Factsheet

Durham County Council

Information for people in residential care with property

If you are assessed as eligible for permanent residential care and you have a property and your other capital is valued at less than £23,250 the value of your property will usually be taken into account in the financial assessment.

Sometimes the value of a person's home is not taken into account, for example when a partner or dependent relative continues to live there.

The council also has discretion to ignore the value of the property where someone continues to live there and does not meet the criteria above.

The value of your property will be ignored if your stay in a care home is only temporary and it is expected that you will return home.

If the value of your property is taken into account in the financial assessment it will be ignored for the first 12 weeks of your permanent stay in the care home. This will apply if you do not have enough weekly income to pay the fees or other assets/savings sufficient to qualify as a self-funder.

In 2019/2020 this means having other assets/ savings of more than £23,250.

If you qualify for the 12 week disregard the council will only ask you to pay a contribution based on your income and other assets/savings and will meet any difference between that amount and the fee that the council has agreed to pay for your care. After the 12 week period the value of your home will be taken into account in working out how much you should pay.

If you own a second property which is not your main residence then this will be taken into account for financial assessment purposes.

Options

If your property is taken into account in the financial assessment you have a number of options:

- If you do not wish to sell your property during your lifetime you may choose to sign up to the Deferred Payment Agreement. Effectively this Agreement offers you a loan from Durham County Council. More detail is set out below.
- You may choose to rent out your property, which together with your other income and savings could give you enough income to cover the full cost of your care
- There are various equity release products which may be suitable for your personal circumstances. You would need to discuss this with a financial advisor.
- A family member may choose to pay some of the costs of your care for you.
- You may decide you wish to put your house up for sale in which case you will need to either apply for a Deferred Payment Agreement or contact the care home to make private arrangements. The care home fees may be higher than the council's contracted rate.

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

Deprivation
Deprivation of assets in relation to financial assessment refers to where a person has intentionally deprived themselves of an asset in order to reduce the amount they are charged towards their residential or nursing home care.

A person can deprive themselves of capital in many ways, but common approaches are:

- A lump-sum payment to someone else, for example as a gift or to repay a debt of their own or the person
- Substantial one-off expenditure has been incurred
- The title deeds of a property have been transferred to someone else
- Assets have been put into a trust that cannot be revoked

People's ability to spend their income and assets as they see fit can be important for promoting their wellbeing and enabling them to live fulfilling and independent lives. However, it is also important that people pay their fair contribution towards their care and support costs and there may be cases where a person has deliberately tried to avoid care and support costs through depriving themselves of assets – either capital or income.

In such cases, we will either charge the person as if they still possessed the asset or, if the asset has been transferred to someone else, seek to recover the lost income from charges from that person.

What is the Deferred Payment Agreement?
The deferred payments Agreement is designed 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 weekly charge because most of your capital is tied up in your home.

Effectively the Agreement offers you a loan from the Council using your home as security. The Council pays an agreed part of your weekly care and support bill for as long as the agreement is in place.

You will pay a weekly contribution towards your care that you have been assessed as being able to afford to pay from your income and other savings. The Council pays the part of your weekly charge that you can't afford until the value of your home is realised. The part the Council pays is your 'deferred payment'.

The deferred payment builds up as a debt – which is cleared when the money tied up in your home is released. For many people this will be done by selling their home, either immediately or later on. You can also pay the debt back from another source if you want to.

However, 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. If you do this, you will be expected to use the rental income to increase the amount you pay each week, thus reducing the weekly payments made by the council, and minimising the eventual deferred payment debt.

An application for a deferred payment will also be considered from people in supported living accommodation including extra care where the person intends to retain their former home and pay their associated care and accommodation rental costs from their deferred payment.

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
1 January and 1 July every year. The current charge is 1.05%. This interest will be compounded on a daily basis.

The interest will apply from the day you enter into the deferred payment. You will receive statements on a 6 monthly basis advising you how your charge is being calculated and the outstanding sum on your deferred payment account.

Your agreement with Durham County Council
If you decide to use the Deferred Payments Agreement, you enter into a legal agreement with the council by signing an agreement document. The council then places what is called a 'legal charge' on your asset (usually a property) to safeguard the loan. You will be charged for this expense.

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. If you incur expenses in maintaining your home while you are in residential or nursing care, these may be allowed for in the amount that you are assessed as contributing each week from your capital and income.

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.

If the Council has not received the signed application form by the end of the 12 week property disregard period, you will be required to contact the home to make private arrangements.

