expiry date. You will need to keep a copy for your records and submit a copy to us with the financial monitoring.
- **DO** pay all Community Care Charges into the Direct Payments Bank Account from your own resources. Failure to pay your contributions will mean that you will have insufficient funds to fully support your Care Package and will prompt a review of your eligible needs. The Local Authority will also seek to recover from you any unpaid community care charges (young people under 18 are not assessed for a charge contribution).
- **DO** read your Direct Payments Service Users Agreement carefully and keep a copy in your records.

***Speak to your Support Officer for further information and support with Financial Returns***