

RUNNING A PAYROLL SERVICE

This fact sheet covers:

- **The purpose and function of a payroll service.**
- **Needs based support for direct payment recipients.**
- **Roles and responsibilities.**
- **Sources of funding, set up and running costs of a payroll service.**
- **Sources of further information.**

1. Introduction.

Direct payments are a tool designed to give recipients more choice and enable them to take more control over their daily lives. By employing their own staff, and accessing the support they want, recipients could also find they have more time and energy to pursue their own personal aims and objectives, thus gaining a better quality of life.

However, taking on the role of an employer and processing salary payments can be very complicated, time consuming and stressful. The bureaucracy and red tape governing wages processing with which all employers must comply could negate the benefits of receiving a direct payment.

It is therefore important that new employers / direct payment recipients are able to access reliable, accurate and professional payroll support and advice should they wish. Local authorities may also feel more assured, regarding their accountability for the use of public funds, if a payroll support service is available to recipients.

2. What does a payroll service do?

Any payroll service, whether provided by a firm of accountants or support organisation will calculate salary payments, deduct tax and national insurance, process statutory sick pay, maternity pay, tax credits, wages arrestments, student loan deductions, pension contributions etc.

In short, in the same way that many private businesses use accountants, direct payment recipients may wish to use a payroll service to ensure they comply with legislation.

i. Needs Based Support.

As with any other services offered to direct payment recipients, the support needs of each individual could vary considerably. Additional payroll support needs of individuals could include:

- Home visits / one to one meetings to explain roles and legal responsibilities of becoming an employer.
- Information in accessible formats (large print, audio tape, disc etc).
- Advice on setting up bank accounts.
- Advice on methods of making payment to employees.
- Registering recipients as new employers with the Inland Revenue.
- Dealing with Inland Revenue correspondence/enquiries.
- Dealing with Benefits Agency enquiries regarding employees' earnings.
- Retaining payroll records on behalf of recipients.
- Advice and assistance in completing financial monitoring forms.
- Advice / training regarding changes in legislation and advice / support to implement these changes.

ii. Roles and Responsibilities.

Individuals are ultimately responsible for:

- Managing their direct payment (with support if required).
- Making payment to their employee/s, Inland Revenue etc.
- Complying with legislation.

Payroll Services that support recipients have responsibility for ensuring:

- All wages processing complies with government legislation.
- Recipients receive information in accessible formats.

- Recipients receive accurate information to enable them to meet all their legal responsibilities.

Local authorities have the responsibility to:

- Monitor expenditure of direct payment by individual recipients.
 - Ensure the direct payment is used to meet the needs of the individual as identified within the community care assessment.
- (See also Fact Sheet 3: Monitoring and Review of Direct Payments).

3. Funding a Payroll Service.

Through charging policies a payroll service could eventually become self-financing. Realistically however, this is not likely to happen until a significant number of direct payment recipients are using the service.

It would probably be more economical for support organisations, whilst in process of becoming established and operating with limited staff resources, to purchase payroll services from another direct payment support organisation. Costs incurred purchasing this service could possibly be charged back to the local authority.

The timescale for a payroll service to become self-financing would depend on a number of variant factors:

- Number of direct payment recipients wishing to access the service.
- Charges levied to the users of the service.
- Frequency of payroll processing (i.e. weekly, fortnightly, monthly etc).

Any charges for a payroll service should be included in the costing of the direct payment care package provided by the local authority and should not lead to the recipient being out of pocket.

Examples of types of charges:

- One-off set-up fee, plus
- Fixed sum monthly charge to employer per month / or per payroll processed.

Or

- One-off set up fee, plus

- Monthly charge per payslip per employee (the larger the number of employees the more an employer would pay) per month / or per payroll processed.

Some payroll services may also levy an additional fixed annual charge to cover end of year financial submissions required by Inland Revenue.

It would be normal practice for payroll services to review their charges annually.

To generate further income it might also be possible for the support organisation to offer its payroll service to other local organisations / businesses at a more commercial rate.

4. Payroll Service Set-Up and Running Costs.

i. Staffing.

One part-time member of staff (as a very rough estimate 1 part-time post 18 hrs per week could probably service around 20 - 30 employers).

Variant factors in these numbers would be:

- Frequency of payroll processing (i.e. weekly, fortnightly, monthly etc).
- Charges levied to service users.

The number of staffing hours needed could be extended as demand for the service increases, and with this the amount of income.

It should be noted that legislation around wages processing is constantly changing. Payroll staff will require research time within their hours of work to keep up to date with any changes, look at impact of these changes and prepare accessible information / advice on implementation for service users.

ii. Staff Training.

This will need to include training on payroll software and on Inland Revenue legislation.

iii. Staff Travel.

This will mainly be for home visits / one to one meetings with payroll service users.

iv. Operational Overheads.

