



Payroll & Employment Advice

A Guide for people receiving Direct Payments &
Personal Health Budgets

mosaic | 1898

A disability charity, enhancing lives and making a difference.

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PAYROLL & EMPLOYMENT ADVICE

For individuals receiving Direct Payment or Personal Health Budget funding, our Direct Payments Support Service (DPSS) offers Payroll & Employment Advice support, for those who choose to become employers and employ their own Personal Assistants or care staff.

DPSS Payroll Support includes:

- Registering you as an employer with HMRC. All HMRC correspondence and paperwork should be sent to us as your payroll agents.
- Payroll records will be retained by us on your behalf.
- Provide payslips for employees showing net pay, tax and national insurance, pension and AOE deductions, as applicable.
- Calculating employee pay, based on notified gross pay, hours or timesheets
- Processing a P45 for new employees or employees leaving
- Providing PAYE and NIC payment information due to HMRC
- Electronically submitting PAYE information using HMRC's Real Time system, and all relevant employee's pay and deductions.
- Providing you with a summary (P60) for your employees.
- Calculate and administer Statutory Sick Pay, Statutory Maternity/Paternity Pay, Student Loans, Attachment/ Deduction of Earnings, Annual Leave Pay for your employees
- Advise you through any PAYE issues that may arise
- Action HMRC employer instructions on tax rates and other changes that may affect your employment responsibilities and implement these on your behalf.

DPSS Employment Advice includes:

- Information, regarding Direct Payments and Personal Health Budgets.
- Information, advice and guidelines the employer role and responsibilities including staff rota management, employer insurance, training, employee statutory entitlement,
- Employment documentation, employment contracts, job descriptions, employment HR letters.
- Support to purchase correct employer insurance.
- Advice, signposting to source of PPE
- Support, advice and guidance through termination and redundancy of PA process.

- **EMPLOYER RESPONSIBILITIES**

Registering you as a new employer with HM Revenue & Customs means that while Mosaic 1898 DPSS become responsible for processing your PAYE scheme, the legal employer responsibility still remains with you.

PAYE responsibilities include:

- Paying all PAYE & National Insurance Contributions fully and on-time to HM HMRC & Customs
- Ensuring that employee information provided to DPSS and included on HMRC forms is correct and true
- Instructing Mosaic 1898 DPSS of the correct wages to be paid, according to the processing schedule notified to you
- Completing and returning any forms required by Mosaic 1898 DPSS
- Conforming to all HMRC PAYE and employer duties
- Paying your employees the correct wages
- Keeping PAYE records
- Forward any letters from the HMRC to DPSS
- Notifying DPSS of any Attachment of Earnings orders

If you are unsure about any PAYE issues or procedures please contact the Payroll Accounts Officer at Mosaic 1898.

Who Informs Mosaic 1898 DPSS Payroll About Wages

When setting up Payroll, the employer needs to instruct Mosaic 1898 DPSS Payroll regarding their wages communication.

Most employers naturally assume this responsibility themselves and contact Mosaic 1898 DPSS Payroll through their preferred communication route. However, some employers - for reasons of speech difficulty, disability or ill-health, may authorise their employee or someone else to communicate wage information to Mosaic 1898 DPSS Payroll. We will need to have this authorisation from an employer, if someone else is to perform this role on the employer's behalf. If it is set-up with another person communicating wage information, then the employer needs to monitor this and take responsibility for authorising the information being provided to Payroll.

MAKING PAYMENTS TO EMPLOYEES

As an employer, it is your responsibility to make payments of wages to your employees. However, if Mosaic 1898 DPSS are providing Managed Accounts support to you, then we will be responsible for paying your employees and your other payments.

Our Payroll Accounts Officers will issue you with a schedule for payroll processing, which indicates when we require your pay information or timesheets in order to process your PAYE on time.

If pay information is not provided as scheduled, then this may delay processing, with the consequence of not being able to pay your employees on time.

