



Department
of Health

Local Authority Circular

LAC(DH)(2013)2

To: The Chief Executive
 County Councils }
 Metropolitan District Councils } England
 Shire Unitary Councils }
 London Borough Councils
 Common Council of the City of London
 Council of the Isles of Scilly

Copy to: The Director of Social Services
 Chief Executive - Care Trusts
 Chief Executive - Strategic Health Authorities

Date: June 2013

CHARGING FOR RESIDENTIAL ACCOMMODATION

1. Summary

This circular:

- I. **Sets out the revised Personal Expenses Allowance (PEA) of £23.90, which came into force on 8th April 2013.**
- II. **Reminds councils that the capital limits remain at their current level (i.e. lower capital limit £14,250 and upper capital limit £23,250).**
- III. **Confirms that the savings credit disregards remain at their current level (i.e. up to £5.75 per week for individual supported residents in receipt of savings credit and up to £8.60 per week for couples).**
- IV. **Confirms the introduction of a disregard for earned income in the financial assessment for residential care charging with effect from 8 April 2013.**
- V. **Provides guidance on the treatment of Armed Forces Independence Payments in the financial assessment for charging.**
- VI. **The future of charging arrangements**

The Annex to this circular contains fuller details.



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- VII. A revised Charging for Residential Accommodation Guide (CRAG) is being issued at the same time as this circular.**
- VIII. A revised edition of “Fairer Charging Policies for Home Care and other non-residential Social Services” providing updated guidance on how local authorities should design their non-residential charging policies is being issued at the same time as this circular.**

2. Action

This circular is issued under section 7(1) of the Local Authority Social Services Act 1970.

3. Enquiries

Enquiries about this circular should be made by email to:
SCPI-ENQUIRIES@DH.GSI.GOV.UK

Further copies of this Circular may be obtained from Department of Health, PO Box 777, London SE1 6XH, Tel. 0870 155 5455 or Fax 01623 724 524. Please quote the code and serial number appearing on the top right-hand corner.

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I. PERSONAL EXPENSES ALLOWANCE (PEA)

Legal basis

1. The PEA is the weekly amount that councils must, in the absence of special circumstances, assume residents need for their personal expenses. The PEA is specified in regulations made under section 22(4) of the National Assistance Act 1948 ("the 1948 Act"). This amount is updated each April, usually in line with the increase in average earnings.
2. The PEA applies in relation to all persons whose accommodation is arranged by a council under Part 3 of the 1948 Act, including residents of care homes with nursing on the premises, residents of council run homes and homes run by the private and voluntary sector.

New PEA amount from 8th April 2013

3. The Regulations were amended to provide for PEA to increase from £23.50 to £23.90 with effect from 8th April 2013. Paragraph 5.002 of CRAG has been amended accordingly.
4. This is slightly larger than the usual formula increase (40p per week rather than 35p per week). This is because DWP made a number of increases to benefits from April 2013. For example, basic state pension will increase by 2.5%. These changes should result in a gain for councils in income from charging.
5. The intention of the above formula increase in PEA is to enable residents to keep some of the increase they are receiving in benefits, for their personal use. The increase to PEA has been set at a level that is expected to keep broadly constant the proportion of care home costs met from charges on residents.

The purpose of the PEA

6. The PEA is intended to allow residents to have monies for personal use. Councils, providers of accommodation and residents are again reminded that the PEA should not need to be spent on aspects of board, lodging and care that have been contracted for by the council and/or assessed as necessary to meet individuals' needs by the council or the NHS. Councils should therefore ensure that an individual resident's need for continence supplies or chiropody is fully reflected in their care plan. Neither councils 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. See LAC(2002)11 for fuller guidance.

II. CAPITAL LIMITS

Residential care charges

7. As set out in LAC(DH)(2011)1, in the context of the Spending Review 2010, the capital limits will continue to remain at their current level, £23,250 for the upper capital limit and £14,250 for the lower capital limit.
8. The intention is to help protect the level and quality of social care services by enabling councils to raise additional revenue to pay for these services, from residential care charges. This extra revenue should help ensure councils can maintain the existing quality and quantity of social care.
9. The Spending Review 2010 covers Government spending up to April 2015. We do not envisage any increase to the capital limits before April 2015. However, the Department will continue to monitor the effect of not increasing the limits.

