PAYING FOR CARE AND REDUCING THE COST

Direct payments and personal budgets: a guide for families

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IN BRIEF

A personal budget is the amount the council works out it will cost to meet a person's eligible care needs. A direct payment is that budget, or part of it, paid to the person or someone acting for them, so they can choose and pay for their own care, including a care agency or live-in care, instead of the council arranging it. Nobody can be made to take one, and you can switch back.



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Direct payments let a person, or someone acting for them, take the council's money for their care and arrange the care themselves. They don't change how much the person pays; they change who chooses the carers, the agency and the timetable. The rules below apply in England.

What is a personal budget?

Everyone whose eligible needs the council meets gets a personal budget, written into their care and support plan. It shows the total cost of meeting their needs, how much the person pays (from the financial assessment) and how much the council pays. It must be enough to meet the needs in the plan and should reflect the real local cost of good quality care.

A personal budget can be managed in four ways:

- **Council-managed:** the council arranges care with a provider.
- **Direct payment:** the money is paid to the person or someone acting for them.
- **Individual service fund:** a chosen provider holds and manages the budget for the person.
- **A mix** of these.

Who can have direct payments

The person, or a "nominated person" they choose, can ask for direct payments if:

- they have capacity to ask (if not, an "authorised person" can ask for them; see the questions below);
- the council is satisfied they can manage the payment, alone or with whatever help is available; and
- direct payments are an appropriate way to meet the needs.

Councils must not refuse arbitrarily. If they do refuse, they should explain in writing which condition is not met, why, and what would need to change. Nobody can be made to take direct payments.

How to ask (phone or email to the social worker): "[Name] would like to receive their personal budget as a direct payment, so that we can choose our own care provider. [I will help manage it / I am their attorney and will manage it.] Please send

us your direct payment agreement, explain how the payments will be made and monitored, and tell us what support your direct payment support service can offer."

Setting up: what happens

1. **The care and support plan** is agreed, with the personal budget amount.
2. **You sign a direct payment agreement** setting out what the money is for and the records you must keep.
3. **A bank account or prepaid card.** Many councils use prepaid cards, but if you ask for a payment into a separate bank account, the council should offer it.
4. **Net or gross payments.** The council either pays only its share (net), and you pay the person's assessed contribution into the account, or pays the full amount (gross) and invoices you for the contribution. Ask which it uses.
5. **Choose and contract with providers**, then pay invoices or wages from the account.
6. **Reviews.** The council must review the direct payment within **six months**, ideally alongside a light-touch care plan review six to eight weeks after sign-off, then at least every **12 months**.

Using direct payments with a care agency



For most families this is the simplest route, especially for live-in care. A managed agency employs, trains and supervises the carers and arranges cover; you sign a contract and pay its invoices from the direct payment account.

Questions to ask an agency:

- Is it registered with the Care Quality Commission (CQC), and what is its rating?

- Does it accept direct payments, and how often does it invoice: weekly or four-weekly, in advance or in arrears?
- Does the price cover everything in the care plan, including cover when the main carer has breaks or holidays?
- What is the notice period, and what happens if the person goes into hospital?
- Who do we call out of hours, and who supervises the carers?

Avoid paying far in advance: the statutory guidance notes that money paid ahead for care that is never delivered can be hard to recover.

Employing a carer directly

Some people use direct payments to employ a personal assistant (PA). It offers control, but the person (or whoever manages the payment) becomes an employer, with all that involves:

- registering with HMRC as an employer and running payroll (HMRC employer helpline: 0300 200 3200, Monday to Friday 8am to 6pm);
- paying at least the National Minimum Wage, holiday and sick pay, and pension contributions where the PA is eligible;
- employer's liability insurance;
- a written contract, right-to-work checks and, where appropriate, a DBS check;
- arranging cover for absences, and any redundancy pay when the job ends.

The council should include costs such as employer's National Insurance and insurance in the personal budget, and many councils have a direct payment support service that can help with payroll and recruitment. Employing a live-in carer directly is especially complex, because of working time, rest breaks, accommodation and cover; many families choose a managed agency instead.

Using direct payments for live-in care

A direct payment can pay for live-in care when that is how the plan meets the person's eligible needs. To avoid problems:

- Make sure the care plan describes the support needed across the whole day and night, so the budget reflects it.

- Ask how the budget was calculated. The council can consider cost when choosing how to meet needs, but it should not set arbitrary upper limits that push someone into a care home against their wishes.
- If the budget will not cover the care in the plan, send the council written quotes showing the real local cost and ask for a review.
- Couples living together can ask for their budgets to be pooled, for example to share one live-in carer. See live-in care for couples.

Asking for a budget review: "We are writing about [name]'s personal budget of £ [amount] a week, agreed on [date]. The care and support plan says [he/she] needs [support with personal care throughout the day and help at night]. The quotes we have obtained from CQC-registered providers (enclosed) show this costs £ [amount] a week. Please explain how the budget was calculated and review it so that it is sufficient to meet the needs in the plan."

Paying a family member

- A relative who **lives elsewhere** can be paid from a direct payment to provide care.
- A close family member who **lives in the same household** can only be paid for care if the council decides it is necessary, for example where only they can communicate with the person.
- A household family member can sometimes be paid for **managing the paperwork** of a large direct payment, if the council agrees this is necessary.

Anyone paid becomes an employee, with tax, National Insurance and employment law to consider, and it may affect their own benefits.

Adding your own money

You can use your own money alongside a direct payment, for example for extra hours or a provider that costs more than the council would pay. Agree the arrangement with the council in writing, and keep your own money clearly separate in the records so that it is obvious what the direct payment paid for.

