

# Residential Care: Deferred payments



# Disclaimer

This document has been produced by Bracknell Forest Council for general information and guidance purposes only. It is not a definitive statement of the law, but takes into account relevant legislation, statutory guidance, recommended practice and policies. Whilst Bracknell Forest Council endeavours to keep the information accurate at the time of publication of this document, the contents may be subject to change following amendments to the law, practice or policy.

## Note

It is recommended that, where appropriate, this booklet is read in conjunction with the following booklets, also produced by the Council:

- Paying for Care Services in Bracknell Forest.
- Residential Care: Top Up's

## Introduction

This information booklet is for those people who are moving to permanent residential accommodation and who own or jointly own their property.

If you own your property and the value of your capital is below £23,250\*, when you move into a care home, the value of your property will be disregarded for a period of 12 weeks from the date your placement is permanent. This is known as the 12 week property disregard period. There is more information about the 12 week property disregard period later in this booklet.

You will have a financial assessment to determine your contribution towards the cost of your care in the care home. This will take into account your income and any capital. This is known as your Personal Contribution.

\*As at April 2023

## The deferred payment scheme

The deferred payment scheme is designed to help you if, after the 12 week property disregard period, you have been financially assessed to pay the full cost of your residential care, but cannot afford to pay the full weekly charge because part, or all, of your capital is tied up in your home.

Deferred payments are effectively a loan to be repaid when the property is sold. There are also other events which may trigger the repayment of the debt, such as termination of the deferred payment agreement, when the debt exceeds the equity in the property or the death of the resident.

If your deferred payment application is successful, the Council will continue to maintain the contract with the care home provider and you must continue to pay your personal contribution. The difference between the agreed cost of the care home and the personal contribution is met by the Council. This is the amount that you are deferring.

The Council's contribution is known as the deferred payment.

### Example \*

Agreed cost of care home = £500 per week

Individual's personal contribution = £150 per week

Council will fund  $£500 - £150 = £350$  per week

Deferred Payment = £350

\* The figures used in this example are for demonstration purposes only.

The deferred payment accrues as a debt against the property. The debt must be repaid when the money tied up in the property is realised. This may be fairly soon (if you are in the process of selling your home), later on (after your death) or anytime in between.

The debt is secured by the Council placing a legal charge on the property.

You may decide to let your property while you are in residential accommodation. If so, you may retain up to half of any rental income. The other 50% (or higher amount if you choose) will be used to increase your personal contribution towards the cost of your care. You will be legally obliged to declare any income generated this way. This will mean the amount the Council pays on your behalf will be lower and the debt reduced. If you do decide to let your property you should ensure you obtain any necessary consent from your insurers and mortgage company.

Once the property has been sold, the Council will calculate how much they have paid towards your care and this sum, the debt, will be recovered from the proceeds of the sale.

### **Welfare benefits**

You may be entitled to receive benefits such as Attendance Allowance and Pension Credit whilst you are living in a residential care home. The income received from such benefits will be used when assessing your contribution towards your care costs. This will mean the amount the Council pays on your behalf as a part of the deferred payment will be lower and the debt reduced. If you require further information with regard to claiming benefits please let us know or, alternatively, you can contact the Department for Work and Pensions, for further information and advice.

### **Maintenance of the property**

If you have entered into a deferred payment agreement, you will be expected to maintain the property you own to a reasonable standard. You will also be asked to provide a buildings insurance certificate.

You may keep up to £144.00\* per week of your income; this is known as the Disposable Income Allowance (DIA) and includes the Personal Expenses Allowance (PEA) of £28.45\*. The purpose of this allowance is to enable you to fully maintain and insure the property.

You do not have to keep the full amount if you do not wish to. However £24.90\* will automatically be allowed. If you keep the full allowance, the amount the Council pays on your behalf as a part of the deferred payment will be higher and the debt increased.

\*As at April 2023

## **The 12 week property disregard period**

If you own your property and your capital is below £23,250\* when you move to a care home, the value of your property will be disregarded for a period of 12 weeks from the date your placement is permanent. The disregard period starts the first date you enter permanent residential care. If the property has already been disregarded for other reasons, it cannot be subject a further 12 week disregard.

After the 12 week property disregard period, or until your property is sold (whichever is sooner), the value of the property is treated as capital and you will be deemed to be able to fund the cost of your care. The Council will then consider terminating the contract with the care home and you will need to make your own arrangements with the care home, to fund your care.

The 12 week time period gives you an opportunity to decide how to fund your future care. For example, whether you wish to sell your home, or keep your home and raise funds either by letting your property or entering into a deferred payment agreement or other loan arrangement. In exceptional circumstances the Council may be willing to enter into an unsecured loan arrangement for a defined period of time if you are in the process of selling your home and the completion date of the sale is past the 12 week period disregard period.

\*As at April 2023

## **The deferred payment agreement**

If your application for a deferred payment is approved, you will be asked to sign a legal agreement called a 'Deferred Payment Agreement'.

This agreement contains full details of the deferred payment scheme and lists the responsibilities of the Council and yourself. It also explains how the agreement can be ended and the process for repaying any debt accrued.

You can end the agreement at any time. The debt then becomes payable, in full, immediately.

If the agreement ends at the time of your death, then the debt will be repayable in full within 56 days. If the debt is not paid within 56 days then interest will be applied to the debt (currently at the Lloyds rate + 2%).