Home care charges

10. With respect to charging for home care, savings and capital should be treated no less generously than under the rules for assessing residential care charges. Councils should note that the capital limits set out in this circular apply automatically as minimum requirements for home care charges.

III. SAVINGS CREDIT DISREGARD

11. LAC 2003(22) mentioned the introduction of a new savings credit disregard from October 2003, in response to the introduction of Pension Credit.
12. From April 2013, DWP increased the state pension by 2.5% in line with the usual formula (the so-called 'triple lock') and increased the pension credit standard minimum guarantee (SMG) by the increase in the cash value of the basic state pension, about £2.70 or 1.9%. This is about 0.3% more than suggested by the usual formula, which for the SMG is average earnings. To fund this, there was an increase in the savings credit threshold and an associated reduction in the maximum savings credit.



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13. However, as mentioned above (paragraph 4), DWP is making a number changes which should result in a gain for councils in income from charging. Therefore, Ministers have decided to make no change to the savings disregards. These remain unchanged at up to £5.75 a week for individual supported residents aged 65 and over, and up to £8.60 a week for couples.

IV. DISREGARD FOR EARNED INCOME

14. As announced in the White Paper “Caring for our future”, in order to support more disabled people into employment, so that society and the economy can benefit from their skills and talents, from April 2013, income that people earn in employment are exempt from residential care charges. This is intended to help encourage those in residential care to pursue employment opportunities if they are able to do so. It also brings residential charging policy into line with that for non-residential charging.

15. As acknowledged in the White paper, this disregard is a New Burden on local authorities and additional funding of £2.7 million has been allocated to cover the cost.

V. ARMED FORCES INDEPENDENCE PAYMENTS

16. With effect from 8 April 2013, Armed Forces Independence Payments (AFIPs) will begin to replace Disability Living Allowance for veterans in receipt of a Guaranteed Income Payment under the Armed Forces Compensation Scheme.
17. For residential care charging, under Paragraph 4A of Schedule 3 to the National Assistance (Assessment of Resources) Regulations 1992, AFIPs are fully disregarded in the financial assessment for charging.
18. For non-residential care charging, as set out in Paragraph 33 of the revised “Fairer Charging Guidance”, Councils may choose to disregard AFIPs entirely, in recognition of the contribution made by armed forces personnel injured whilst on active service. However, if they do not they should disregard an amount equivalent to what they would disregard from a PIP.

VI. THE FUTURE OF CHARGING ARRANGEMENTS

19. The Department of Health is working through the implications for social care charging of Welfare Reform – in particular the move to Universal Credit – Funding Reform and the planned social care legislation. We are liaising with the Department for Work and Pensions and relevant stakeholders in developing and modernising the charging arrangements.



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20. We anticipate a transitional period. This takes account of the introduction of Universal Deferred Payments Agreements, planned for 2015; the introduction of the capped cost model and the extended means test, planned for 2016; and Welfare Reform, which is not due for completion before 2018. Revised regulations and guidance will be issued periodically, during this period, as we work through the transition to the new arrangements.

VII. REVISED CHARGING FOR RESIDENTIAL ACCOMMODATION GUIDE (CRAG)

21. A revised CRAG is being issued at the same time as this circular. The revised CRAG is available on the UK.GOV website at [add link].

VIII. REVISED EDITION OF “FAIRER CHARGING POLICIES FOR HOME CARE AND OTHER NON-RESIDENTIAL SOCIAL SERVICES”

22. A revised edition of the “Fairer Charging Guidance” is being issued at the same time as this circular. The revised Guidance is available on the UK.GOV website at [add link].
23. The changes to the Guidance at to reflect alterations to benefits as a result of Welfare Reform. DWP has published analysis of the potential impact of Welfare Reform on people with protected characteristics. This can be found on the GOV.UK website at:

<https://www.gov.uk/government/publications/welfare-reform-bill-2011-equality-impact-assessments-general-introduction>

<https://www.gov.uk/government/publications/universal-credit-equality-impact-assessment>

<https://www.gov.uk/government/publications/disability-living-allowance-reform-equality-impact-assessment>

<https://www.gov.uk/government/publications/social-sector-housing-under-occupation-equality-impact-assessment>