You will need to provide Mosaic 1898 DPSS Payroll with this information:

- completed and signed timesheets
- total gross pay (wages before deductions are made) due to each employee
- hours worked by each employee for that particular pay period
- notify us if any employees have taken annual leave during that period
- notify us if any employee has been absent on sick leave. If the employee is absent for 7 days, they will require a doctor's sick note forwarded to us, before any wages can be processed

Pay information can be provided in several ways:

- by post: Mosaic 1898, DPSS Payroll,
2 Oak Spinney Park,
Ratby Lane
Leicester Forest East LE3 3AW
- by email: payroll@mosaic1898.co.uk
- by telephone: 0116 2318720

When payroll is being set-up your communication preference will be identified.

Based on information provided by you, Mosaic 1898 DPSS Payroll will calculate the net pay that you should pay by cheque or via internet banking to your employee, and the PAYE deductions that need to be retained in order to forward these later to HM Revenue & Customs.

Mosaic 1898 DPSS Payroll will provide you with each employee's pay information and your employer's instructions to pay PAYE deductions to the HM Revenue & Customs.

EMPLOYING NEW PERSONAL ASSISTANTS

When employing a new Personal Assistant, you will need to send to us either a current P45 or a completed Starter Checklist form, plus the Data Protection form as soon as possible, otherwise we may be unable to process the wages correctly and on time.

Also, ensure that one of the 3 boxes on the Starter Checklist form has been ticked and the form signed by the Personal Assistant.

The Data Protection form and Starter Checklist are given to you by Mosaic 1898 DPSS Payroll when a new Personal Assistant is recruited.

The P45 is given to the Personal Assistant by their previous employer.

If Payroll support is part of Managed Account, then we also require the employee to complete the bank details form, to enable us to pay their wages into their personal account.

Employers also need to prevent illegal employment and must follow the Government advice on this, by requesting appropriate document checks from prospective employees. This can be checked online using www.gov.uk/legal-right-to-work-in-the-uk .

If you have any queries, please contact Mosaic 1898 DPSS Payroll.

EMPLOYERS DATA PROTECTION REQUIREMENTS

As an employer, you have chosen Mosaic 1898 to provide payroll support for yourself and your employees.

There is a legal requirement for written permission to be obtained by employers from each employee that allows you to pass on employee information to be processed / retained by Mosaic 1898 DPSS payroll.

Without employee permission, you may not be acting legally if you send employee information to us for payroll processing.

MAKING PAYMENTS TO HM REVENUE & CUSTOMS

(For those individuals who are not receiving Managed Account support)

DPSS Payroll will receive a Payment Book from HM Revenue & Customs, several weeks after registering you as a new employer. This will then be forwarded to you to keep and to use when making payments of PAYE and National Insurance Contributions (NIC) deducted from your employee's wages. Alternatively, you may prefer that we retain the payment book and complete the payment slips for you to make the payment.

You can make payment of PAYE & NIC by bank transfer, online card payment, at your bank or building society or by sending a cheque through the post. You will find the relevant details in the payment book.

You will need to follow the instructions sent to you on the 'HMRC Payment Record' showing the amount you need to enter on your payment slip each month in your payment book.

Every month Mosaic 1898 DPSS Payroll will send you a 'HMRC Payment Record', which shows how much you need to pay to the HMRC for that period. The payments are due between 5 - 19th of each month.

The slips in the HMRC payment book show the corresponding month on the top right hand corner of each page. There is a spare payment slip for April at the back of the book; you should not use this unless we advise to do so.

The amounts you need to enter in the 'Amount due' boxes on the payment slip are shown in bold/highlighted in the table on your 'HMRC Payment Record'. Previous month(s) details will also be on the table for your information.

HM REVENUE & CUSTOMS & REAL-TIME INFORMATION

In 2013, HM HMRC & Customs online PAYE, introduced "Real-Time Information" processing.

Employers are expected to process PAYE online and with appropriate software which directly connects to the HM Revenue & Customs. Every time PAYE is processed, this information is transferred online to HMRC's computer system.

This enables HM Revenue & Customs to have up-to-date information about all employees, their gross pay, hours worked, tax/national insurance due, and also provides information for purposes of the Universal Credit system.

As the HMRC will accumulate wages information throughout the year, end-of-year processing will be a more simplified process, although P60's will continue to be issued, to provide yearly totals of wages and tax/national insurance deductions.