- Rent, telephone, electricity etc.
- Desk, printer, computer (computer hardware specification - it would be advisable to consider internet access as the Inland Revenue is moving over to electronic data interchange).
- Payroll software programme (a list of Inland Revenue accredited software providers can be found on Inland Revenue website: www.inlandrevenue.gov.uk).
- Secured filing cabinets to store payroll records (IR legal requirement to keep deduction working sheets for all employees for 4 years).
- Fire safe for software back-ups.

v. On-going Running Costs.

- Stationery, postage, telephone etc.
- Production and distribution of payroll information handbook - supplied to each new service user.
- Annual Payroll Software updates re Tax, National Insurance parameter (supplied by software provider - essential in ensuring accuracy of payroll processing).
- Periodic software package upgrades.

5. Further reading

Useful Publications.

➤ **Payroll Handbooks**

GCIL Tel: 0141 550 4455

LCIL Tel: 0131 475 2350

➤ **New Employer Pack**

Inland Revenue (sent to new employers on registration with Inland Revenue).

Inland Revenue Orderline for legislative information, statutory forms (P46s, P45s etc.)

Telephone: 0845 7 646 646; Website: www.hmrc.gov.uk/home.htm

6. Further information and support.

UPDATE, Scotland's National Disability Information Service.

27 Beaverhall Road
Edinburgh
EH7 4JE

Tel: 0131 558 5200
Fax: 0131 558 5201
Minicom: 0131 558 5202
Email: info@update.org.uk

Inland Revenue: New employers' helpline - to register as a new employer, advice on all aspects of payroll legislation.
Telephone: 0845 60 70 143. Textphone: 0845 602 1380

Business Support Teams: Can visit your premises to advise on setting up a payroll system, check over an existing system. These teams also run a variety of workshops (either for individual employers or payroll services) on topics such as: what to do when taking on new employees, how to pay statutory sick pay, paying tax credits etc.
Telephone: 01355 275551; Website: www.hmrc.gov.uk/bst/index.htm

Electronic Business Services: Transferring data, making payments.
Telephone: 0845 60 55 999; Website: www.hmrc.gov.uk/ebu/

Employers' Orderline: Ordering Inland Revenue stationery supplies (P46s, P45s etc).
Telephone: 0845 7 646 646; Textphone - Users should use the Tynetalk service on 0800 95 95 98 quoting the Orderline telephone number.
Website: www.hmrc.gov.uk/employers/emp-form.htm

Inland Revenue - Accounts Office Cumbernauld:
Telephone: 01236 736121

Accredited Payroll Software: Inland Revenue website for list of accredited payroll software providers.
Website; www.inlandrevenue.gov.uk/ebu/acclist.htm

Home Office: Advice on prevention of illegal working.
Telephone: 0208 649 7878; Website: www.ind.homeoffice.gov.uk

Advisory Conciliation and Arbitration Service (ACAS): Advice on employment law.

Telephone: 020 7396 5100; Website: www.acas.org.uk

The Pensions Regulator: Advice on pensions, including list of stakeholder pension providers.

Telephone: 01273 627600; Website: www.thepensionsregulator.gov.uk/

Direct Payment Support Organisations Currently Providing Payroll Services:

Ayrshire Independent Living Network

Telephone: 01294 272260; Website: www.ailn.org

Angus Direct Payments Support Service/Dundee Direct Payments Support Service

Telephone: 01382 200 422; Website: www.dundee.carers.net

Borders Direct Payment Agency

Telephone: 01896 759 700; Website: www.bordersdpa.org.uk

Direct Payments Caledonia

Telephone: 01463 224 740; Website: www.dpcaledonia.org.uk

Dumfries and Galloway Direct Payments Support Service Partnership

Telephone: 01387 240000.

East Dunbartonshire Direct Payments Support Service

Telephone: 0141 776 2219.

Fife Direct Payments Support Service.

Telephone: 01333 592656; Website: www.fife.gov.uk

Forth Valley Direct Payments Support Service

Telephone: 01324 508 794

Glasgow Centre for Inclusive Living (GCIL)

Telephone: 0141 550 4455; Minicom: 0141 554 6482.

Website: www.gcil.org.uk

Independent Living Project – Orkney

Telephone: 01856 870 500.

Lothian Centre for Integrated Living (LCIL)

Telephone/Minicom: 0131 475 2350; Website: www.lothiancil.org.uk

Perth & Kinross Association of Voluntary Services

Telephone: 01738 567 076; Website: www.pkavs.org.uk

West Dunbartonshire Independent Living Support Service (WDILSS)

Telephone: 0141 951 4840.

ACKNOWLEDGEMENTS

This fact sheet was written by Sandra Aitchison of Lothian Centre for Integrated Living with additional work by Mark Redman of Southampton Centre for Independent Living and Direct Payments Scotland.