Records, audits and unspent money

The council must check, in proportion, that the money is meeting the needs in the plan, but it must not ask for more information, more often, than it reasonably needs. Every month:

- [ ] Keep every invoice, timesheet and receipt
- [ ] Keep bank statements or prepaid card statements
- [ ] Pay the person's assessed contribution into the account on time (net payments)
- [ ] Spend only on what the care and support plan covers
- [ ] Tell the council about changes: hospital stays, new needs, a change of provider
- [ ] Do not let unspent money build up: it may be taken back

Direct payments are stopped only as a last resort, for example if they are not being used to meet the person's needs, and the council must make sure there is no gap in care.

Personal health budgets for NHS Continuing Healthcare

If the NHS funds care through NHS Continuing Healthcare, people living at home have a right to a personal health budget, which can be paid as a direct payment for healthcare and can pay a care agency, including for live-in care. Where someone has both a council direct payment and an NHS one, the two bodies should try to combine them, so there is one account and one set of checks.

Who to call

- **Your council's adult social care team:** if you are not sure which council it is, GOV.UK's "find your local council" tool tells you from a postcode (link below). In Oxfordshire, call 01865 519800 (Monday to Thursday 8.30am to 5pm, Friday 8.30am to 4pm).
- **Your council's direct payment support service:** ask the social worker for the details.
- **HMRC employer helpline:** 0300 200 3200, Monday to Friday 8am to 6pm, if you employ a carer.
- **Citizens Advice Adviceline (England):** 0800 144 8848, usually Monday to Friday 9am to 5pm.
- **Independent Age helpline:** 0800 319 6789, Monday to Friday 8.30am to 5.30pm.

What to do next

1. Make sure the care and support plan describes all the person's needs, by day and by night.
2. Ask the council for a direct payment, its agreement and its support service details.
3. Decide between a managed care agency and employing a carer yourself.
4. Get written quotes from CQC-registered providers.
5. Set up the account and a simple monthly record-keeping routine.
6. Put the six-month and yearly review dates in your diary.

How we can help

Day and Nightcare is a CQC-registered home care provider, rated Good, supporting people at home since 2008. We provide care funded by councils, including through direct payments, as well as privately funded care and NHS Continuing Healthcare. Our fully managed live-in care is available anywhere in England from £1,550 a week. For a free initial assessment and a written quote you can share with the council, call 01865 715780 or contact us.

Useful contacts and next steps

- **GOV.UK: Find your local council.** Enter the postcode where the person lives to find the council responsible for their adult social care, then ask that council about a care needs assessment, a direct payment and its direct payment support service.

Common questions

Can we switch back to council-arranged care?

Yes. A person can decide at any time that they no longer want direct payments. The council should then review the care plan and arrange care in another way, making sure there is no gap in support. Before switching, check the notice period in any contract you have with a care agency, and whether you have any duties to staff you employ, such as notice or redundancy pay, so that nothing is left outstanding.

What if the person lacks capacity to manage a direct payment?

An 'authorised person', often a family member, an attorney or a deputy, can ask for the direct payment and manage it on their behalf. The council must be satisfied that the authorised person will act in the person's best interests under the Mental Capacity Act and can manage the payment, with help if needed. If the person later regains capacity long-term, the payments move back to them, without any gap in care.

Do direct payments count as the person's income?

Not in the council's financial assessment: direct payments must be ignored as income when the council works out what the person pays towards their care. They are not personal spending money, though. They can only be used for the support set out in the care and support plan, the council checks how they are spent, and money that is not needed may be taken back.

Can direct payments pay for respite in a care home?

Yes, for short stays. Direct payments can pay for up to four consecutive weeks in a care home in any 12-month period. Stays less than four weeks apart are added together; stays more than four weeks apart are not, so regular short breaks, such as one week every six weeks, can continue through the year. Direct payments cannot pay for a long-term care home place, but the council can arrange longer stays itself.

Can a family carer get a direct payment?

Yes. After a carer's assessment, a carer with eligible needs can have their own personal budget and take it as a direct payment, for example for a break, a course or practical help. A carer can also use a direct payment to arrange replacement care for the person they look after while they take a break, if that person agrees. If replacement care is charged for, the person receiving the care pays, not the carer.

Sources and further information

- GOV.UK: Care and support statutory guidance (chapters 10, 11 and 12)
- legislation.gov.uk: Care and Support (Direct Payments) Regulations 2014
- GOV.UK: National framework for NHS continuing healthcare (personal health budgets)
- GOV.UK: Contact HMRC, employer enquiries

Read next

PAYING FOR CARE AND REDUCING THE COST

Council funding for care: assessments, means test and charges

How council funding for care works in England in 2026/27: the free care needs assessment, who is eligible, the financial assessment for care at home (£23,250 and £14,250 limits, minimum income guarantee, disability-related expenditure), what is ignored, top-ups and how to challenge.

Read the guide →

PAYING FOR CARE AND REDUCING THE COST

How to reduce the cost of care: a guide for families in England

The main legitimate ways to reduce what you pay for care at home in England in 2026/27: NHS Continuing Healthcare, council funding and the means test, benefits, Pension Credit, council tax discounts, free reablement and equipment, grants, carers' support and direct payments.

Read the guide →

CHOOSING LIVE-IN CARE

Managed or introductory live-in care: what is the difference?

Fully managed live-in care, introductory agencies and self-employed carers compared for families in England: who is responsible, CQC regulation, employment status, insurance, cover when a carer is ill, VAT, costs, risks and the questions to ask before choosing.

Read the guide →

All guides in the information centre Check what help you could get

Talk to our care team: 01865 715780

enquiries@dayandnightcare.co.uk · Out of hours: 07775 686272

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Information, not advice: please check anything important with the organisation named.