Care Funding Guide

A brief review of how to fund care fees

Planning to fund the high costs of care can be confusing and stressful. It is not something that most of us think too much about until we are forced to by circumstances. Sometimes that means that we don't have a plan in place until the last minute. Even then, the different avenues for funding care are not obvious. At Country Living Care we are not the authority on this topic, but in this short guide, we aim to share what we know about funding options so that you can begin to orientate yourselves and plan what's right for you.

There are several main sources of funding:

1. Direct self-funding: you pay the fees from your own pensions, savings, investments and other assets.
2. Self-funding but with support from the local authority while a property sells
3. Self-funding with a commercial bridging loan or equity release
4. Self-funding with a Care Fees Annuity Policy: an insurance company pays for the care once you have taken out a policy at the time of entering a care home or anytime thereafter.
5. Continuing Health Care (CHC): The NHS pays the fees to the Home if they assess the care needs would otherwise need to be looked after in hospital.
6. Local Authority Funding: the local council pays a small amount for those for whom private sources of funding have run very low.

In addition, you may have heard of some additional available funding:

7. Funded Nursing Care (FNC) which is paid to the Home to compensate for higher care needs, typically on top of the normal care fees.
8. Attendance Allowance which is paid for attendance support a resident may need.

Direct Self-funding

If you are living or about to live at a beautiful care home such as Country Lodge or Alfriston Court, you're almost certainly funding the care from your own reserves. State funding (which we will discuss later) is typically at a lower level and does not cover the higher costs we have compared to a local authority or charity-run home.

We recommend that when you go into a care home you have at least 6 months in cash (or liquid assets like stocks or bonds) to pay for your fees (excluding your monthly income). It is important to use this time to put a clear financial plan in place perhaps with the support of a registered financial advisor.

Many people have most of their wealth tied up in the value of their home meaning that as you come within 6 months of the end of your cash you will need to do something to release that value so it can contribute towards care fees. There are various ways to do this. If there is still a spouse or partner living at your home, in some cases, getting an equity release plan can be effective, where a bank or trusted financial institution lends you money in return for a share of the house, like a mortgage.

If there is not a spouse or partner still living at the house, the most obvious option is to sell your former home and use some of the proceeds to pay fees or buy a care annuity. Please remember that a property-sale process usually takes 6 months from the point of an offer being accepted. If this timeline is likely to mean you run out of cash in the meantime, a deferred payment from the Local Authority (subject to certain conditions) can be applied for. It takes 3 months to process an application. We go into more detail on all these options in this guide.

Self-funding with support from the local authority while a property sells

Property Disregard (PD)

If your cash and liquid assets have fallen below a certain amount, typically £23,250, and your property is un-mortgaged or part-mortgaged when you move into care, you should be offered a short-term PD by your Local Authority. This is where the Local Authority pays a local authority rate (typically less than £1,000) towards your care home weekly fee for 12 weeks. In many cases you do not have to pay it back and it is not subject to an assessment of your finances. It is awarded irrespective of how many financial assets you have. The idea is that you are not pressured to sell your property or any other assets immediately but have approximately three months to organise and plan your care and the funding of it. You must still meet the Local Authority's assessment of care – i.e. you must be assessed as required full-time residential care. You have the responsibility to top-up the local authority's contribution to meet the care home fees from your remaining available money.

Deferred Payment Agreement (DPA)

A deferred payment agreement ideally follows on from a 12-week PD. They can often take longer than 12 weeks to organise so if you are thinking of applying for one, it is wise to do it as soon as possible after you go into care. If you are looking at moving into a care home, and most of your money is tied up in your home, the Local Authority has a mandatory duty to offer a DPA.

Introduced by the Government in 2015, a DPA is a legal, financial arrangement between a homeowner and their local authority. It allows an individual to defer paying for their care services until a later date – usually until their property is sold or after their death. Again, like a PD, you do have to meet the Local Authority's health assessment threshold and financial assessment threshold of having less that £23,250 in cash and other assets to quality for a deferred payment. The property must also be unoccupied.

A DPA protects an individual's assets, whilst allowing them to manage the costs of residential care in that it enables the property to be sold at a fair market price, not at an emergency reduced price. It is the Local Authority version of an equity release. Interest is paid on the loan and there is a fee for setting up the legal agreement. Local authority refusals are usually on the basis that the property lacks sufficient value to cover care fees, the property has structural issues or is mortgaged already.

