

## Circular HSC (ECCU) 3/2009

To: Chief Executives of HSC Trusts  
Chief Executive of HSC Board

Cc: Patient and Client Council

17 December 2009

### **GUIDANCE ON ACCOUNTING AND MONITORING REQUIREMENTS FOR PAYMENTS MADE UNDER THE CARERS AND DIRECT PAYMENTS ACT (NORTHERN IRELAND) 2002**

In June 2005 the Department issued ECCU 1/2005, *Guidance on Accounting and Monitoring Requirements for Payments made under the Carers and Direct Payments Act (Northern Ireland) 2002*. This guidance provided a regional approach to the monitoring of Direct Payments to ensure financial probity across Northern Ireland.

In light of recommendations contained within an Office of Social Services (OSS) report in 2007 “*Promoting Partnerships in Caring - an inspection of social care support services for carers of older people*”, the Department directed that the guidance developed in 2005 should be reviewed with a view to simplifying the system for managing Direct Payments for users and carers alike.

Subsequently a subgroup of the Direct Payments Regional Development Group comprising senior finance personnel from the then HSS Boards, HSC Trusts and the voluntary sector was established. As highlighted in the OSS report, the subgroup was tasked to review the existing guidance with the objective of simplifying the burden of financial accountability processes for people using or considering making use of Direct Payments.

The subgroup completed its work earlier this year and the HSC Board was formally consulted on the changes proposed. I now attach the final version of the guidance at Annex 1 which I would ask you to

copy, for action, to all relevant staff. The changes made reflect an enabling and problem solving approach to managing Direct Payments, while maintaining appropriate accountability, and include:

- appropriately annotated bank statements replace the need for completion and submission, by the Direct Payments recipient, of a "Quarterly Receipts and Payments Record";
- acceptance that while separate bank accounts may be desirable, this is not required, and alternative arrangements can be agreed with the Trust;
- a positive commitment by Trusts to assist potential Direct Payments recipients who may have difficulty in establishing a bank account to find other acceptable alternatives;
- the rationale for maintaining detailed time sheets, as a protection for the Direct Payment recipient, is better explained; the use of which, however, is a matter of choice for the Direct Payments recipient;
- the opportunity for consultation and discussion between the Direct Payments recipient and his/her Case Manager about the potential use of accumulated cash surpluses; and
- the removal of some other previously required paperwork, e.g. the Direct Payments checklist.

The subgroup is to be congratulated on its work and I believe the changes made represent continued movement along the accountability - partnership continuum with regard to self-directed care. The Department will expect the HSC Board and HSC Trusts, with Direct Payments recipients and representative organisations to keep these and other processes under review so that we can continue to make systems more truly person-centred and responsive while retaining the assurances needed for the responsible use of public money.

If you have any queries about the content of this circular please contact your Direct Payments Regional Development Group representative or alternatively June Faccini at the Department of Health, Social Services and Public Safety on (028) 9052 2374 or by email at: [june.faccini@dhsspsni.gov.uk](mailto:june.faccini@dhsspsni.gov.uk).

This circular is also available on the Department's website at: <http://www.dhsspsni.gov.uk/eccu3-09.pdf>.

Yours sincerely

A handwritten signature in black ink that reads "Christine Jendoubi". The signature is written in a cursive style with a horizontal line at the end.

**Christine Jendoubi**  
**Director of Primary and Community Care**

**GUIDANCE**

**ON ACCOUNTING AND MONITORING REQUIREMENTS**

**FOR PAYMENTS MADE UNDER THE CARERS AND DIRECT**

**PAYMENTS ACT (NORTHERN IRELAND) 2002**

**REVISED NOVEMBER 2009**

*This Guidance supersedes that contained in Circular HSC (ECCU) 1/2005  
which is now rescinded.*

## **Introduction**

1. This document has been prepared by a subgroup of the Direct Payments Regional Reference Group. The subgroup comprises senior finance personnel from the former HSS Boards, HSC Trusts and representation from voluntary sector organisations.
2. The purpose of this guidance is to set out the accounting and monitoring requirements for payments made under the Carers and Direct Payments Act (Northern Ireland) 2002. It updates and supersedes previous guidance and takes account of legislative changes and developments in practice since the inception of Direct Payments in 1997. It also attempts to deal with future requirements as Direct Payments are expected to expand in terms of the number of recipients and a wider range of services which may be delivered under the scheme.
3. It is recommended that this guidance is read in conjunction with the Carers and Direct Payments Act (NI) 2002 and the Direct Payments, Legislation & Guidance for Boards & Trusts issued by the Department of Health, Social Services and Public Safety.
4. This guidance has been developed with Direct Payment recipients in mind and aims to keep accounting and monitoring arrangements easy and simple for users to understand and administer, whilst at the same time ensuring adequate levels of accountability for the use of public funds. It is recommended also that administrative processes established for Direct Payments should be adequate and proportionate to the levels of service delivered, in comparison to core activities.

