



The Deferred Payments Scheme Factsheet

If you are considering seeking assistance under the Deferred Payments Scheme, you are **STRONGLY** advised to seek independent legal and financial advice from the outset. Our staff are forbidden to give financial or legal advice of this nature.

Please note: The Deferred Payment Scheme agreement, once signed, is legally binding.

1. Introduction

Kent County Council offer a Deferred Payments scheme to comply with The Care Act 2014 (sections 34 and 35) and The Care and Support (Deferred Payment) Regulations 2014.

The Deferred Payments scheme mainly applies to people in residential care and can help them avoid having to sell their former home to pay for their care. It enables an individual to defer or delay paying some or all of the cost of their care until a later date.

When you begin a permanent placement in residential care and need financial assistance from the local authority, the value of your former home is usually disregarded for the first twelve weeks. This is called a '**12 week property disregard**'. This gives you time to decide how best to pay for your care and whether or not to sell your home. You are not entitled to this disregard if you have been a permanent resident in a care home self-funding for more than 12 weeks

Please note, that during the 12 week property disregard period, you will still be assessed against your income and other assets and will be liable to pay a contribution based on these.

After the 12 weeks has ended, we normally take the value of your former home into account (there are some exceptions to this rule such as if your spouse/partner and certain other relatives are still living there – further details can be provided) The law states that if your capital (including your former home if we are allowed to take it into account) is in excess of the higher threshold (currently £23,250) you are expected to meet the full weekly cost of your residential home.

If you do not wish to sell your former home to cover this cost, or if you are actively marketing it but having trouble finding a buyer, you may wish to consider the Deferred Payment option and the information contained here may help with your decision.

2. How does the Deferred Payments scheme work?

The Deferred Payments Scheme allows a resident with a property to defer part of the contribution they must make to the cost of their care home. The amount deferred is only recovered from you or your estate:

- When your property is sold
- When you die
- When you terminate the Deferred Payments agreement

Under the Scheme, Kent County Council will temporarily pay the agreed cost of your care to the care home. You will still be required to pay a weekly contribution to Kent County Council out of your available income (e.g. pensions and benefits and any other assets), but not out of any capital tied up in your former home. The deferred amount is the difference between what Kent County Council pays directly to the care home and the contribution that you pay to Kent County Council.

For example:

- If your residential home costs £400 per week, and this is agreed by Kent County Council, we will pay £400 directly to the care home every week
- If, following a **Financial Assessment** * your available income is calculated to be £100 per week; you will pay £100 to Kent County Council every week.

In this case, the deferred amount will be £300 per week:

A legal charge similar to a mortgage will be secured against your property giving the council the right to reclaim the amount deferred against the eventual sale.

See examples at the end of this factsheet.

3. Do I qualify for Deferred Payments?

You may choose to have a Deferred Payment if you meet all of these criteria:

- You own a property (if jointly-owned, both/all owners must consent to the charge being placed on the property)
- Your property is registered with the Land Registry and you are listed as one of the proprietors.
- There is no outstanding mortgage or loan already secured on your property;
- We have determined that your needs can best be met in residential care and the cost is what we consider necessary to meet your needs
- You have less than £23,250 in savings and other non-housing assets (apart from the value of your former home).

In addition the Deferred Payments Scheme may be offered at the discretion of Kent County Council to other residents who do not meet all the above criteria.

Consideration could be given to factors such as:

- You have few accessible assets to pay for your care home charges
- There is already an outstanding loan/ mortgage or charge secured on your property
- You are only slightly over the £23,250 threshold;
- There is other adequate security (when there is no possibility of a legal charge via the land registry on the former home).

Please note: In the event that the client lacks mental capacity to sign the Deferred Payments Agreement, an authorised representative with legal responsibility (Lasting Power of Attorney or Deputyship) will be required to sign it on their behalf.

If the property has an outstanding mortgage, equity release or is shared with a Housing Association, please obtain written authorisation/agreement from the organisation confirming Kent County Council can register a mortgage/legal charge on the property.

If you rent out the property, or plan to rent out the property in the future, you must provide a copy of the complete Tenancy Agreement which has been signed by all parties.