DPAs are bound by specific rules and regulations which can vary depending on your local authority. It is worth doing some research into your council's eligibility criteria and any other terms before deciding on a DPA and it is always valuable to seek advice from financial and legal professionals before committing to anything. Further information ois in the appendix.

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Self-funding with a commercial bridging loan or equity release plan

If the local authority can't help and you have a property that is un-mortgaged or part-mortgaged when you move into care, you may want to see if there is a loan available from a bank or reputable lender who can give you cash in return for a 'mortgage-style' legal share on your house. This may help while you to 'bridge' the fees while selling your property (like a PD or DPA), or if you want to pay for care out of the value stored up in your property without selling it. Good products do exist, and this is something to ask a qualified Independent Financial Adviser about and ensure you have independent legal advice on. This can be an excellent way forward but, as always, be careful of scams.

We thoroughly recommend that on entering residential care you seek out your own Independent Financial Advisor. Please do look for one that is part of SOLLA (The Society of Later Life Advisors) recommended because they are specifically trained and experienced at giving advice in the specific circumstances of funding care. We have seen people rely on advice from their accountant or lawyer where it has not proved to be good or correct advice.

SOLLA: The Society of Later Life Advisers:
https://societyoflaterlifeadvisers.co.uk is a useful website to explore.

Self-funding Through a Care Fees Annuity Policy

Apparently 85% of self-funders are unaware that you can insure care fees. You can purchase such a policy to cover the costs of care for your lifetime at the time you enter residential care or during your stay, but not before. A Care Fees Annuity (also known as an Immediate Annuity) is often dismissed because you pay a lump sum which seems expensive but given the length of time many people spend in care it often proves cost effective. It also helps reduce the stress of future bills and can allow you to plan the remainder of your estate more effectively.

An Independent Financial Advisor (IFA) will make applications to various underwriters on your behalf who will assess your health records and consider your age, health and care needs by speaking directly with your care home. The IFA will gather then gather the various quotes and write a report for you, outlining the benefits and any drawbacks of each quote. The amount of the down payment will vary because every individual's health is different.

Annuity Policies are portable – you are free to move care homes with your policy. Once the down payment is agreed and paid, your care fees are paid by the insurance company for the rest of your life. You can opt to pay a smaller amount and defer the larger amount until a set date, at which point the insurance company will take over the payment of your care fees. Up until that point you agree to cover your fees with your income and remaining capital. The advantage is that your remaining capital is protected, and it doesn't matter how long you live, your care home fees will always be paid.

The disadvantage is that you may not live as long as you thought so the amount you have paid is higher than it could have been, but the risk of "paying as you go" is that if you do live longer than expected you may run out of funds. Of course, if you are assessed at that point by the Local Authority as needing residential care the local authority will take over payment of your care fees, but you may have to move to a less expensive care home if a third party cannot top up the difference.

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Continuing Healthcare (CHC)

Some people are so fragile when coming in to care that they can claim CHC funding. This is some funding support for those who can be assessed as in need of hospital care if they were not in a care home. Just as you wouldn't expect to be presented with an invoice during a hospital stay, the NHS can cover the full cost of the care home weekly fee up to a limit. If you are eligible for CHC, based on your complex care needs, the NHS pays a fee direct to the home which reflects what the NHS considers to be an appropriate fee for meeting your assessed needs.

However, the NHS will only pay towards your assessed care needs, it will not ordinarily fund a resident's choice to live in an attractive, comfortable and well-resourced home. This is your individual choice and consequently there may be a gap between the CHC funding and the cost of weekly care. This difference remains payable by you as it is regarded as a non-refundable lifestyle choice. It can of course be paid by a third party, such as a member of your family or a friend.

Local Authority (LA) Funding

For people with less than £23,250 in assets, the local authority (local council) will take responsibility for funding your care and will find you a care home place. However, it is usually the case that the fees paid by your LA will not cover the full weekly fee to live in a well-appointed care home. In some cases, a private care home can seek additional funding as a form of top-up from family. Because of this it is likely that once you have run out of money, it may be necessary to move to a lower cost home.

