CITY OF WOLVERHAMPTON COUNCIL

Going into a Care Home - Paying for Residential Care

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www.wolverhampton.gov.uk

Factsheet 2

Deferred Payments

The Deferred Payments Scheme is available to help you if you have been assessed as having to pay the full cost of your residential care – but cannot afford to pay the full cost of the care because your capital is tied up in your home.

Effectively the scheme offers you a loan from the Council using your home as security. It doesn't work in exactly the same way as a conventional loan – the Local Authority doesn't give you a fixed sum of money upfront when you join the scheme, the Council can agree to loan part of care and accommodation costs for as long as necessary.

You will pay a weekly contribution towards your care that you have been assessed as being able to pay from your income. The Council pays the part of your weekly charge that you can't afford until your property is sold.

The part the Council pays is your 'Deferred Payment'. The deferred payment builds up as a debt – which is cleared when your property is sold, or you can pay the debt back from another source if you did not want to sell the property.

You do not have to sell your home if you don't want to – you may, for example, decide to keep your home for the rest of your life and repay out of your estate, or you may want to rent it out to generate income.

12-week property disregard

If you move into a care home on a permanent basis following a care assessment and you own your own home, for the first 12 weeks your property will not be included in the financial assessment.

For the first 12 weeks the Council could provide funding towards the cost of your care and accommodation in a care home which will give you time to decide what you want to do with your property.

After the 12 weeks, if you have not sold your property in that time, you can enter into a deferred payment agreement, or you could arrange to pay the full cost of your care from that date.

Eligibility

To be eligible for the deferred payment scheme you must meet the following criteria:

- have capital (excluding the property) of less than £23,250.
- be professionally assessed as requiring and be entering permanent residential /nursing care in a registered care home;
- own or have part legal ownership of a property, which is not benefitting from a property disregard,
- have mental capacity to agree to a deferred payment agreement or have a legally appointed agent willing to agree this.

Whilst in the agreement, you will also need to:

- have a responsible person willing and able to ensure that necessary maintenance is carried out on the property to retain its value, you are liable for any such expenses.
- insure your property at your expense;
- pay any client contribution in a timely and regular manner; if you fail to pay the client contribution on a regular basis the council reserves the right to add this debt to the loan amount.

There can be no other beneficial interests on the property, for example outstanding mortgages or equity release schemes, unless this is approved by the Local Authority.

Your agreement with the Council

If you decide to use the Deferred Payments Scheme, you enter into a legal agreement with the Council. The Council then places a 'legal charge' on your property to safeguard the loan.

The agreement covers both the responsibilities of the Council and your responsibilities, one of which is to make sure that your home is insured and maintained.

You can end the agreement at any time (for example if you sell your home) and the loan then becomes payable immediately. Otherwise, the agreement ends on your death and the loan becomes payable 90 days later.

The Council cannot cancel the agreement without your consent.

'Loan Style' deferred payments

If you meet the eligibility criteria for a Deferred Payment Agreement you can make the care arrangements yourself. If you choose to contract directly with the care home you can request Local Authority funding with a 'loan style' Deferred Payment Agreement.

If you choose this payment option the Local Authority will pay the care home fees to you for you to pay the care home. We will conduct a financial assessment to calculate your contribution to the cost of the care and pay you the difference that makes up the care home fees as a loan.

You will enter into an agreement with the Local Authority the same as if we were arranging the care and a charge would be placed on your property. The loan would then be repaid when the property was sold or the deferred payment agreement ended.

If you choose to an agreement of this type you would make the arrangements yourself and contract with the care home directly where you would pay a 'private funded' rate for the care.

Deferred self 'top ups'

Normally if the cost of your care is more than the personal budget assigned to you to pay for your care and support a family member or other person should pay the additional cost towards your care and accommodation, see Factsheet

3 – Choice of accommodation and additional costs.

If you decide to take advantage of the Deferred Payments Scheme; you can ask to add the additional costs to your Deferred loan, providing that the agreement is sustainable.

Please see example below

Sustainability

When you enter into a deferred payment agreement the Council will undertake a financial assessment which will give an indication of how much you can loan to pay for your care costs.

If you have chosen a care home where the costs are more than your personal budget the Council will need to assure itself that the income and equity in the property will last for a sufficient period of time. If the cost of the placement is not sustainable this would result in the Council reviewing the placement at a later date and possibly looking at alternative accommodation.

Disposable Income Allowance

When you go into a care home the majority of your weekly income will go towards paying for your care but you at least £30.15 (24/25 rates) plus any disregarded income that you may have.

If you enter into a deferred payment agreement you can ask to retain up to £144 of your weekly income to pay for costs associated with the property or having an increased personal allowance, but any income above this amount would need to be paid towards the cost of your care.