The Tenancy Agreement **MUST** be an Assured Shorthold Tenancy. This is an agreement with a fixed term. The letting agent should be able to advise you on this matter.

If there is an informal rental agreement in place, please provide the full name and address of tenants. The details of the tenants should be kept up to date so you will need to provide this information if/when there is a change to the occupier of the property.

Any rental income generated will be taken into account when calculating how much the resident can afford to contribute. However, the resident is entitled to retain up to 20% of this income if required/requested. This rental income disregard is in addition to the Disposable Income Allowance that the resident has requested to keep each week.

4. Other facts to bear in mind

Administrative Charge

The Deferred payment agreement scheme is intended to be run on a cost-neutral basis, with local authorities able to recoup the costs associated with deferring fees by charging interest

Local authorities can also recoup the administrative costs associated with DPAs, including legal and ongoing running costs, via administration charges which can be passed on to the individual.

Administration charges and interest can be added on to the total amount deferred as they are accrued, although a person may request to pay these separately if they choose.

The agreement must make clear that all fees deferred, alongside any interest and administrative charges incurred, must be repaid by the person in full. The local authority must also notify the individual in writing whenever they are liable for an administration charge.

Please note: If you decide that you would like to cancel your application for Deferred Payments before it is finalised, if for example the property is sold, you may still be liable for any administration and legal fees for the work carried out to that point.

Administration Costs

There will be a charge to cover administrative and legal costs associated with the scheme which will be £498.37 at the start of the agreement with £67.49 charged per year thereafter.

The breakdown is provided below:

Legal Fees	£363.40	(One off Cost)
Cost of Raising an Invoice	£25.95	
Cost of Paying an Invoice	£23.88	
Financial Assessment Officer	<u>£85.14</u>	
Total Costs	<u>£498.37</u>	

Annual Fee

Cost of Raising an Invoice	£25.95
Cost of Paying an Invoice	£23.88
Financial Assessment Officer	<u>£17.66</u>
Total Costs	<u>£67.49</u>

Interest

Interest will be added to the deferred amount on a daily compounded basis from the day you enter into the Deferred Payment Scheme.

The rate of interest that will be charged is based on government borrowing (the weighted average interest rate on conventional gilts plus 0.15%). This will be reviewed twice every year in January and July.

Compounded Interest Example Calculation

Cost of placement	£500 per week
Assessed contribution	£150 per week
Amount deferred	£350 per week (£50 per day)

Example interest rate used 2.65%

Agreement	Opening Balance	Interest	Closing Balance
Day 1	£50.00	£0.0036	£50.0036
Day 2	£100.004	£0.0073	£100.0109
Day 3	£150.011	£0.0109	£150.0218
Day 4	£200.022	£0.0145	£200.0363
Day 365	£18,493.282	£1.3427	£18,494.6251

Total amount deferred after 1 year	£18,250.00
Total amount interest applied	£244.63
Total amount outstanding after 1 year	£18,494.63

You will need to maintain the property, pay for buildings and contents insurance (which must be specific to empty properties if the property will be left empty) and pay heating bills to save the property from damp and frost. We will need to see a copy of the buildings insurance annually.

You will be allowed to retain up to £144 per week from your income which includes the statutory personal allowance amount of £24.90 per week towards the upkeep of your property should you want to. This is called the Disposable Income Allowance. Please note if you choose to retain more than the statutory allowance of £24.90 per week this will increase the accruing amount owed to Kent County Council.

If you rent out the property, the income will have to be used towards your care home costs. However you will be permitted to keep a percentage of the rental income should you wish to do so. If you do take advantage of this it will increase the amount you will be deferring, i.e. the amount of the loan to be eventually repaid to Kent County Council.

Effect on benefits if a deferred payment agreement is in place

A person receiving only temporary funding from the local authority can claim Attendance Allowance or Disability Living Allowance/Personal Independence Payment care component. They may in some circumstances also be able to claim Pension Credit, Income Support, Employment Support Allowance or Universal Credit.

5. Independent advice

If you are considering seeking assistance under the Deferred Payments Scheme, you are **STRONGLY** advised to seek independent legal and financial advice from the outset. Our staff are forbidden to give financial or legal advice of this nature.

