



Date: January 2017

## **SOCIAL CARE - CHARGING FOR CARE AND SUPPORT**

### **1. Summary**

This circular sets out that, for the financial year 2017/18:

- I. the capital limits remain at their current level (i.e. lower capital limit £14,250 and upper capital limit £23,250),
- II. the Personal Expenses Allowance (PEA) for local authority supported care home residents remains at its current level (i.e. £24.90 per week),
- III. the Minimum Income Guarantee (MIG) for people receiving local authority arranged care and support other than in a care home remains at its current levels,
- IV. the savings credit disregards remain at their current level (i.e. up to £5.75 per week for individual supported residents and up to £8.60 per week for couples). The Annex to this circular contains fuller details,
- V. the Disposable Income Allowance for people who have entered into a deferred payment agreement with a local authority remains at its current level of £144 per week, and
- VI. this circular also clarifies the setting of the interest rates for Deferred Payment Agreements moving forward.

### **2. Action**

In accordance with section 78 of the Care Act 2014, local authorities are required to act under the guidance in this Circular in exercising functions given to them by Part 1 of that Act or by regulations under that Part.

### **3. Enquiries**

Enquiries about this circular should be made by email to: [C&SConsultations@dh.gsi.gov.uk](mailto:C&SConsultations@dh.gsi.gov.uk)

Current circulars are now listed at: [www.gov.uk/government/collections/local-authority-circulars](http://www.gov.uk/government/collections/local-authority-circulars)

## **ANNEX TO THE CIRCULAR**

### **I. CAPITAL LIMITS**

1. The capital limits, specified in regulations issued under the Care Act 2014, set the levels of capital (excluding any capital that has been disregarded) that a person can have whilst qualifying for financial support from their local authority. For people receiving care other than as a permanent resident in a care home, local authorities have discretion to set higher capital limits if they wish.
2. A person with assets above the upper capital limit is responsible for the full cost of their care in a care home. A person with assets between the capital limits will pay what they can afford from their income, plus a means-tested contribution from their assets (calculated as £1 per week for every £250 of capital between the capital limits). A person with assets below the lower capital limit will pay only what they can afford from their income.
3. For the next financial year (2017/18) the capital limits will remain at their current level, £23,250 for the upper capital limit and £14,250 for the lower capital limit.

### **II. PERSONAL EXPENSES ALLOWANCE (PEA)**

4. The PEA is the weekly amount that people receiving local authority arranged care and support in a care home (residents) are assumed to need as a minimum for their personal expenses and local authorities must apply this.
5. The PEA is specified in regulations made under section 14(7) of the Care Act 2014 and applies to all people whose care and support in a care home is arranged by a local authority under section 18 or 19 of the Act.
6. It is intended to allow residents to have money for personal use. Based on a financial assessment of their resources individuals must be left with the full value of their PEA. It is then up to them to determine how they spend it.
7. Local authorities, providers of accommodation, and residents are reminded that the PEA should not be spent on aspects of care and support that have been contracted for by the local authority and/or assessed as necessary to meet the person's eligible care and support needs by the local authority or the NHS. Neither local authorities nor providers have the authority to require residents to spend their PEA in particular ways and, as such, should not do so. Pressure of any kind to the contrary is extremely poor practice.
8. For the next financial year (2017/18), the PEA will remain at its current level of £24.90 per week.

