

**TAKE  
PART**  
**HELP SHAPE YOUR  
HARROW OF THE FUTURE**

Deferred Payment  
Agreement  
Consultation



### Suitable Website Links:

To find out about our current charging arrangements, you can read our **Fairer Contributions Policy Booklet:**

[http://www.harrow.gov.uk/info/200050/help\\_for\\_adults/779/getting\\_support\\_from\\_us\\_overview/2](http://www.harrow.gov.uk/info/200050/help_for_adults/779/getting_support_from_us_overview/2) for our current care charges.

To find out more about **Deferred Payment Agreements** please use the following link:

[http://www.harrow.gov.uk/info/100010/health\\_and\\_social\\_care/1482/deferred\\_payment\\_agreements](http://www.harrow.gov.uk/info/100010/health_and_social_care/1482/deferred_payment_agreements)

To find out more about the **Care Act** please use the following link:

<https://www.gov.uk/government/publications/care-and-support-whats-changing/care-and-support-whats-changing#deferred-payment-agreements>



## **Supporting Document - Universal Deferred Payments Agreement**

### **Background**

The Care Act 2014 establishes a universal deferred payment scheme, which means that from April 2015 service users may not need to sell their home in their lifetime to pay for the costs of their care. A deferred payment enables a service user to delay paying for the cost of their care home until a later date, providing that this is supported by adequate security (most usually the service user's home) and a full financial assessment.

From April 2015, all Councils in England must provide a deferred payment for local residents who meet the eligibility criteria and are able to provide adequate security for the deferred payment -the eligibility criteria covers - residents who go to live in residential or nursing care, own a property and have other assets below a certain amount. They must also have assessed care needs for residential or nursing care. Local authorities are required to follow new national guidance on the eligibility criteria for a deferred payment.

The Council has the discretion whether or not to agree to a deferred payment and will require security (usually property) against which care charges can be deferred.

### **Who is eligible**

The universal deferred payment rules state that if a service user meets all of the three following criteria at the time of applying for a deferred payment, they must be offered a deferred payment agreement.

- 1) the service user is assessed as having eligible needs which the Council decides should be met through a care home placement;
- 2) the service user is assessed as having less than or equal to £23,250 in savings (in 2015/16, expected to increase to £118,000 from April 2016) and other capital (excluding the value of their home); and
- 3) the property would not be disregarded for charging purposes (i.e. not occupied by a spouse or dependent relative)

To qualify for a deferred payment the service user living in residential or nursing care must have the mental capacity to enter into a Deferred Payment Agreement. Where the service user lacks mental capacity then the person entering into the Deferred Payment Agreement must be legally appointed to manage their finances, for example Deputyship or Lasting Power of Attorney.

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

Where a service user has been assessed as having eligible needs for residential or nursing care and owns a property, during the first 12 weeks stay in residential accommodation, the capital value of the property is disregarded.

After 12 weeks, unless there is statutory disregard (e.g. where the property is occupied by a spouse or close relative over 60) of the property, the property is taken into account as a capital resource.

### **Permission to refuse**

The Council may refuse a deferred payment agreement despite a service user meeting the eligibility criteria where:

- a) the Council is unable to secure a first legal charge on the property to be used as security;
- b) the service user is seeking a top-up and the amount of the top-up does not seem sustainable for the duration of the placement given the amount of equity in the property.
- c) the service user does not accept the terms and conditions of the agreement.
- d) the home is a shared-ownership or leasehold property, the Council will need to see a copy of the lease or shared-ownership agreement before the DPA can be considered.
- e) the deferred payment security a second home.

In these circumstances the Council will write to you explaining the reason why your application has been refused and advise you of your right to appeal. The Council cannot advise you on whether to proceed with a deferred payment agreement or how to fund your care when a deferred payment has been refused.

The Council recommends that you seek independent financial advice as you will be responsible for paying the full fee. An independent financial adviser (regulated by the Financial Conduct Authority) will have access to the full range of financial products available, though may charge for this service. The Council cannot give financial advice.

There are also local voluntary organisations that may be able to offer independent and free advice.

### **Circumstances in which the local authority will stop deferring care**

There may be circumstances when the Council decides not to continue with a Deferred Payment Agreement:

- The person has reached the upper limit.
- Where in some limited circumstances a spouse or dependent relative moves into the property after the Deferred Payment Agreement is in place.
- Where the qualifying person living in residential or nursing care becomes entitled to an automatic disregard of the property; for example, through a change of circumstances of the person living in the property.