Please Note: The Deferred Payment Scheme agreement, once signed, is legally binding.

There are some excellent sources of impartial advice available, these include:

Counsel and Care

Telephone: 0845 300 7585

Email: advice@counselandcare.org.uk

Website: <http://www.counselandcare.org.uk>

Age UK (formerly Help the Aged and Age Concern)

Telephone: 0808 800 6565 or 0800 00 99 66

Email: www.ageuk.org.uk

Website: <http://www.ageuk.org.uk>

These are independent charities that advise individuals as well as publishing factsheets on a wide range of issues facing older people.

EXAMPLES OF A DEFERRED PAYMENT IN PRACTICE

Please note that in all these examples the individual must have been assessed by KCC, it has been agreed that they meet the national minimum eligibility criteria and that residential care is a suitable way of meeting their needs. The cost of the placement must also be agreed by KCC.

Example 1: Retaining all of the optional Disposable Income Allowance.

Lucille - a care home placement that meets her care and support needs costing £600 per week has been identified. She has income provided by her pension of £300 per week. Lucille chooses not to rent her home. In addition to this Lucille also chooses to retain the full amount of the optional Disposable Income Allowance, £144 per week.

Therefore, Lucille's contribution would be calculated as £166 per week ($£300 - £144 = £166$). As Lucille's contribution is calculated as £166 per week and the cost of her placement is £600 per week this means that the amount she would be deferring is £434 per week ($£600 - £166 = £434$).

Example 2: Rental with no Disposable Income Allowance.

Terence - a care home placement that meets his care and support needs costing £500 per week has been identified. He has income provided by his pension of £150 per week. Terence chooses to rent his property for £125 per week. In addition to this Terence chooses not to retain any of the optional Disposable Income Allowance. However, Terence must be left with the standard Personal Allowance of £24.90 per week.

Therefore, Terence's contribution would be calculated as £250.10 per week ($£150 + £125 = £275 - £24.90$ (statutory personal allowance) = £250.10).

As Terence's contribution is calculated as £250.10 per week and the cost of his placement is £500 per week this means that the amount he would be deferring is £249.90 per week ($£500 - £250.10 = £249.90$).

Example 3: Rental with part Disposable Income Allowance.

Ida - a care home placement that meets her care and support needs costing £700 per week has been identified. She has income provided by her pension of £225 per week. Ida chooses to rent her home for £200 per week. In addition to this Ida also chooses to retain £50 of the optional Disposable Income Allowance (Up to a maximum of £144 per week).

Therefore, Ida's contribution would be calculated as £375 per week ($£225 + £200 - £50 = £375$). As Ida's contribution is calculated as £375 per week and the cost of her placement is £700 per week this means that the amount she would be deferring is £325 per week ($£700 - £375 = £325$).

Example 4: Full deferral.

William identifies a care home placement that meets his care and support needs costing £650 per week. He has income provided by his pension of £144 per week. William chooses not to rent his property. In addition to this William chooses to retain the full amount of the optional Disposable Income Allowance, £144.

Therefore, William's contribution would be calculated as £0.00 per week ($£144 - £144 = £0.00$). As William's contribution is calculated as £0.00 per week and the cost of his placement is £650 per week this means that the amount he would be deferring is £650 per week.



**APPLICATION FORM FOR DEFERRED PAYMENTS
TO FUND RESIDENTIAL OR NURSING CARE**

You are strongly advised to seek independent legal and financial advice before applying.

All sections must be completed

CLIENT ID

SECTION 1 About the resident

Title: Mr/Mrs/Miss/Other..... Surname

First names..... Date of birth

Contact details if applicable e.g. telephone

SECTION 2 Your representative

Title: Mr/Mrs/Miss/Other Surname

First names.....

Relationship to the applicant:

Address

.....

..... Postcode

Telephone.....Mobile.....Email address.....

Do you have legal authority to act on behalf of the applicant? Yes or No

If **Yes**, Please tick which is applicable and attach the appropriate legal documentation.

Power of Attorney **Enduring/Lasting Power of Attorney** **Deputy/Receiver**

If **No**, please tick if you are in the process of applying to the Office of Public Guardian or the Court of Protection

Solicitor (if applicable).

Name & Firm.....

Address.....