### III. MINIMUM INCOME GUARANTEE (MIG)

9. People receiving local authority arranged care and support other than in a care home need to retain a certain level of income to cover their living costs. Under the Care Act 2014, charges must not reduce people's income below a certain amount but local authorities can allow people to keep more of their income if they wish. This amount is known as the Minimum Income Guarantee (MIG).
10. For the next financial year (2017/18), the rates of the Minimum Income Guarantee will remain at their current levels as follows:
- 7(1)(b) where the adult concerned is responsible for, and a member of the same household as, a child, the amount of £83.65 in respect of each child.
  - 7(2) Where the adult concerned is a single person and—
    - a) is aged 18 or older but less than 25, the amount of £72.40;
    - b) is aged 25 or older but less than pension credit age, the amount of £91.40;
    - c) has attained pension credit age, the amount of £189.00.
  - 7(3) Where the adult concerned is a lone parent aged 18 or over, the amount of £91.40.
  - 7(4) Where the adult concerned is a member of a couple and—
    - a) one or both are aged 18 or over, the amount of £71.80;
    - b) one or both have attained pension credit age, the amount of £144.30.
  - 7(5) Where the adult concerned is a single person who is in receipt of, or the local authority considers would, if in receipt of income support, be in receipt of—
    - a) disability premium, the amount of the applicable premium is £40.35;
    - b) enhanced disability premium, the amount of the applicable premium is £19.70.
  - 7(6) Where the adult concerned is a member of a couple and one member of that couple is in receipt of, or the local authority considers would, if in receipt of income support, be in receipt of—
    - a) disability premium, the amount of the applicable premium is £28.75;
    - b) enhanced disability premium, the amount of the applicable premium is £14.15.

- 7(7) Where the adult concerned is in receipt of, or the local authority considers would, if in receipt of income support be in receipt of, carer premium, the amount of the applicable premium is £43.25.

#### **IV. SAVINGS CREDIT DISREGARD**

11. As part of the Pension Credit system, Savings Credit is extra money paid each week for people who have an income above a certain threshold. People above the minimum eligibility criteria for Savings Credit who also qualify for means-tested support to pay for care are allowed to keep an amount of money in addition to the PEA or the MIG. This is the Savings Credit disregard.
12. For the next financial year (2017/18), the rates of the Savings Credit Disregard will remain at their current levels as follows: up to £5.75 per week for individual supported residents and up to £8.60 per week for couples.

#### **V. THE DISPOSABLE INCOME ALLOWANCE for people with a deferred payment agreement**

13. Where a person has entered into a a deferred payment agreement with their local authority to meet the costs of their care, the authority may require a contribution towards care costs from a person's income, but the person has a right to retain a proportion of their income (the 'disposable income allowance'). The disposable income allowance is a fixed amount (up to £144 per week) of a person's income which the local authority must allow the person to retain (if the person wants to retain it). The local authority can require the person to contribute the rest of their income, but must allow the person to retain as much of their disposable income allowance as they want to.
14. A person with a deferred payment agreement may choose to keep less of their income than the disposable income allowance. This might be advantageous to the person as they would be contributing more to the costs of their care from their income, and consequently reducing the amount they are deferring (and accruing less debt to their local authority overall). However this must be entirely at the individual's decision and the local authority must not compel someone to retain less than the disposable income allowance if the person wants to retain the full amount.
15. For the next financial year (2017/18), the Disposable Income Allowance will remain unchanged at £144 per week.

#### **VI. SETTING THE INTEREST RATE FOR DEFERRED PAYMENT AGREEMENTS**

16. The deferred payment agreement scheme is intended to be run on a cost-neutral basis, with local authorities able to recoup the costs associated with deferring fees by charging interest. Local authorities have the ability to charge interest on any amount deferred, including any

administration charge deferred. Where local authorities charge interest this must not exceed the maximum amount specified in regulations. A local authority may (but is not required to) charge the nationally-set maximum interest rate. The same interest rate must be charged on all deferred payments within a local authority.

17. The national maximum interest rate changes every 6 months on the first of January and July, to track the market gilts rate specified in the most recently published report by the Office of Budget Responsibility (OBR) plus a 0.15% default component (for example, gilt rate 1% plus 0.15% equals a maximum interest rate of 1.15%).
18. The Department will not routinely publish the national maximum interest rate going forward and local authorities will need to establish what this is by checking the market gilt rate. The market gilt rate is currently published in the Economic and Fiscal Outlook, which is usually published twice-yearly alongside the [Budget and Autumn Statement](#) on the OBR website. The web page normally shows the latest statement but past statements can be found by clicking on 'choose' under the 'previous forecasts' heading on the page. The market gilt rate is to be found near the bottom of the table: Determinants of the fiscal forecast.
19. Chapter 9 of the Care and Support Statutory Guidance on Deferred Payment Agreements has been updated to reflect this. It also provides details of how to find the latest market gilt rate.