### **How much can be deferred**

In principle a service user should be able to defer all costs of care, however this will depend on the security available –for example the amount of equity in their home-- and the level of contribution that a service user continues to make from their income. The council must be satisfied both that there is sufficient security available and that the agreement is sustainable in light of the individual's particular circumstances

The following will largely dictate how much a service user can defer:

- a) The amount of equity a service user has in their property
- b) The amount the service user is contributing to their care costs from other sources
- c) The total care costs a service user is likely to incur, including any top-ups.

The Council will require a contribution from the service users income, savings or other assets but must leave the person with up to £151.20 (rate from 01.04.2015) per week if the person wishes to retain this sum. The council will only defer care costs reflecting the amount that would normally be paid to providers.

Where a property is used as security, the equity limit must be set at the value of the property less 10% less £14,250 (lower capital limit 2015/16). This upper limit cannot be exceeded with the exception of further administration and interest charges.

### **Security**

The Council is required to have adequate security in place when deciding whether a person is entitled to a deferred payment. Where the service user owns a property) this security will be in the form of a legal charge on the property. In cases of jointly owned properties the Council will require all of the owners' agreement to the charge being registered against the property.

The Council will arrange for a valuation of the property against which payments will be deferred. The service user applying for the deferred payment will also be entitled to request an independent valuation of the property; this would be separate to the Council's own valuation The cost of valuation(s) will be paid for by the deferred payment applicant or their representative. If the deferred payment is approved the costs of valuation can be rolled up into the Deferred Payment Agreement.

The valuation of the property will be periodically reviewed during the lifetime of the Deferred Payment Agreement to ensure that the upper limit is not exceeded. Revaluations will be necessary when the amount deferred equals or exceeds 50% of the value of the security and the equity limit revised accordingly. The assessed value against which charges will be deferred will be reduced by 10% to reflect sale costs.

### **Interest rate and charges**

The Care Act allows the Council to charge an administrative fee for arranging the deferred payment, although this can only be to recover costs incurred in the

management of the agreement. There will also be an on-going administrative fees which becomes payable during the course of the Deferred Payment Agreement. This fee can also be deferred.

Administrative fees represent the actual costs of providing a deferred payment. Fees and charges will be set at a level to ensure that they only cover the actual cost of providing a deferred payment. A schedule of deferred payment fees and charges will be publicly available to enable service users applying for a deferred payment full transparency on the costs of the scheme and to enable the user or their carer to plan for the costs of care.

The Care Act also allows the Council to charge interest on a compound basis. This means that interest will be charged on the total balance of the deferred payment amount (including previously charged interest and any other charges applied to the account such as administration and valuation costs less any payments that may have been made to reduce the amount deferred. Harrow Council's deferred payments scheme will follow the interest rates as set by Government. These rates will be updated every six months on 1<sup>st</sup> January and 1<sup>st</sup> June to track the market gilt rates. Interest will be charged every six months.

### **The local authority responsibility**

To provide service users with six-monthly written updates of the amount of fees deferred, of interest and administrative charges accrued to date, and of the total amount due and the equity remaining in the home.

To provide service users with a statement on request within 28 days.

To reassess the value of the chosen form of security once the amount deferred exceeds 50% of the security (and periodically thereafter), adjusting the equity limit if appropriate.

### **The service user responsibility**

Where service users are required to make a contribution from income, they must make that contribution and must notify the local authority of any changes in their income.

Service users are required to notify the Council of changes in their need for care and support, if those changes are ones which will mean that the authority must or is entitled to stop making further instalments under the agreement or to alter the amount of the instalments.

Service users are required to ensure appropriate arrangements are in place to maintain their home adequately whilst they are in care and ensure their home is regularly maintained, including regular property visits to ensure that this is secure.

Service users must ensure adequate insurance for the property used as security. If the property is left empty for an extended period of time, the person will need to

ensure their insurance covers this adequately and that any terms required by the insurer are met.

Service users are required to obtain the authority's consent before allowing someone to move into the property after the agreement has been made. Failure to do this may result in the agreement being terminated.