Postcode..... Telephone.....

Email.....

SECTION 3 The care home

Name of Care Home

Address.....

..... Postcode

Telephone Number Email address

The date you started living there on a permanent basis... /...../.....

The date you would like the Deferred Payment to start... /...../.....
(If your application is successful this is the date that KCC will pay the care home from, on your behalf)

What is the total cost of your care home? £.....per week

Please enclose copies of ALL relevant documents

SECTION 4 About your former home (which MUST be registered with Land Registry)

Address:

.....

..... Postcode:

Do you (resident) own the property specified above?

As sole owner Owned with someone else

Please give details of all other owners and where relevant, the interests that you each may hold. Details of other owners must include their full names, addresses and whether jointly owned or as tenants in common or other. Please also detail how and when these interests were created? ***Please provide evidence of this and continue on a separate sheet if necessary.***

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Does anyone live in your former home? Yes No

If **Yes**, please give details, using a separate sheet if necessary:

Name Age Relationship to you Date moved in

.....

.....

.....

Will they remain in the property? Yes/No

When did you buy your home?/...../..... Price paid: £.....

Estimated current value: £..... Are you going to sell the property? Yes/No

Please tell us about any mortgages you have against your former home.

What type of mortgage or loan do you have?

Repayment Endowment Interest Only Equity Release Other

If **other**, please give details:.....

Name of mortgage/loan lender

Account numberDate of mortgage/loan agreement:/...../.....

Amount of outstanding mortgage/loan.....

Name of mortgage/loan lender

Account numberDate of mortgage/loan agreement:/...../.....

Amount of outstanding mortgage/loan.....

Has your mortgage/loan lender been advised of your change of circumstances? Yes/No

Please attach ALL documents confirming mortgage/loan details.

SECTION 5 Any other information

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SECTION 6 Admin fees and legal costs

Administration fees and legal costs may also be deferred until the sale of the property. However, they will then incur interest charges from the start date of the agreement. Please choose one of the following options:

- I would like to pay all administration fees and legal costs with the initial contribution payment and, therefore not incur any interest fees on these.
- I would like to defer all administration costs and legal fees until the eventual sale of the property, and understand that interest charges will be applied to these.

SECTION 7 Disposable income allowance

Under the Deferred Payment Scheme you are permitted to retain up to £144.00 of your income per week (where your weekly income equals or exceeds this amount). Please note that this amount is inclusive of the statutory personal allowance rate set by the department of health of £24.90 per week.

You may decide that you do not require the full £144.00 per week and would prefer to set your own weekly allowance. (Not exceeding £144.00)

Please choose one of the following options:

- I would like to retain £144.00 allowance per week
- I would like to retain the governments' standard weekly allowance
- I would like to retain another weekly amount (Please specify amount)

£.....

Please be advised that the more of the disposable income allowance that you choose to retain will increase the amount you defer per week.

RENTAL INCOME (If applicable)

Under the Deferred Payment Scheme you are permitted to retain up to 20% of any weekly rental income generated.

Please choose one of the following options:

- I would like to retain 20% of the weekly rental income
- I would like to retain 0% of the weekly rental income
- I would like to retain the % below (Please state the percentage you would like to keep – not exceeding 20%)

.....%

SECTION 8 Documents to be included with your application.

- Power of Attorney or Deputyship Order
(MUST be the Original/certified by a solicitor)
- Written valuation of property
(No more than 3 months old)
- ***Whilst your property is unoccupied you will need to amend your insurance policy to ensure that vacant possession is covered. Please provide a copy of the valid buildings insurance document to reflect this***
- Completed direct debit mandate
- Written authorisation from Mortgage provider, Equity Release or Housing Association
- Copy of full Tenancy Agreement – **MUST be an Assured Shorthold Tenancy Agreement with a fixed term.**
- Details of informal rental arrangement including the agreed weekly rent received
- Proof of rental Income
- Relevant documentation for mortgages/loans
- Relevant documentation regarding joint ownership
- Original/certified Death Certificate for any joint owners who have passed away, but may still be named on the title with land registry. Please ensure that the title deeds at Land Registry are up to date.

If your application is successful, a Deferred Payment Agreement will be sent to you for signature and return.