To see whether you or your loved one may qualify for LA funding in care you should first request a '*health assessment*' from the LA. If you meet their threshold for requiring full-time residential care, you will have to undergo a second '*financial assessment*'. Anyone (even a home carer) can request these assessments at any time.

To qualify under the financial assessment, you must have less than the threshold £23,250 in cash, savings, ISAs, stock and shares, bonds or any other financial vehicle. If you are a couple going into care, you can double this threshold amount.

Pretty much everything is considered, except:

1. In the case of a couple where only 1 is going into care, only 50% of jointly owned capital is included, but 100% of capital owned by a spouse is excluded.
2. Your property is excluded IF your spouse or a close relative over 60 years of age lives there and has done so for a substantial amount of time.
3. Any investment that includes life insurance is excluded.

Furthermore, even if you still fall below the £23,250 threshold of financial assets, if you have any income, for example pensions or rent from a holiday property these will also be assessed and deemed eligible to contribute to your weekly care fees (known as the client contribution). A spouse who is not going into care can retain 50% of a private pension, but the other 50% must go towards the care fees.

Local Authorities will limit what they pay, and they will find a care home for you which accepts their fee (usually a Local Authority Care Home). You can ask the Local Authority to transfer the payment to a care home of your choice, but a third party will have to top up any difference in fees between what the local authority pays and what the home is charging.

If a self-funder runs out of funds, the local authority may be able to (subject to their assessments) negotiate a suitable fee with the care home for you to remain at the same home, but again the fees will probably need to be topped up by a third party.

Funded Nursing Care (FNC)

If you require reasonably complex nursing care and the Local Authority assesses this and agrees, you may be allocated FNC which is a weekly supplement to help the care home cover the cost of the additional nursing and care support you require. This is paid directly to the home, typically avoiding the need for the home to increase their weekly fee to provide additional care where individual needs require it. The nursing home will make the application on your behalf and if awarded, that funding is retained by the Care Home.

Attendance Allowance

Furthermore, you may qualify for Attendance Allowance which is £73.90 or £110.40 depending on whether you need care only during the day, or also during the night. You can claim it whilst living in a residential care home, but if the Local Authority takes over your funding in full or part at any point during your time in care, you are no longer eligible.

https://www.gov.uk/attendance-allowance/how-to-claim

What happens if my circumstances changed

If there is a change in your care needs, our staff will try to be as helpful as they can in assisting with progressing applications with the local Integrated Care Board (ICB) or LA regarding possible funding. However, it will be your responsibility to initiate any conversations with the ICB or LA regarding possible funding for you or your loved one.

Where there is the possibility that a resident’s funding status may change, either by the provision of CHC or LA funding the Registered Manager must be informed promptly to ensure everyone is aware of the situation and the correct funding is in place and being paid. In the case where funds are due to be fully depleted, the Manager should be informed at least 6 months beforehand.

There is often a delay between the date that funding is awarded, and the Home receives funds. Once you, your family member or person authorised to make decisions on your behalf has been made aware of the outcome by ICB, you should inform the Home as soon as possible to ensure that the correct parties are being billed.

It is important to note that during the application state the residents’ full weekly fee remains payable. Application for funding can take time. Occasionally, the ICB will agree to backdate funding if appropriate, but not always. Even if the funding is backdated, it may not cover the full weekly fee.

If because of you paying fees over time, your assets fall below the relevant national thresholds, then the LA will ordinarily pay a level of fee, but a third party could be required to supplement the fee if the LA fee is below the rate of the Home. The top-up fee would need to be agreed with LA.

Conclusion

There is no one solution fits all because everyone's financial situation is different, and everyone's health needs are different. Having said that we would recommend the following:

1. **If you move into care as a self-funder, make sure you have at least 6 months fees to hand.** With the average care home fee being around £1700-£1800 (2025) per week that can sound like a lot, but when you deduct your pension, any other income you have, attendance allowance, expenses you won't have or are reduced for utilities, food, laundry, cleaning, care support at home it is not nearly as much as it sounds. This gives you time to adjust, thing, investigate your options and put a plan in place.
2. **Speak to your Local Authority and request a care assessment** to see if you meet their threshold, especially if you have less in cash and assets than the threshold £23,250.
3. **Find and speak to an Independent Financial Advisor who is SOLLA accredited** and talk through your personal situation. They may be able to help you restructure your affairs to maximise your finances for the purpose of funding residential care, as well as provide you with a clear report detailing the benefits and disadvantages of the options available to you.
4. **Speak to the Registered Manager about any concerns or questions you have** – many people's situations are similar, and their knowledge and experience could be invaluable.
5. **Don't panic!** Within most care homes there are a usually a variety of priced rooms from lower to higher depending on size, aspect, furnishings and bathroom facilities. It may be possible to move to a cheaper room within the same home if you would like to do that and to upgrade your room if you would like to do so and find you can afford more that you thought following advice – again please speak to the Registered Manager and ask for their advice.

