



## Orchard Manor View Care Funding Information Leaflet

### **Capital limits for care homes**

Not everyone is eligible for local authority funding, but many people will be able to get a form of financial support. It all depends on the amount of capital (savings and assets) your relative has, as well as their income.

If your loved one lives in England or Northern Ireland and has capital of less than £14,250 (2017-18), they will be entitled to maximum support. Anyone receiving full funding will have to contribute most their income (including benefits, which they must claim) to the local authority, except for the personal expenses allowance.

If your relative has between £14,250 and £23,250 in the capital, they have to contribute towards their fees from their savings. They will have to pay £1 for every £250 of their savings between £14,250 and £23,250. This is known as 'tariff income' and they will also need to contribute most their income towards the fees, except for the personal expenses allowance.

If your relative has capital of more than £23,250, they will need to use that capital to pay the full cost of their care. If your relative has less than £23,250 in the capital, but a weekly income that is considered high enough to cover their care home fees, they will be liable for all their care home fees.

### **Calculating your loved one's capital and income**

The financial assessment for care at home will look at your relative's capital (savings and assets they own that have monetary value) and income (the regular money they have coming in). The assessment is governed by strict guidelines, some of which are complex, so here we only give an overview of the most important elements. The following will be addressed:

1. What is included in the financial assessment?
2. What isn't included in the financial assessment?
3. Rules for couples
4. Personal Expenses Allowance (PEA)



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### **1. What Is Included In The Financial Assessment?**

#### **- Capital**

The value of any property that your relative owns unless their partner or certain others are still living there

All income – from property rental (buildings and land), investments and pensions that are in your relative's name

Bank and building society accounts

National Savings Certificates and Ulster Savings Certificates

Premium Bonds

Stocks and shares

Shares in a family business

Trust funds

Regular savings and investments, including ISAs.

#### **- Income**

Benefits are also taken into consideration in a financial assessment for paying for a care home. For people aged 65 years and over, these include the following:

- Attendance allowance, constant attendance allowance, and exceptionally severe disablement allowance
- Pension credit
- State pension
- Universal credit
- Bereavement allowance.

### **2. What Isn't Included In The Financial Assessment?**

#### **- Capital**

Capital assets that must not be included in a financial assessment include:

- Personal possessions
- The surrender value of life insurance policies, annuities
- Investment bonds with a life assurance element
- Payment derived from certain trusts.



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### - **Income**

The following forms of income that must be disregarded from the financial assessment for people aged 65 years and over include:

- Christmas bonus
- Earnings from employment, including self-employment
- Gallantry awards
- Social Fund payments, including winter fuel payments.

Your relative should seek advice from an independent financial adviser (IFA) if they have complex financial arrangements such as money in trust, certain bonds or compensation payments, or shares in a family business. The Society of Later Life Advisers (SOLLA) provides specialist advice to older people looking to fund care.

### **3. Rules for couples**

A person being assessed for care in a care home should be treated as an individual. If they are married or living with a partner, only the income of the cared-for person can be taken into account in the financial assessment of what they can afford to pay for their care and support. So, if your relative receives income as one of a couple, that income will be treated equally between them.

If your relative has a private or occupational pension, which is helping to support a married or civil partner who does not live in the same care home, then 50% of their pension will be disregarded when calculating income.

If your relative shares earnings from rental income, assets or savings with another person (a married partner, family member or friend), it might be a good idea to split any joint accounts into separate accounts so it is easier to see who has what for the purposes of the financial assessment and paying for care in general. Be warned that there are rules about 'giving away' assets.

### **4. Personal Expenses Allowance**

Personal expenses allowance (PEA) is a sum disregarded from your income, used to cover the cost of personal items such as toiletries, stationery, and haircuts.

In 2020/21 the weekly PEA in England and Wales was: £24.90



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### **If your relative owns their home**

1. When the value of a property won't be taken into consideration
2. Deferred payment agreement
3. 12-week property disregard

#### **1. When the value of a property won't be taken into consideration**

The most important difference between the financial assessment for residential care and the financial assessment for care at home and other benefits is that the value of your relative's home will be taken into account when assessing their capital (Northern Ireland excepted). The value of their home won't be taken into account if:

- they need short-term or temporary care only
- they own a property jointly with their spouse or civil partner who is still living there
- they have a close relative living in the home who is incapacitated (they receive or would qualify for a disability benefit), aged 60 or over or is a child they are responsible for under the age of 18 years.