DPSS PAYROLL PAYE ONLINE

As part of your DPSS Payroll support, we have to set-up all employers on to the HMRC & Customs PAYE on-line system. This will mainly affect how Mosaic 1898 DPSS Payroll will operate and communicate and transfer information with HMRC.

HMRC has made it compulsory for all employers to process PAYE and receiving instructions from them online, using the Internet.

New employers will need to complete forms authorising Mosaic 1898 DPSS Payroll to receive online HMRC information on your behalf.

Forms will be issued to you to complete and return to us, as part of our registering you as an employer procedure.

HMRC requires the national insurance number of all new employers. Without this, we cannot complete the registration of new employers.

Mosaic 1898 DPSS Payroll will then be able to complete the PAYE on-line set-up process.

PAYROLL PROCESSING CYCLE

The payroll processing cycle or schedule can be:

- **2-weekly**
- **4-weekly**
- **Monthly**

This is the employer's choice as agreed with Mosaic 1898 DPSS Payroll, the cost of more frequent PAYE processing, will substantially increase if the frequency is not 4-weekly or monthly.

Our contract with Leicester City Council and Leicester, Leicestershire and Rutland Clinical Commissioning Group (NHS) is based on 4-weekly PAYE processing.

A payroll cycle of 2-weekly, for example, leaves no margin for any processing delays, particularly if a managed account also has a set schedule to instruct the bank to pay by a particular date.

When the cycle is agreed and set-up, Mosaic 1898 DPSS Payroll will send you a schedule notification informing you of when wages information will be required to process the wages on time.

If you intend to submit timesheets through the post, please be aware that delivery can be delayed, disrupting PAYE processing. Please ensure that you take copies/scans of the timesheets as we cannot be responsible if the postal service fails to deliver the timesheets.

Timesheets can be scanned and sent by email. However, we need to have confirmation that this information has been authorised by the employer.

Late Information

If you are unable to provide wages information by the scheduled time, if possible, please inform Mosaic 1898 DPSS Payroll as soon as possible, as to why there is a delay.

Early Information

There are times during the year when Mosaic 1898 DPSS Payroll may require wages information earlier than usual (for example, bank holiday times, Christmas, New Year etc).

Payroll will notify you of these temporarily altered schedules.

Changed Payments

At times, employees have different payments to usual. These can include extra bank holiday payments if made, retainer payments if an employer is hospitalised or on holiday. Please ensure that you notify us if there are reasons for a “changed payment”.

Timesheets

If you need more timesheets, simply contact our team, and will email, or post them out to you, alternatively you can download the timesheet from our website.

EMPLOYEE ANNUAL LEAVE

All employees are entitled to 5.6 weeks (pro rata for part-time workers) annual leave per year which includes Bank Holidays. Bank Holidays are considered a normal working day, unless specified in the employment contract. There is also no employee right for enhanced pay or days off in lieu for bank holiday working unless specified in the employment contract.

Annual leave entitlement commences from day 1 of employment, although employers need to be careful that they do not allow excessive paid annual leave periods before the employee has worked long enough to accumulate this. The recommendation is that paid annual leave is only to the degree that if the employee does not return to work, then it is possible to deduct sufficient money from their final pay to cover this cost, or the danger is that an employer has overpaid annual leave and has also had to pay for alternative care cover costs.

As an employer you should maintain a record of all leave taken by each employee. We can provide a form for you to keep your own record of employee annual leave taken or booked in advance.

Retaining a record helps to avoid any disputes regarding the amount of leave remaining at the end of the leave year and can also prevent paying too much in leave payments.

A standard leave year is 1 April to 31 March.

It is a legal responsibility of an employer that you ensure that your employees actually take their full annual leave entitlement. This also means that you will need to arrange alternative care/employee cover during periods of annual leave. You will need to consider your contingency staffing plans. This may be covered by other employees or by interim/temporary care agency staff. Our Direct Payments Advisors can support you to look at the options available to you.

CALCULATING ANNUAL LEAVE

There is an online calculator available:

<https://www.gov.uk/calculate-your-holiday-entitlement>

It is advisable to calculate annual leave in hours for greater accuracy.