## **Support services for financial arrangements associated with Direct Payments**

5. It is recognised that direct payment recipients require good quality advice and support in relation to the wide-ranging administrative processes required under Direct Payments schemes. Detailed information and advice should be available at the earliest stage possible to ensure that clients considering direct payments are informed of the associated responsibilities. On-going support for recipients is equally important to the success of the scheme.
6. Information, advice and support is particularly crucial in connection with the accounting and monitoring arrangements associated with Direct Payments, i.e.

- Payment of salaries, income tax and national insurance
  - Budgeting
  - Record keeping and monitoring requirements.
7. The voluntary sector in Northern Ireland has made a considerable contribution to the development of Direct Payments since the introduction of legislation in 1997. A number of organisations have developed support services for direct payment recipients, have acted as advocates for clients and campaigned for improvements in the management of direct payment schemes. It is recommended that support services arrangements should be further developed to build on the existing body of expertise within the sector. This would also ensure that support for the management of Direct Payments is independent of the Trust's functions of funding and monitoring the direct payment service. It is important that Boards and Trusts fully recognise the role of the voluntary sector and enter into appropriate commissioning arrangements for the delivery of this support service.
8. Support and guidance is also available directly from Her Majesty's Revenue and Customs through their Advice Centres.

### **Roles and Responsibilities for Direct Payments**

9. Good governance in relation to Direct Payments requires a clear understanding by users and Trust staff of their roles and responsibilities and a commitment to work together in an open and transparent environment.

### **Responsibilities of direct payment users**

10. It is important that clients are aware of the responsibilities associated with Direct Payments before they agree to manage the associated processes. Clients need to understand that Direct Payments are public funds and that they are accountable for the way they are spent. Services purchased by direct payment recipients should be in accordance with agreed care plans. Clients' financial requirements and responsibilities for Direct Payments are set out below:-

#### **10.1 Banking arrangements**

Service users will be encouraged to set up a separate bank account so that Direct Payments can be identified separately from personal finances. It is recognised that in some instances this bank account will also be used to administer the independent living fund monies

that direct payment users have secured for their care needs. In this instance it is important that the direct payment user annotates the bank account statement to indicate expenditure in relation to the direct payment. These bank records will be used for monitoring and accounting purposes.

In the event of it not being possible for the service user to establish a bank account the local Trust will negotiate alternative accounting arrangements. (See Appendix 1)

Service users will be advised to have their nominated bank account in operation prior to direct payment services commencing in order to ensure timely payments of direct payments and avoid administrative delays in bank transfers etc.

## **10.2 Clients' contributions to residential care**

Where Direct Payments are used to purchase short term residential care from a residential or nursing home the Trust will fund the net cost of the agreed placement and clients should lodge a sum equivalent to the amount assessed under the Health and Personal Social Services (Assessment of Resources) Regulations (Northern Ireland) 1993 to the bank account used to manage Direct Payments. This will enable clients to pay the gross cost of the placement to the home from the bank account.

## **10.3 Her Majesty's Revenue and Customs obligations**

Direct payment recipients must make appropriate payments to Her Majesty's Revenue and Customs (HMRC) in respect of PAYE and National Insurance where they are acting as an employer and the employee is liable for income tax and national insurance payments. These payments must be made within the required timescales prescribed by HMRC.

## **10.4 Record keeping**

Direct payment recipients must complete PAYE and National Insurance records and returns to fulfil their statutory obligations as an employer.

Direct payments users will be required to return on a quarterly basis bank statements to the Trust finance department for monitoring and accounting purposes. It will be required that direct payment users indicate on the bank statement information in relation to each transaction (annotated statements) which clearly states the reason

for each transaction. The bank statements should cover the transactions for the relevant quarter.

In the event that the service user is unable to establish a separate bank account the Trust will require appropriate monitoring information to be provided. This is to be agreed with the Trust and service user.

In the exceptional event that cash withdrawals are made direct payment users must provide invoices / receipts for how this cash has been used. It is expected that, until a suitable alternative is found, generally, for now, transactions will be made by cheque.

#### 10.5 **Record retention**

Direct payment recipients must retain statutory returns and records for HMRC purposes.

