Local Government Association Briefing
Deferred payment scheme for funding older people's care
House of Lords

Thursday 7 September 2017

Briefing

Key messages

- Deferred payment agreements (DPAs) are arrangements between an individual and a council that enable the individual to use the value of their home to help pay for their care home costs. This is so an individual does not have to sell their home to pay for care in their lifetime.

- Local authorities have a duty to provide clear information and advice on all of the options for paying for care in later life, including how deferred payment schemes work. This is to help people to make well-informed choices about paying for their care.

- Adult social care is at tipping point. Unless urgent action is taken now, we will continue to see more of the consequences of underfunding that we have seen in recent years, such as care providers either handing back contracts to councils or ceasing trading altogether.

- Whilst the Government has invested an additional £2 billion over the next three years, with £1 billion in 2017/18 to put social care on a more sustainable footing, the system clearly remains under acute pressure. The LGA estimates that social care faces an annual funding gap of £2.3 billion by 2020. Further reform is therefore required to ensure the system is able to meet the challenges ahead.

- Councils need full freedom and flexibility to invest this additional funding in the areas where it is most needed. This funding will help to meet adult social care need, support the provider market, and help to reduce pressures on the NHS, including delayed transfers of care.

- The freedom to allocate this funding effectively is very much lacking. The recently published Better Care Fund Planning Requirements places much greater emphasis on using the £2 billion to reduce delayed transfers of care, along with the threat of some areas' 2018/19 allocations being withheld in systems deemed to be 'poor performers'. This is why LGA had no choice but to withdraw our support for the guidance.

- The Government urgently needs to bring forward its consultation for social care announced in the Queen's Speech 2017. This should set out how the Government will close the £2.3 billion funding gap facing social care by 2020, and deliver a long-term sustainable solution. This must also include consideration of how best to share the costs of social care equitably between the state and individual.

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Deferred Payment Agreements

Since April 2015, deferred payment agreements have been available from all councils across England. Deferred payment agreements (DPAs) are arrangements between an individual and a council that enables the individual to use the value of their home to help pay for their care home costs. Although the Government has presented DPAs as a 'universal scheme' under the Care Act, they are only available if a person meets eligibility criteria.

A person is eligible for a deferred payment agreement if:

- They are receiving care in a care home (or they are going to move into one soon)
- They own their own home (unless their partner or certain others live there)
- They have savings and investments of less than £23,250 (not including the value of their home or their pension pot)

Deferred payment agreements will suit some people's circumstances better than others. Councils may charge interest on the amount owed to them, and there is likely to be a fee for setting this arrangement up. This is to cover the costs the council incurs in setting up a deferred payment agreement, rather than to make a profit.

The Government has said a deferred payment agreement means that people should not be forced to sell their home in their lifetime to pay their care home fees.

Local authorities have discretion to set their own interest rates (or to charge no interest at all), provided they are equal to or below a nationally-set maximum interest rate. This national maximum will change on 1 January and 1 July each year, as described in regulations, and if the rate a local authority has chosen to charge exceeds this national maximum when the rate changes, the local authority will need to change it.

Deferred payments for home care

We understand that the Government will consider a proposal to extend the current freedom to defer payments for residential care to those receiving care at home. This policy would seek to ensure people do not have to sell their home in their lifetime to pay for care. Using DPAs as a mechanism to fund home care could significantly increase the total value of DPAs and therefore expose councils to greater risk in the short term (until the policy can run on a cost neutral basis). Until that time, councils will be more exposed to the wider challenges associated with DPAs, such as: administrative burden; fluctuations in the housing market, ensuring maintenance and upkeep to avoid value depreciation; adequate provision of independent financial advice. We are calling for the consultation on social care to provide greater clarity on these proposals.

Useful links:

Care Act 2014 – LGA Get in on the Act guide
Deferred Payment Agreements – how they work