### **Termination of agreement**

A deferred payment agreement can be terminated in three ways:

(a) at any time by the individual, or someone acting on their behalf, by repaying the full amount due (including care costs, any interest accrued and any administrative or legal fees charged). This can happen during a person's lifetime or when the agreement is terminated through the DPA holder's death;

(b) when the property (or form of security) is sold and the authority is repaid – the completion date will usually be the date on which the property is sold;

(c) when the person dies and the amount is repaid to the LA from their estate. The amount owed to the Council under a deferred payment agreement falls due 90 days after the person has died;

### **Review and Appeals Procedure**

The decision on the outcome of the application for a deferred payment may be reviewed should the service user or appointed representative not agree the decision. The grounds for review could include:

- The decision to refuse the application failed to take into account any new information which would have led to a revision of the decision.
- There are eligible care costs which the Council have failed to take into account

Requests for a review should be made within 20 working days of being notified of the outcome of the application for a Deferred Payment Agreement.

If the service user is dissatisfied with the outcome of the review, they can then appeal within 20 working days of being notified of the outcome of the review.

If the service user remains dissatisfied with the outcome of the appeal then they can request that this matter is dealt with under the Council's Adults Social Care Complaints procedure.

### **Information and advice**

The Council has a responsibility to provide information and advice and information about a service users care and support, and this extends to deferred payments.



## Background

The Care Act 2014 introduces a number of changes to how much people pay towards the costs of care. Some of these changes will come into force from April 2015 and the rest in April 2016.

When someone moves into permanent residential or nursing care the value of their main home may be taken into account when assessing their financial contributions towards care.

The Care Act introduces a universal deferred payment scheme. A deferred payment agreement is an arrangement between a person and the council that will enable some people to use the value of their home to pay for their care without having to sell their home immediately. Instead the Council pays all or some of the care home fees and places a charge on the property. This means that people should not have to sell their homes to pay for care, as they have sometimes had to do in the past. If you are eligible, we will help to pay the care home fees on your behalf. You can delay repaying us until you choose to sell your home, or until after your death.

The deferred payment scheme is intended to be cost neutral i.e. the Council does not make a profit or loss, and councils can recover the costs of the scheme by charging for administration and payments for the initial setting up of the agreement and the charge on the property, together with interest and administration charges for on-going running costs. Given the financial pressures that the Council is facing and wider consultation documents, it will be critical that these costs are fully recovered, although the Council cannot make a profit on the scheme.

The draft policy can be seen within the supporting documents.

The Council has to set up this scheme as a requirement of the Care Act, but some aspects are a matter for the Council to decide itself and it is on these matters that the Council particularly seeks your views.





## Proposed Policy

The key proposals are:

**1) Residential charges – the council have the discretion to extend the deferred payment agreement to people other than in residential care for example for care for people in their own homes.**

a. The council is proposing to offer the scheme only to those in residential accommodation. To what extent do you agree or disagree with this proposal to limit the scope of the scheme?

Strongly Disagree	Disagree	Neither Agree nor Disagree	Agree	Strongly Agree
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

b. The council may consider extending this proposal to those in non-residential settings after a year. To what extent do you agree or disagree with this policy should be made available to all people in non-residential care (e.g. people receiving care at home)?

Strongly Disagree	Disagree	Neither Agree nor Disagree	Agree	Strongly Agree
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

**2) Top ups – the council’s proposal is to offer deferred payments set at the rate the council usually pays care providers rather than the rate a person pays because they may choose more expensive accommodation and make the decision to top up their funding with ‘additional payments’.**

To what extent to you agree or disagree with this approach?

Strongly Disagree	Disagree	Neither Agree nor Disagree	Agree	Strongly Agree
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>



**3) Security – the council is required to have adequate security in place when deciding whether a person is entitled to a deferred payment agreement. Security is usually in the form of property (usually a person’s home) although the council have the discretion to accept other forms of security.**

a. The council is proposing to accept property only as appropriate security. To what extent do you agree or disagree with the proposal to limit the scheme to property only?

Strongly Disagree	Disagree	Neither Agree nor Disagree	Agree	Strongly Agree
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

**4) Interest Rate – the council have the option of charging interest and can use the nationally set rate (currently 2.65%) or the local rate (currently 4.3%) provided that this is not more than the national rate.**

a. The council is intending to use the nationally set rate as this is prescribed by government and will therefore be consistent with other councils also using this rate. To what extent do you agree or disagree:

**i. That the council should charge interest?**

Strongly Disagree	Disagree	Neither Agree nor Disagree	Agree	Strongly Agree
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

**ii. That the council should use the nationally set rate?**

Strongly Disagree	Disagree	Neither Agree nor Disagree	Agree	Strongly Agree
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>



**5) Interest Charges – the council can charge interest on the balance outstanding on a compound basis. The Care Act does not tell councils how frequently this can be added so this could be calculated monthly (increasing the amount that will be deferred), annually or somewhere in between.**

a. The council is proposing to charge interest on the outstanding balance twice a year. To what extent do you agree or disagree that charging interest twice yearly is reasonable?