#### 10.6 **Timesheets**

The use of detailed timesheets is a matter of choice for the direct payments user. It is however recommended that timesheets be used as they set out hours worked, payments calculated and include the employee's signature as evidence of payments made. In the unlikely event of any dispute between the employer and employee a timesheet may assist in establishing the facts.

#### 10.7 **Accumulated cash surpluses**

Accumulated excessive surplus cash should be returned to the finance department following consultation and discussion with your Case Manager/Social Worker.

### **Responsibilities of Trust Social Services staff in respect of finance issues**

11. It is important that Case Managers/Key Workers explain the financial responsibilities clearly to recipients before they agree to take on Direct Payments.

#### 11.1 **Contract agreement**

Having explained the direct payment responsibilities and processes to clients, Case Managers/Key Workers should prepare a contract for the administration of the direct payment arrangement.

The following finance related matters should be explicitly covered in the contract:-

- The service user's responsibility to manage Direct Payments through a bank account which must be available for inspection. Service users are encouraged to open a separate bank account for direct payment transactions.
- The service user's responsibility to submit the bank statements on a quarterly basis to the finance department. This bank statement will detail the use of the direct payments and will require additional clarification information on each transaction in a note only form.
- The service user's responsibility to contribute towards the cost of short term residential care based on an assessment of the client's resources.
- Amount, frequency and duration of direct payment (i.e. whether this is a one off payment, or longer term regular payment).
- Details of whether the payment is in advance or arrears and the method of payment by the Trust to the recipient.
- Arrangements for the review of and increases/decreases in direct payment rates, including inflationary increases.
- Repayment arrangements for surplus funds.
- The right of access by Trust staff and/or Internal and External auditors to inspect the client's direct payment records.

#### **11.2 Notification of Commencement/Changes to direct payment arrangements**

The Case Manager/Key Worker should supply appropriate notification to the Finance Department of new direct payment arrangements in order that payments may be made accurately and on a timely basis. Changes to existing arrangements must also be notified to the Finance Department on a timely basis.

Requests for new Direct Payments/changes to Direct Payments should be appropriately authorised in line with established authority levels.

### 11.3 **Review of financial arrangements**

As part of the review process whereby Case Managers/Key Workers determine if the client's assessed needs are being met they should address the following areas:-

- Is the direct payment rate correct and is it being received at the correct time?
- The Case Manager/Key Worker will discuss issues relating to the administration of the direct payment service with the direct payments user as and when required. If concerns are highlighted about the administration of the direct payments schemes, support and information should be sought from the support service provider/HMRC Advice Centres/Finance Department, as appropriate.

### **Responsibility of Trust Finance Staff**

12. Trust Finance staff have the following responsibilities:

#### 12.1 **Payment arrangements for Direct Payments**

Finance staff should set up arrangements for the accurate and timely payment of Direct Payments in line with agreements. It is recommended that payments are paid to the client in advance of the period to which they relate in order to avoid cashflow concerns. Payments should be made by BACS to clients' nominated direct payment account.

#### 12.2 **Determination of clients' contribution to residential care**

Trusts should undertake a financial assessment of direct payment recipients (assessed as needing short-term residential care) in the same way as clients accessing care provided or commissioned directly by Trust. Clients should be informed in writing of the resulting assessed contribution.

#### 12.3 **Monitoring arrangements**

Finance staff should ensure that quarterly bank statements are received from Direct Payments users by the prescribed deadline

of ten working days at the quarter-end. Finance staff will pursue the receipt of outstanding bank statements.

The finance staff will review the bank statements and where appropriate regular payments are being made to HMRC, and where this is not the case they should be queried with the client through their Case Manager /Social Worker. Bank balances should be reviewed to ensure that surplus cash is not being accumulated unnecessarily.

#### 12.4 **Internal audit**

The area of Direct Payments should be subject to independent review as part of the Trust's Internal Audit Plan. The audit should be conducted in accordance with the NHS Internal Audit Manual and should review the Trust's systems, procedures and controls in addition to the direct payment recipient's records.

### Alternative Options for Bank Accounts

The following alternatives can be used by way of overcoming difficulties direct payment users may have in establishing a bank account:

- Utilise existing bank account e.g. Independent Living Fund Bank Account
- Intervening with the bank itself to support the individual service user's application e.g. provide a letter stating that the account will be used for direct payment purposes
- Use a bank account of a relative – possibly used in circumstances where the recipient, while having capacity to open a bank account, is not able to physically sign cheques
- Use of a structured micro board to operate a bank account in situations where the individual does not have capacity