Advantages of using the Deferred Payment Agreement
The advantage of the Deferred Payment Agreement is that you can choose when to sell your property. You may choose not to sell your property during your lifetime to pay for your care.

You do not have to meet the full cost of your care yourself straight away. Care charges can be deferred and paid either when your property is sold or upon on your death from your estate .

Everyone in residential care is entitled to keep a Personal Expense Allowance (currently £24.90 per week) which is set by the Department of Health each year.

Anyone with a Deferred Payment Agreement is able to increase this to up to £144 per week, if they choose. It should be borne in mind that the larger the Personal Expense Allowance retained, the greater the amount that will be deferred which will need to be recovered when the property is sold and this will also increase the amount of interest being charged. Where the deferred payment is ended or frozen the amount will revert back to the statutory personal allowance amount.

Disadvantages of the Deferred Payment Agreement
If you choose not to sell your property you may not qualify for some means tested benefits e.g. Pension Credit, Housing Benefit that you would otherwise be eligible for.

There are costs associated with setting up and administrating the deferred payment agreement. Interest is also charged on the full deferred amount.

You will need to ensure that your property is adequately insured and maintained including gardens and outbuildings.

Costs associated with the Deferred Payments Agreement
The costs associated with the deferred payment Agreement are set out at the end of this leaflet. These costs can be added to the amount deferred or you can choose to pay these separately up front.

In order to apply for the Deferred Payment Agreement you must:

- 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, and ensure your property is registered with the Land Registry (If the property is not registered, it must be registered at your own expense but we can do this on your behalf).

  N.B The Council must be able to register a charge on your property. If they are unable to do so then the Council will be unable to enter into a deferred payment agreement with you.

- Have the mental capacity to agree to a deferred payment agreement or have a person with legal authority to act on your behalf i.e. a Deputy appointed by the Court of Protection or someone with a relevant Enduring Power of Attorney or Lasting Power of Attorney. We can provide further information about how you would make these arrangements.

During the term of the deferred payment 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

There can be no other beneficial interests on the property, for example re-mortgages or equity release Agreements, unless this is approved by the council.

Further Information
You can obtain more information on the Council's Deferred Payment Agreement by accessing the Council's Deferred Payment Agreement Policy on their website at www.durham.gov.uk

Independent advice
We would recommend that you seek independent financial advice before entering into a deferred payment agreement.

How do I apply?
If you wish to apply for the Agreement you will need to complete an application form. The Financial Assessment & Benefits Officer carrying out the financial assessment will be able to explain the Agreement in more detail, answer any questions that you may have and send you an application form.

Acceptance of any application under the Agreement is subject to you meeting the criteria for entering the Agreement, and The Council being able to obtain security on your asset/property.

What if my Deferred Payment Application is delayed?

If your Deferred Payment application is delayed beyond the 12 week property disregard period you will be required to liaise with the Care Home to make funding arrangements until your application is processed.

What happens if my Deferred Payment Application is refused?

If your application for a Deferred Payment Loan is declined we will contact you to inform you of the reasons for this decision.

Once you are informed that your application has been declined you will need to liaise with the care home and agree funding arrangements with them.

Deferred Payment Agreement Costs

Fees and charges	Frequency	Cost
Legal fees -		
Preparation and Registration of DPA and charge	per activity	£155.00
Removal of Charge	per removal	£50.00
Application for Voluntary First Registration**	per application	£205.00
** anyone with un-registered title deeds will be required to apply for the voluntary registration of their title deeds prior to being granted a DPA		
Land registry fees		
Office Copy and Title Plan	per request	£6.00
Registration of Charge	per request	£20.00
£0—£100,000 £80,001—£100,000 £100,000—£200,000 £500,001—£1000,000 £1,000,000 and over	per registration per registration per registration per registration per registration	£20.00 £30.00 £40.00 £60.00 £125.00
Voluntary First Registration– value of property		
£0-£80,000	per application	£40.00
£80,001- £100,000	per application	£80.00
£100,001- £200,000	per application	£190.00
£200,001 - £500,000	per application	£270.00
£500,001 - £1,000,000	per application	£540.00
£1,000,001 and over	per application	£910.00
Valuation costs	per valuation	£150.00
Administration fees		
Initial Set-up Annual Fee Abortive Admin Fee*	Per case Per case Per case	£190.00 £50.00 £50.00

* *This relates to a standard charge for admin costs where a deferred payment application/agreement is terminated before its completion (whatever the reason)*