All original legal documentation will be returned to you.

PLEASE SEE SECTION 9 FOR DECLARATION

SECTION 9 DECLARATION

- I wish to apply for the Deferred Payments Scheme
- I understand that acceptance of any application under the scheme is at the discretion of Kent County Council, subject to you meeting the eligibility criteria and the Local Authority being able to obtain adequate security. The Deferred Payment (Kent County Council paying the home) will not take effect until a formal agreement is entered into. I understand that sending this application to the Kent County Council will not create a legally binding relationship
- I confirm that I own/part (*please delete as appropriate*) own the property specified in section 4. I authorise Kent County Council to check legal title to the property.
- I agree to pay £498.37 to cover all administration and legal costs and this will be added to my initial Kentcare Invoice should my application be successful. I agree to pay an annual fee of £67.49 to cover ongoing costs associated with the Deferred Payments Scheme.
- I understand that if I request the cancellation of the application for Deferred Payments before it is finalised I may still be liable for any administration and legal fees for the work carried out to that point.
- I agree that I shall be responsible for the payment of the weekly contribution to the cost of my care that I am assessed to make under regulations specified in the Care Act Regulations regarding charging from my income and other capital. This will be subject to subsequent reviews in case of price increases, and changes to income.
- I confirm that the information given on this form is true and accurate to the best of my knowledge.
- I have read and understood this application for the Deferred Payments Scheme and the terms of the declaration.
- I understand that the County Council will store the information given on this form on paper and on computer, and I agree that when necessary it may be shared with other organisations that work with the County Council. I also understand that the information will be kept confidential and secure and that I may ask to see it at any time, in accordance with the Data Protection Act 1998.
- I agree that I will provide the County Council with further documentation pertaining to the property, on an annual basis, as requested.

Signed

Name Date...../...../.....

Signed on behalf of

If you are signing on behalf of the person applying to use the Deferred Payments Scheme, you must be the person named in Section 2, and have legal authority to act (or be in the process of applying for this).

Please send the completed form to:- Finance Assessment Team, Kent County Council, St Peters House, Dane Valley Road, St Peters, Broadstairs, Kent CT10 3JJ.



Instruction to your bank or building society to pay by Direct Debit

Please fill in the whole form including official use box using a ball point pen and send it to:

Cashiers Section
 Kent County Council
 3rd Floor
 Invicta House
 Maidstone
 Kent
 ME14 1XX

Service user number

7	5	4	4	5	3
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FOR Kent County Council OFFICIAL USE ONLY
 This is not part of the instruction to your bank or building society.

PLEASE PRINT CLIENT'S FULL NAME

If you do not want any outstanding arrears taken with your first payment please tick the box below.

If you wish to pay an additional 4 weekly amount towards any arrears please specify the amount extra you wish to be taken £

Name(s) of account holder(s)

Bank/building society account number

--	--	--	--	--	--	--	--	--	--

Branch sort code

--	--	--	--	--	--

Name and full postal address of your bank or building society

To: The Manager Bank/building society

Address

Postcode

Instruction to your bank or building society

Please pay Kent County Council Direct Debits from the account detailed in this Instruction subject to the safeguards assured by the Direct Debit Guarantee. I understand that this Instruction may remain with Kent County Council and, if so, details will be passed electronically to my bank/building society.

Signature(s)

Date

Reference

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DD11

Banks and building societies may not accept Direct Debit Instructions for some types of account

This guarantee should be detached and retained by the payer.

The Direct Debit Guarantee



- This Guarantee is offered by all banks and building societies that accept instructions to pay Direct Debits
- If there are any changes to the amount, date or frequency of your Direct Debit Kent County Council will notify you 3 working days in advance of your account being debited or as otherwise agreed. If you request Kent County Council to collect a payment, confirmation of the amount and date will be given to you at the time of the request.
- If an error is made in the payment of your Direct Debit, by Kent County Council or your bank or building society, you are entitled to a full and immediate refund of the amount paid from your bank or building society
 - If you receive a refund you are not entitled to, you must pay it back when Kent County Council asks you to
- You can cancel a Direct Debit at any time by simply contacting your bank or building society. Written confirmation may be required. Please also notify us.