

Agenda Item No: 7(j)

DERBYSHIRE COUNTY COUNCIL

CABINET

24 March 2015

Report of the Strategic Director for Adult Care

CHARGING FOR DEFERRED PAYMENT AGREEMENTS

ADULT SOCIAL CARE

1. Purpose of the Report

To seek approval to apply administration charges for clients entering into a Deferred Payment Agreement and to charge interest on the accruing balances.

2. Information and Analysis

From 1 April 2015, the Care Act 2014 introduces a new duty for every local authority to offer a deferred payment scheme, meaning no one should be forced to sell their home during their lifetime in order to pay for their residential care. Derbyshire County Council already operates such a scheme, however, the Care Act guidance and regulations now sets out what local authorities can charge in interest on any amounts deferred and the administrative charges that may be recovered in relation to deferred payment arrangements.

Administrative Charge

It is proposed that an administrative charge be introduced from 1 April 2015 to cover additional costs including:

- Legal and on-going running costs
- Registering a legal charge with the Land Registry
- Land Registry service charges and identity checks
- Postage, printing and telephony
- Cost of valuation and re-valuation of the property
- Cost of removal of charges against the property

In the national Care Act impact assessment prepared by the Department of Health, they estimated that the cost to councils of administering a Deferred Payment Agreement would be £750. Local estimates of the cost are in line with this, so it is proposed that the Council will set the charge for this service at £750 starting from 1 April 2015. The client will either pay the administration fee at the start of the agreement, or have it added to the deferred amount, to be collected on the sale of the property.

In certain cases, the house insurance will be arranged and paid by the Council. The cost of this insurance (currently £250 pa) will be passed in full to the client as an additional charge, which is already the case for some deputyship clients.

Interest Charge

The Care Act regulations state that the interest rate must be based on the cost of government borrowing, specifically the 15-year average gilt yield, as set out by the Office for Budgetary Responsibility twice a year in their Economic and Fiscal Outlook report. The standard deferred payments interest rate is derived by adding this gilt yield rate to the default component of 0.15%. Interest will be compounded weekly. In line with a number of other local authorities in the region, it is proposed that the Council charges the maximum interest rate for deferred payments allowed under the Care Act.

The current gilt rate is 2.5%, so the interest rate charged from 1 April 2015 until 30 June 2015 will be 2.65%. In the future the rates from July to December will match the figures published with the Budget and the January to June rates will match the figure published in the autumn.

3. Financial Considerations

Based on current levels of deferred payments, it is estimated that £15,000 will be raised in administrative charges per year to cover the costs incurred in running the scheme. Any interest received will be returned to the corporate centre to offset the cost of borrowing required to service the accruing debt.

4. Legal Considerations

These proposed charges are in line with the Care Act 2014 guidance and regulations.

5. Other Considerations

In preparing this report the relevance of the following factors has been considered: human resources, human rights, equality of opportunity, health, environmental, transport, property and crime and disorder considerations.

6. Background Paper

None

7. Key Decision

No

8. Is it necessary to waive the call-in period?

No

9. Officer's Recommendation

That Cabinet approves the introduction of charges for Deferred Payment Agreements as outlined in this report.

Mary McElvaney
Acting Strategic Director – Adult Care