Information Sheets

Deferred Payment Agreement (DPA)

This is sheet 2 in this series, go to our website for the first and others

So how does the DPA work?

We saw in the previous information sheet the **local authority (LA)** make a formal registered charge on the property that will extend to the limit we showed. However the (LA) will want to limit the extent of their charge and will issue a statement of the outstanding account every 6 months. Interest is charged at a special rate set by the Office for Budget Responsibility (OBR) and is reviewed every 6 months on the 1st January and the 1st July so it will vary. The LA can add 0.15% to this. The frequency at which interest is calculated and added will be at the discretion of the LA and could be daily. The Act says the DPA scheme should be operated on a "broadly neutral" cost basis. Call us to get the current rate. As we said the DPA account balance and what remains of the credit facility will be assessed every 6 months but we have not seen any provision in the legislation to monitor property values against the remaining equity so we measure this when making representations to the LA.

Let's look at another case study of Ernie & Flo to see what circumstances allow the DPA to be considered

Flo has broken her hip and is in hospital.

When Flo is clinically ready to go home the discharge team will want to be assured that Flo can be supported at home but as Ernie cannot manage this Flo is referred to a home. At this point a financial assessment is undertaken but the value of the cottage is excluded as Ernie lives there – this is called "property disregard", there are other situations where property is disregarded, please call to discuss your case. Although the value of their cottage is disregarded income that Flo receives will be taken into account. If Flo's income makes up the greater part of the household income you will need to work closely with the assessment team to make sure Ernie has enough to live on!

Managing incomes and payments

Try to get only the net care charges added to the DPA account, there is little point building up money in current accounts where interest will be negligible when it could be used to reduce the DPA where the interest are likely to be greater! Don't forget Flo is entitled to pocket money for items like hairdressing, pedicures and outings.

Flo should consider adding someone she trusts to the bank account providing she has capacity to do so. If an attorney is taking over an existing account they should use their powers as soon as possible as banks can be difficult in recognising these powers!

Now let's look at another case study involving Wilma who is a widow

Wilma's needs to go into a care home but unlike Flo there is no one living in the family home so the value will be included in the financial assessment but property disregard will be limited to 12 weeks. This 12 week period provides a breathing space to consider how to meet the care charges – it should be used wisely and the different options considered carefully.

In accompanying information sheets we consider how a property can be used when the LA will not allow the DPA, where you would like the option to pay for more comprehensive care in the care home or where you would like your loved one cared for at the family home.

Let's look at how the sums work

The LA has agreed to offer Wilma the DPA and the difference between the agreed cost of the care less income and benefits will be charged to the DPA account. The starting point is always to ensure all benefits and entitlements are being claimed for, this is a complicated area and in the final sheet we provided information on how to go about this. Let's look at Wilma as a typical case.

The weekly cost of the care home is		£850.00
Less her Teachers' pension	£230.40	
Less her state pension	£105.30	
Less higher rate attendance allowance	£82.30	
Total income	£418.00	(£418.00)
Amount added to Wilma DPA account		**£432.00**

The Care Act allows for the Wilma to retain a proportion of income and is referred to as Disposable Income Allowance (DIA), a limit of £144 a week (as at August 2015) is allowed. Where more than this amount is retained the LA will apply sanctions. It is important to establish an understanding with the home who is claiming for available benefits and to monitor Wilma's condition as other benefits can be claimed if her health deteriorates. It's often a good idea to have a designated account to handle the income and payments. *See sheet 3 regarding "core" care costs*

We should consider some housekeeping points

A little later in this article we look at some options for the property, but the following apply if the property is to be left empty for a while.

- ✓ The property and contents insurers should know the house will be empty
- ✓ In Wilma's case the council tax should be single occupancy and now the LA should be advised the property is empty – each LA has different rules on how the council tax will be charged so consult them
- ✓ Often where the property has been occupied by the same folk for many years the security on door and window locks might not be that good - check with the local police security officer
- ✓ Where there is an active Neighbourhood Watch make sure they are aware the house is empty and ask neighbours to keep their eyes open
- ✓ Make sure the water is turned off to avoid bursts and inform the utility providers the property is unoccupied

Call Peter Ginger or Nicola Charman on 01296 392999 to arrange an initial no-obligation 30-minute consultation conducted at our expense.

Now look at the next information sheet on options for Wilma's home