Otherwise, it is 5.6 X weekly hours worked

Therefore, an employee has regular 20 hours per week work:

$5.6 \times 20 = 112$ hours due over 1 years work

If employees work variable hours, then holiday can be calculated by using average hours worked.

If employees commence part-way through a leave year, or leave employment during a leave year, then these need careful calculations to ensure entitlement is correct.

Our Payroll Accounts Officers can provide you with holiday entitlement information for each of your employees.

EMPLOYEE LEAVES

When an employee leaves, you will need to inform Mosaic 1898 DPSS Payroll of their leaving date, and if they have taken any annual leave.

It is likely that the employee will leave during a leave year, so their annual leave entitlement will require recalculation. It is possible that they may have taken more leave than is due, and in this case, their final wage will need to be adjusted accordingly (if possible), in order to recoup money for the employer.

Final payslips and a P45 will be issued to the employee.

REDUNDANCY

There are situations when an employee may be made redundant and is also entitled to a redundancy payment.

The employer could die, and an employee is due a redundancy payment.

The employer may have reduced local authority funding, which means insufficient money available to employ all of his existing staff. A consequence of this may require the redundancy of an employee.

Redundancy is a complex and legal procedure, and care is needed to follow the appropriate legal procedures.

In a situation where redundancy becomes necessary, our Direct payments Advisors will work closely with you/your family, the funders and your insurance company to support you carry out the due processes. The redundancy entitlement will be calculated and information will be provided to Mosaic 1898 DPSS Payroll to process the employees final pay.

AGE EXEMPTION

Employees over the State Pension age do not have to pay employee's National Insurance contributions (NICs) on their earnings.

The employer must still pay employer's NICs, but for employees over the State Pension age you should pay these at the not contracted-out rate.

Please note that PAYE (Pay As You Earn) tax deductions do not change when an employee reaches State Pension age.

If your employee is over state pension age then you must ask your employee to provide proof that your employee has reached State Pension age, so that we can stop deducting NIC from the employee. This can be:

- birth certificate
- passport
- certificate of exception (form CA4140 or CF384)

You do not need to see a certificate of exception. If your employee produces a birth certificate or a passport you can authenticate their State Pension age against the State Pension age calculator.

Forms CA4140 and CF384 are issued by either the National Insurance Contributions and Employer Office - part of HM HMRC & Customs (HMRC) - or the Department for Work & Pensions (DWP).

Please note that the certificates issued by DWP are sometimes in paper format rather than card, but are equally acceptable for proof of age.

STATUTORY EMPLOYEE RIGHTS

There are several employee statutory rights that involve PAYE processing, and that employers have the responsibility to ensure are correctly administered and paid.

Statutory Sick Pay (SSP)

Statutory Sick Pay (SSP) is paid to any employee who earns above the 'Lower Earnings Limit' per week in any one job. The amount of SSP due may change annually and is determined by the government.

- Days 1-3 of any period of sickness are called 'qualifying days' and are unpaid.
- Subsequent days are paid at the rate set by HMRC. As a small employer SSP can be recouped by PAYE payment adjustments made by Payroll.
- SSP is limited to a maximum of 28 weeks. There are rules and procedures to SSP, which Payroll will administer on behalf of the employer, and notify accordingly

Statutory Maternity Pay (SMP) & Statutory Paternity Pay (SPP)

Statutory Maternity Pay or SMP is paid to employees who earn an amount above the 'Lower Earnings Limit' per week in any one job and who has worked for you for 26 weeks prior to 15 weeks before the expected date the baby is due.

- The employee must provide a MATB1 form (available from their midwife/doctor) before any payments can be made.
- Please send this to Mosaic 1898 DPSS Payroll as soon as available.
- The amount of SSP due may change annually and is determined by the government.

Set statutory payments may apply to expectant fathers (**Statutory Paternity Pay or SPP**) and those who adopt children (Adoption Leave/Pay).

Mosaic 1898 DPSS Payroll can calculate statutory payments for employers and can write to HMRC and request additional funding for you to pay your statutory payments if you have insufficient funding available.

