Deferred Payment Arrangements

The charging rules for residential care are now contained in the Care and Support Statutory Guidance ('CASS') as implemented under the Care Act 2014. Councils should follow this guidance when undertaking a financial assessment to determine how much a person has to pay towards the costs of their residential care, when the placement is arranged by the council.

CRAG says that people who have over £23,250 in savings are expected to pay for the full cost of their care home fees.

However, once their capital falls below £23,250, they only have to pay an assessed contribution towards their fees, with the council paying the difference. When assessing this contribution, a council should completely disregard the first £14,250 of savings or capital and for every £250 of capital between £14,250 and £23,250, the council assumes a 'tariff income' of £1 per week.

A person's capital can include the value of the home they own but sometimes, it may not be convenient or possible to sell the home and realise the capital immediately. If a person needs a care home placement, their other capital assets are less than £23,250 and their home is not otherwise disregarded, to ensure they are not forced to sell their home, the council may offer a deferred payment scheme.

In brief the council:

- Estimates the value of the property (if there are any expenses involved in selling the asset, CASS allows the council to reduce the asset's value by 10% when doing a financial assessment);
- Carries out a financial assessment to find out how much the person can contribute from their actual income (often just a pension);
- Pays the agreed difference between this sum and the actual weekly cost of the care home. The council's contributions build up a debt that is secured on the property by way of a legal charge with interest. When the property is eventually sold, the client, or family, repays the debt from the proceeds. If the amount that needs to be repaid to the council increases to such a level that the remaining falls below £23,250, the council should carry out a new financial assessment. This is the point at which the person would be entitled to receive some financial assistance from the council.

If you enter into a deferred payment arrangement it is important to ensure the following:

1. That the value of the property is disregarded for the first 12 week period of being in a care home;
2. You are still entitled to Attendance Allowance whilst the deferred payment arrangement is in place;
3. You agree with the property valuation and this is reviewed periodically to ensure the capital is not reduced below £23,250.
4. If your spouse, relative aged over 60 or a disabled relative occupies the property the full value of the property should be disregarded;

5. You are in receipt of all your benefit entitlements (Benefit advice can be obtained free of charge)
6. If the resident is a joint or co-owner of the property seek legal advice to ensure the correct value is used.

If there is a joint ownership often council's value 50% of the market value, whereas they should value the beneficial interest subject to the remaining owner's interest. Sometimes this value can be reduced to nil.

Every resident's circumstances are different and it is important to understand what options are available for funding. You may need independent financial advice to maximise your assets or purchase a long term Care Annuity Plan. You may need to be aware that if residents' health care needs change, funding may be obtained through the NHS.

For full advice on care home funding, including continuing health care funding advice; protecting your family wealth and challenging decisions made by the local authority call our specialist Care Funding and Court of Protection team today on 0800 088 6004