Strongly Disagree	Disagree	Neither Agree nor Disagree	Agree	Strongly Agree
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

**6) Administration Charges – the council can make charges to recover the costs of scheme, including legal and valuation fees. This is particularly important given the financial changes faced by the council.**

a. To what extent do you agree or disagree with the council making a charge to recover the costs of operating a deferred payments scheme?

Strongly Disagree	Disagree	Neither Agree nor Disagree	Agree	Strongly Agree
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

**7) Existing deferred arrangements – the council has a small number of existing deferred arrangements.**

a. To what extent do you agree or disagree that these cases should be transferred onto the new scheme?

Strongly Disagree	Disagree	Neither Agree nor Disagree	Agree	Strongly Agree
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>



**8) Any other comments** - Please make any other comments that you have in relation to this policy.

### Take Part: Tell us what you think

We would like both users of residential care and all other residents to give us their views on the Deferred Payment Agreement proposals. You can do this by:

**Visiting:** Harrow Council, Civic Centre, Station Road, Harrow, Middlesex HA1 2XY

**Writing to:** [Takepart@harrow.gov.uk](mailto:Takepart@harrow.gov.uk)

**Calling:** 020 8416 8733 to have a copy of the survey sent out to you.

**Please return your completed form to Take Part at Harrow Council, Civic Centre, Station Road, Harrow, Middlesex HA1 2XY**

### What we will do with your feedback

Any feedback you give us is important and will help to shape the policy for deferred payments. When we close the consultation on **Friday 3 April 2015** your views will be gathered and fed into a report which will inform the decisions that are taken.



## Equalities monitoring questions

### Why do we monitor?

Harrow Council has a legal responsibility to promote and advance equality. To help us to do this, it is important that we have a good understanding of our communities, how our services are being accessed and who is using or would like to use our services. With up-to-date and accurate information we are able to:

- Better understand our service users / residents and shape services to meet their specific needs
- Identify and address any barriers / issues individuals may experience when accessing our services (including information about our services)
- Ensure our policies and services are accessible to everyone who uses them

The information will also enable us to monitor our progress with regards to addressing inequality and allow our employees and service users see how we are performing on equality.

Data Protection – it is your choice whether you provide this information. Your replies will not be used in a way that identifies you. However they will help us to understand how community needs may vary and help us to make informed decisions on how we develop our services and target resources.

### Age - What is your age group?

Under 16			16 – 24 years	
25 – 44 years			45 – 64 years	
65 & over				



**Disability** – Are your day-to-day activities limited because of a health problem or disability which has lasted or is expected to last at least 12 months?

No		Yes, affecting mobility	
Yes, affecting hearing		Yes, affecting vision	
Yes, a learning disability		Yes, mental ill-health	
Yes, another form of disability, please specify			

**Ethnic origin** - What is your ethnic origin?

<b>Asian or Asian British</b>			
Afghan		Bangladeshi	
Chinese		Indian	
Pakistani		Sri Lankan	
Any other Asian background – please specify			

<b>Black or Black British</b>			
African		Caribbean	
Somali			
Any other Black background – please specify	<b>P.T.O</b>		



<b>Mixed background</b>			
White and Black African		White and Black Caribbean	
White and Asian			
Any other mixed background - please specify			

<b>Other ethnic background</b>			
Arab		Iranian	
Any other Ethnic group – please specify			

<b>White or White British</b>			
Albanian		English	
Gypsy / Irish Traveller		Irish	
Polish		Romanian	
Scottish		Welsh	
Any other White background - please specify			

### **Marriage or Civil Partnership**

Are you married?	Yes		No	
Are you in a Civil Partnership?	Yes		No	



**Pregnancy or Maternity**

Have you been pregnant and / or on maternity leave during the past 2 years?	Yes		No	
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**Religion and belief –**

What is your religion?

Buddhism		Judaism	
Christianity (all denominations)		Sikh	
Hinduism		Zoroastrian	
Islam		No religion / Atheist	
Jainism		Other -please specify	

**Sex - Are you?**

Male		Female	
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Is your gender identity the same as the gender you were assigned at birth?

Yes		No	
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**Sexual orientation - What is your sexual orientation?**

Bisexual		Gay Man	
Gay Woman / Lesbian		Heterosexual	
Other – Please specify			