If the Council agree to a deferred self-top-up, the Council may need to consider any request for a person to use all of their disposable income allowance.

If you wish to retain the full disposable income allowance the Council may request evidence of Housing costs and personal expenditure as this may affect the amount you are able to loan.

You may want to discuss with a financial advisor whether it would be beneficial to retain this amount of weekly income as it would affect the amount of interest you would pay on the loan.

Costs associated with deferred payments

There will be an administration charge applied in relation to the legal costs, which are currently £396 for registered properties and £596 for unregistered properties. The local authority's legal department will write to you separately about these charges if you decide to take out an agreement.

Charging Interest

The loan will have interest charged on it in the same way a normal loan would be charged on money borrowed from a bank. The maximum interest rate that will be charged is fixed by the government. Currently the maximum rate to be charged is based on the cost of government borrowing and will change on 1st January and 1st July every year. This interest will be compounded on a monthly basis. The interest will apply from the day you enter into the Deferred Payment Scheme.

You will receive statement of accounts every 6 months advising you how your charge is being calculated and what the outstanding sum on your deferred payment account is.

Financial Advice

If you enter into a deferred payment agreement the Council recommends that you take independent Financial Advice.

You can find local financial advisors by visiting either https://societyoflaterlifeadvisers.co.uk/ or https://directory.moneyadviceservice.org.uk/en

Renting out your property

You could choose to rent out your property and if you do so you can use the rental income to reduce the amount of deferred debt. You do not have to include the rental income in your contribution towards the cost of the care or you could decide to only contribute a proportion, but the income would need to be set aside and accounted for and would be assessed as part of your capital.

There are advantages to renting your property whilst you are in a care home your home will be occupied and therefore secure and your tenants will be responsible for utility bills and council tax therefore reducing your outgoings.

Other options

If you choose to rent out your property this could give you enough income to cover the full cost of your care and a deferred payment agreement would not be required.

You may also choose to pay the full cost of your care from your available income and savings/assets; or a family member may choose to pay some or all of this for you.

If you are able to pay the full cost of your care by the options above there are advantages as you will not accrue a debt and will not be liable for interest and administrative charges.

If your property is under contract to be sold or you are going through any legal process to sell the property the Council may accept an 'Undertaking' from your Solicitor rather than entering into a deferred payment agreement.

You should take independent financial and legal advice to help you decide which course of action will be financially better for you.

How is the deferred payment calculated?

For the first 12 weeks of your placement in a care home the value of your property will be disregarded from your financial assessment and your contribution towards your care will be assessed in the same way as someone who has capital or savings below £23,250 (see factsheet 4 – financial assessment calculations for a permanent placement).

From the 13th week you will need to continue to pay your assessed contribution but the difference between your assessed contribution and the cost of the placement less any third-party contribution will be added to your deferred payment account to be paid once your property has been sold.

From the 13th week you should be able to apply for Attendance Allowance, Disability Living Allowance or Personal Independence Payment this would be included in your income calculation and would mean your assessed contribution will increase but this will reduce the amount you will need to repay to the Council once your property is sold and reduce the amount of interest you have to pay.

Example

Janet has been in a care home for 2 years where she had been paying for her own care, her savings have now fallen below £23,250 and Janet's family have approached the Council to assist with funding because the rest of her capital is tied up in her property.

Janet was assessed by a Social Worker and she meets the criteria for the Council to provide funding, the personal budget was assessed to be £636.72 per week. The care homes fees are £725.00 per week and the family have asked if the additional costs can be included in the deferred loan, Janet has sufficient equity in her property to be able to pay the additional costs herself and the Council have therefore agreed to support Janet.

Janet's income from her state pension is £218.15 and she is also receiving Attendance Allowance of £108.55 per week.

The Council will pay the care home the £725.00 per week as agreed.

For the first 4 weeks Janet will pay a contribution of £296.55 per week (£218.15 state pension + £108.55 attendance allowance minus £30.15 personal allowance). The Council will be providing funding of £340.17 and £88.28 will be loaned to Janet as a deferred self-top-up.

After 4 weeks the Attendance Allowance will stop being paid and this will reduce Janet's income, so she will pay a contribution of £188.00 per week, the Council will provide funding of £448.72 and £88.28 will be applied to the deferred loan.

On the 13th week when the 12-week property disregard has ended Janet can reapply for her Attendance Allowance, so her weekly payments would be £296.55 the Council will no longer provide funding so £428.45 will be applied to the deferred loan.

This arrangement would continue until the property is sold or the contract with the home is ended, at this point the deferred costs including interest and fees would need to be paid back to the Council.