The local authority has the discretion to ignore the property in special circumstances, such as if it is the only home of your relative's long-time carer.

#### **2. Deferred payment agreement or deferred payment scheme**

If your relative doesn't have enough money to pay their fees and is finding it difficult to sell their home, or doesn't wish to sell their home, they can request a long-term loan known as a 'deferred payment scheme' or 'deferred payment agreement' (Northern Ireland excepted).

This means that the council will pay your relative's residential care costs and secure the loan against your relative's property until he or she passes away or the property is sold. At this point, the loan will be repaid to the council. This will all be outlined in an agreement with the council, which will need to be signed by your relative.

Since 1 April 2015, changes in the Care Act mean that all councils in England are required to offer deferred payments to people who meet the following criteria:

- they are receiving long-term care in a care home or soon will be
- they are financially assessed as having less than £23,250 in savings, other than the value of their property



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- they are a homeowner and there isn't anyone else living in the property, such as a spouse, partner, child or a relative aged over 60 years.

### **Paying interest on the deferred payment agreement**

Local authorities are able to charge interest of up to 1.45% (yearly rate, charged daily) (1 January-30 June 2018) on the deferred payment, together with an additional charge for legal costs and administering the payment from the start of the agreement.

Both the interest rate and charge are designed to cover the local authority's costs in making the loan; they are not allowed to make a profit from the arrangement.

When the property is sold, the executor of the estate will be liable to repay the debt out of the estate, though they are not themselves personally liable.

### **Challenging a local authority decision**

If you feel you have been unfairly denied a deferred payment, seek clarity from the local authority about the reasons for this, and make a formal complaint if necessary. For advice on how to go about this, see challenging a local authority decision.

### **3. 12-week property disregard**

If your relative permanently moves into a local authority funded care home in England, Wales or Northern Ireland, has less than £23,250 in savings (£30,000 in Wales), a low income and owns their own property, the council must ignore the value of the property for the first 12 weeks of their stay (2017-18).

However, if your relative sells their property before 12 weeks, the disregard ends. After 12 weeks, the value of their property will be counted as part of their capital.

If your relative owns a property with a partner, who still lives there, the property is disregarded until circumstances change. If the partner wants to move to a different property or also decides to move to a care home, your relative can use their share of the sale proceeds to help their partner buy another property or costs of care. If the partner dies, and the house is sold, your relative's share of the property would then be taken into account as part of their assets. It is worth checking the local council's procedures regarding this.



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### **How much, and how will local authorities pay for care homes?**

After the financial assessment has been completed, your relative should be provided with written information from the local authority detailing how the charges are worked out and what is payable.

Local authorities should pay a realistic amount that will provide your relative with the care they need, as outlined on their care plan. However, it does stand to reason that they will be looking to do this in the most cost-effective way.

Councils have a standard rate (also called the usual cost) that they are usually prepared to pay for care. They will have different rates to cater for people needing different levels of care – for example, in a care home with personal care only or in a care home with nursing.

If your relative has dementia, the council will usually pay more to a care home to cover his or her needs.

If your relative:

- qualifies for help with financing a place in a care home, the local authority will pay the fee directly to the chosen care home
- doesn't qualify for help with financing a place in a care home, he or she will be looking to self-fund a care home
- is unhappy with the assessment, he or she can challenge the local authority's decision.

### **If the local authority is funding a place in a care home**

Your loved one should be able to choose from a choice of care homes provided by the local authority, which have places available and can meet their assessed needs – and at the rate, the local authority is prepared to pay. If there are no care home places available to meet your relative's assessed needs at the council's standard rate, the local authority should pay the extra for them to go to a care home that meets all of their assessed needs.

For example, if your relative needs to be in a care home in a particular area to be near to family and/or friends, but the only homes available in that area are more expensive, then the local authority where your relative has been assessed should pay the additional cost. It is essential, though, that these needs are recorded up front in your relative's needs assessment so you can prove that the care homes the council is offering you do not meet them.

### **Third-party top-ups**

If your loved one's care home fees are funded by the council but he or she would prefer to live in a care home that costs more than the council is prepared to pay – for example, they want to live in a certain area out of preference, or they have chosen a high-end 'luxury' care home – they can do this if someone will agree to pay the difference.



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This is called a 'third-party top-up'. The top-up can be made by a friend, a relative or a charitable organization. The third party will need to demonstrate they are able to pay the difference between the local authority's standard rate and the care home's actual fees.