Deferred Payment Scheme Factsheet

About Deferred Payments

A Deferred Payment is an agreement to pay for something later / in the future.

Kent County Council offer a Deferred Payment 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 applies only to people in residential care and can help them avoid having to sell their former home to pay for their care. It enables the individual to defer or delay paying some or all the cost of their care until a later date.

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 in this factsheet may help with your decision.

How does the Deferred Payment 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 when the Deferred Payment Agreement is terminated as follows:

- Voluntarily by the person, or someone acting on theirbehalf (in writing)
- Automatically when your property is sold
- Automatically when a person dies - the debt needs tobe settled by the estate or third party within 90 days

Under the Scheme, A legal charge like a mortgage will be secured against your property giving the council the right to reclaim the amountdeferred against the eventual sale.

Kent County Council will temporarily pay the agreed cost of your care to the care home, and you will 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). The contribution will not be 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.

E.g.,

- 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.
- A Financial Assessment will be conducted to assess what you can afford to pay from your available income.
- If your available income is calculated to be £100 per week; you will pay £100 to Kent County Council every week and the deferred amount will be £300 per week.

The cost of care will cease to be deferred once the equity in your property limit is reached.

Do I qualify for a Deferred Payment?

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

- You own a property (if jointly owned, both/all owners must consent to the charge been 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 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. Written agreement from the organisation confirming Kent County Council can register a mortgage/legal charge on the property will be required.
- You are only slightly over the £23,250 threshold.

Note:

If the resident 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.

Can I rent out my property?

If you do not wish to sell your property you have the option to rent it out.
If you rent out the property, or plan to rent out the property in the future, you must provide the following:

• A signed Tenancy Agreement	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 no formal rental agreement in place	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.

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 money owed, to be eventually repaid to Kent County Council.

What about property maintenance?

You will be allowed to retain up to £144 per week from your income which excludes the statutory personal allowance amount of £24.90 per week. This is towards the upkeep of your property should you want to. This is called the Disposable Income Allowance.

You will need to maintain the property and pay for:

- Buildings and contents insurance (which must be specific to empty properties if the property will be left empty).
- Heating bills to save the property from damp and frost.

We will need to see a copy of the building's insurance annually.

If you need to make repairs to the property that are not covered by the insurance and you do not have the financial means to pay for the repairs, you can provide us with three quotes to carry out the works required, and we will consider a variation to the Deferred Payment Agreement to assist with meeting the repair costs to ensure the property is adequately maintained.

Do I need to pay anything for a Deferred Payment?

• Administrative Costs	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
• Administration Charge	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 person in writing whenever they are liable for an administration charge.

Note:

If you decide that you would like to cancel your application for Deferred Payment 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.

If the resident 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.

Please refer to rates and charges on Kent County Council website for current figures:
https://www.kent.gov.uk/_data/assets/pdf_file/0012/14313/Charges-and-rates-payable-for-Adult-Social-Care.pdf

Will I be charged interest?

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

E.g.,

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%

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

Examples of Deferred Payments 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.

1. Retaining all the optional Disposable Income Allowance – Lucille

A care home placement that meets her care and support needs costing £600 per week has been identified Shehas 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 optionalDisposable Income Allowance, £144 per week.

Therefore, Lucille's contribution would be calculated as £166per 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).

2. Rental with no Disposable Income Allowance – Terrance

A care home placement that meets his care and support needs costing £500 per week has been identified. Hehas 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 £24.90per week.

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

3. Rental with part Disposable Income Allowance – Ida

A care home placement that meets her care and supportneeds 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 perweek (£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).

4. Full deferral – William

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.

Seeking Independent Advice

It is always a good idea to take independent financial advice when paying for a care home yourself so that you can make all the right decisions and don't risk running out of money.

There are some excellent sources of impartial advice available, these are independent charities that advise people as well as publishing factsheets on a wide range of issues facing older people. These include:

Age UK
Age UK is the new name of Age Concern and Help the Aged who have merged organisations.
Telephone: 0800 055 6112
Website: www.ageuk.org.uk

Money Advice Service:

Free and impartial money advice set up by the government. You can find information on choosing the right care services, paying for acre, finding a financial advisor, budgeting, benefits and insurance, debt and borrowing, homes and mortgages.

Website: www.moneyadviceservice.org.uk

Independent Age

This organisation gives advice and information to older people, their relatives and carers across the UK.

Telephone: 0800 219 6789
Website: www.independantage.org

Society of Later Life Advisors

The organisations aim is to ensure that consumers are better informed about the financial issues of later life and can find afully accredited adviser quickly and easily.

Telephone: 0333 2020 454

Note:

If you are considering seeking assistance under the Deferred Payment Scheme, you are STRONGLY advised to seek independent legal and financial advice from the outset and that this may incur a cost.

Our staff are forbidden to give financial or legal adviceof this nature.

The Deferred Payment Agreement, once signed, is legally binding.