## Top-up

If the fees of your chosen care are more than the authority would usually pay, someone else (a ‘third party’) will need to pay the difference. You are not usually allowed to pay the difference yourself. However, there are some exceptions to this, in particular where deferred payments are involved. Please refer to the information booklet ‘Residential Care – Top Up’s’ for more information.

## Fees and Charges

The following fees and charges apply to deferred payments

- An administration fee for setting up the deferred payment.
- An annual fee to maintain the deferred payment
- Interest payable on the value deferred

The current rate of charges can be found on <http://www.bracknell-forest.gov.uk/fees-and-charges-for-adult-social-care-services.pdf> or by contacting a member of the financial assessments team (Contact details can be found at the end of this document)

These charges are applied at the point of application and are non-refundable. You have the option of deferring these charges or paying them straight away

## Criteria

In order to apply for a deferred payment, you must satisfy the following criteria:

- You must be an “Ordinary Resident” of Bracknell Forest.
- You must have less than £23,250\* in savings.
- You must have received a community care assessment that confirms your eligibility to have your needs met in a long term residential care home, with or without nursing care.
- You must have no additional income other than that used to calculate your personal contribution.
- You must own, or part own, your home which you intend using to support the cost of your care.

Note: If the property is jointly owned, and is not disregarded, then the Council will only consider a deferred payment if all the joint owners sign the deferred payment agreement and agree to be bound by the arrangement to discharge the debt when it falls to be repaid.

- Your property, or your share in it, must be worth in excess of £23,250.\*
- You, and where applicable the joint owners, must agree to a legal charge being placed on your property, in favour of Bracknell Forest Council.
- The Council will only assist applicants with mortgages if they have sufficient equity or resources to also discharge their deferred payments liability. The ability to meet both commitments must be established to the Council's satisfaction.

\*As at April 2023

## Valuation

You will need to provide the Council with a current market valuation of your property. The current valuation of your property must be in writing from one of the following sources

- An Estate Agent
- Professional land valuation, for example, a chartered surveyor

A copy of the valuation is required with the deferred payment application. Please note that any costs incurred in providing a valuation will be at your own expense.

## Mental capacity

Where the resident does not have the mental capacity to enter into a deferred payment agreement, or manage their finances, a third party can make the arrangements on his / her behalf if they have a registered Enduring Power of Attorney, or registered Lasting Power of Attorney. If the resident has not entered into a Power of Attorney then a third party such as a family member, friend or carer can make an application to the Court of Protection to secure deputyship. Where there is no third party willing or able to secure deputyship then the Council will consider making an application to the Court of Protection to secure deputyship.

As the process of securing deputyship can take many months, the Council will in such circumstances consider entering into a written agreement with the third party to defer the payment as an unsecured loan. This interim funding arrangement will be for a defined period of time. During this period the third party should make enquiries with the Department for Work and Pensions in order to become the residents DWP appointee. On becoming an appointee the third party will be in receipt of the resident's benefits which can be paid towards the income element of the personal contribution. If the individual passes away before Deputyship is granted, any debt accrued has to be paid back to the Council.



## Important information

1. You are strongly recommended to take independent legal and financial advice from a suitably qualified professional e.g. A member of the Society of Later Life Advisers (SOLLA), before you sign the deferred payment agreement.
2. Interest will be charged on the value deferred at the rate specified in the following document <http://www.bracknell-forest.gov.uk/fees-and-charges-for-adult-social-care-services.pdf>
3. There will be a non-refundable set up fee for all deferred payments applications. This amount will contribute to the costs of legal expenses and the Land Registry Search. This fee can be added to the deferred amount if you wish.
4. Additionally there will be an ongoing annual administration fee payable to the Council.
5. Anyone who meets the criteria for a deferred payment may apply but acceptance is at the discretion of the Council.
6. If the deferred payment application is accepted, you still need to pay your weekly personal contribution from your income and other capital, which will have been calculated based on the information you provided as part of your financial assessment. From time to time the Council may carry out a review of your financial situation.
7. The application for a deferred payment should be completed within the 12 week property disregard period. If a Deferred Payment Agreement is not in place by the end of this period, the full weekly charge will become payable from the start of week 13. Further, the Council may terminate its agreement with the care home and cease payment for your care home fees.
8. Before letting the property a copy of the proposed tenancy agreement should be disclosed to the Council. You are advised not to enter into any tenancy agreement, or hand over the keys to a proposed tenant, before the Council has had the opportunity to review the tenancy agreement. If the property has already been let before you have applied for deferred payments you will be required to submit a copy of the tenancy agreement along with your application. The Council will also require proof of the written consent of the home insurers and mortgage company, where applicable.

9. In exceptional circumstances, a deferred payment can be authorised prior to the completion of the full legal process on the written undertaking that all accrued debts will be backdated and the deferred payment is still subject to the Legal process.
10. Bracknell Forest Charging Policy for Adult Social Care services can be viewed on the Council's website, along with the full Deferred Payments Agreement Scheme policy document.
11. If you wish to apply for a deferred payment, an application form can be obtained from the Finance Team at the address shown below.

The application form should be completed and returned to:

The Financial Assessments Team  
People Directorate  
Bracknell Forest Council  
Time Square  
Market Street  
Bracknell  
Berkshire  
RG12 1JD  
01344 351656 / 351654

Any queries or concerns should be directed to the Financial Assessments team using the details above. Alternatively, our e-mail address is [financial.assessments@bracknell-forest.gov.uk](mailto:financial.assessments@bracknell-forest.gov.uk)



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[www.bracknell-forest.gov.uk](http://www.bracknell-forest.gov.uk)