Attachment of Earning (AOE)

Attachment of Earnings is when a court of law has the power to take money direct from a person's wages (e.g. for child maintenance).

If you receive a legal AOE notification, then this needs to be sent to Mosaic 1898 DPSS Payroll, we will then administer this on their behalf.

Student Loan Repayments

Deductions from wages may be needed if your employee is having to make student loan repayments.

HMRC will issue instructions to the employer, giving details of the student loan repayment that will need to be deducted through PAYE processing. This will then be auctioned by Payroll accordingly.

INDEPENDENCE - DOING YOUR OWN PAYROLL

For any employer who is considering doing their own payroll processing, it is crucial that you are able to use a computer and have internet access.

You will need specialist payroll software capable of directly reporting your payroll information/processing electronically to HM Revenue & Customs.

If you have these options and would be capable of taking on this extra responsibility and tasks as an employer, then there is considerable information and guidance available online from the HMRC. For example:

<https://www.gov.uk/register-employer>

To register as a new employer, this can be done online.

HMRC will require you to provide various information as part of your registration, including your own personal national insurance number.

Remember that if you are operating payroll, then you may have to action any statutory payments yourself as well and meet all of the HMRC online requirements for processing.

Registration Online will provide you with access through “the Government Gateway” and unique user ID and passwords for access.

Your PAYE employer reference and Accounts Reference and Activation Code will be sent to you by HMRC.

The HMRC does provide a free Basic PAYE tools software that can be installed on your computer, which will enable you to meet most of the HMRC requirements—including online reporting—but may not meet all.

HMRC also increasingly prefers to communicate electronically to employers, and does so through their PAYE online system, sending notices, messages and reminders, including new/amended employee tax code notifications. In order to operate PAYE correctly, you will need to action information/instructions received from the HMRC.

Eventually, we anticipate that employers will in future need to make PAYE payments to HMRC electronically.

PAYE online can also be used for National Insurance number verification.

WORK PLACE PENSION

If you employ, someone who earns over £833 per month, are aged 22 or over and under state pension age, must now enrol their employees into a pension scheme. This is a legal obligation, which has been placed on employers by the government to encourage more people to have another income in addition to the state pension when they retire.

As an employer your duties regarding a pension start from the date your first employee starts work.

Mosaic 1898 DPSS Payroll can assist you with your pension duties. Currently we use the National Employment Savings Trust (NEST), which is the government sponsored pension scheme.

Mosaic 1898 DPSS Payroll will send each employers relevant information and letters to pass onto the employees as required. This will detail instructions for you and information for the employee. It will also set out the processes that the employer, Mosaic 1898 DPSS Payroll and employee will be required to follow.

PAYE GLOSSARY

Tax Codes

These are instructions provided by HM HMRC & Customs to the employer. The employee tax code determines how much tax is to be deducted. Mosaic 1898 DPSS Payroll - on behalf of the employer- has to action the official HMRC Tax Code (eg 1185L) and has no control over how the HMRC has made that decision. Mosaic 1898 DPSS Payroll has to follow these instructions. If an employee disputes their tax code, then they need to contact their Tax Office themselves to discuss their concern.

P45

P45 is a form issued by an employer to an employee at the cessation of their employment. It includes the employee's National Insurance number, date of birth, tax code and year to date cumulative earnings, and tax paid to date.

When a new employee starts they should provide their P45 (or complete a Starter Checklist if a P45 is not available). This must be sent to Mosaic 1898 DPSS Payroll as soon as possible. Mosaic 1898 DPSS Payroll will continue to use the tax code applied by the previous employer.

Starter Checklist

The new employee must complete this form. The form is completed and sent to Mosaic 1898 DPSS Payroll, who will then inform HMRC, who will inform the correct tax code to use. As this may take some time, Mosaic 1898 DPSS Payroll have HMRC instructions of temporary tax codes to use, until the formal code notification is received from the HMRC.

P60

A P60 is issued to an employee at the end of each tax year. This states total earnings, total tax paid and total National Insurance contributions for that year. This is an important document and should be retained safely. P60s are only issued if the employee is still employed on April 5th of that tax year.