Appendix 1: Further Information on Deferred Payment Agreements (DPAs)

Who is eligible for a Deferred Payment Agreement

To be eligible for a DPA, there is a list of criteria you must meet to be considered.

First and foremost, your local authority must agree that you need to be in a care home rather than remaining in your own home. It might be that you'd benefit from round-the-clock care, or from being somewhere with a better quality of life, like you'd expect in a Barchester care home.

If you're deemed eligible from a care perspective – following a needs assessment – the council will then take a look at your assets. You must be a homeowner or have another asset with which the local council can use as security to be considered for a DPA. The value of your home will be considered in deciding what you should pay for your care home fees and is worked out in accordance with whether or not you have a partner or dependent living in the home.

If you do own a home, you must also have savings and capital of less than £23,250 if you live in England, £18,500 in Scotland, and £50,000 in Wales. This isn't including your share of the value of your home.

It's also important to note that you must have enough equity in your home to cover at least 12 months of care costs, and that there is a responsible person willing to keep your property in a good condition, to avoid it depreciating in value.

If you meet all of the eligibility criteria, your local authority can then discuss the option of a DPA with you. It's worth noting that some mortgage lenders will not let you take out another loan secured on your home, so you should always check the terms and conditions of your lender.

When should you use a Deferred Payment Agreement

A DPA is most commonly used when someone's savings are low, but the value of their home is taking them over the threshold for paying for care costs. It means that they can keep their home and use the money which is tied up in its value to pay for weekly care costs.

It is also useful for people who do not want to sell their home straight away or cannot sell their home. It's worth noting that if your partner, a dependent child, a relative aged over 60, or someone who is sick or disabled still lives in your home, it will not be counted as part of your assets. This means that you won't have to use the wealth tied up in your home to pay for care and therefore won't need to organise a DPA.

When does a Deferred Payment Agreement end

DPAs tend to end once the person who has taken out the agreement has passed away, or if the home is sold. If someone chooses to sell their home, the money owed on the DPA including interest and admin charges must be repaid. If the individual dies, the executor of the person's will is responsible for paying the amount owing.

Possible additional costs involved in a Deferred Payment Agreement

Legal fees and administration costs. Depending on your local authority, there may be administration fees charged. These can cover everything from home valuations, Land Registry fees to legal fees. The local council fees must be reasonable and not exceed their costs, and they must make a list of these charges publicly available. You can choose to defer your legal and administration costs too, although most councils will charge interest on any deferred payments of costs – usually at the same interest rate as your DPA.

Interest charges. Interest charges are also something to bear in mind. Your local council doesn't have to charge interest, but they might choose to. This isn't fixed and can change as often as every six months. However, councils cannot set the interest charges above a government-approved standard rate, plus 0.15%. If the money isn't repaid on time at the end of the agreement, the local council might charge extra interest until the debt is settled. There might also be an ongoing administrative fee plus interest.

Appendix 2: Useful Contacts and Links

SOLLA: The Society of Later Life Advisers:
https://societyoflaterlifeadvisers.co.uk is a useful website to explore.

Please note that we cannot recommend, nor do we have any links to, individual services. However, here are the details of two Independent Financial Advisors who have been useful to others:

- Tom Scott, Care Advice Service: 07941 115 337
  https://www.careadviceservice.co.uk
- Nick Truss, Providence Care: 07889 435 253
  https://www.providencecare.co.uk

Other useful links:
https://www.eastsussex.gov.uk/social-care/paying-for-care/residential-care-costs-your-home/going-into-residential-or-nursing-care-when-you-own-a-property
https://www.westsussex.gov.uk/social-care-and-health/social-care-support/adults/paying-for-social-care-support/deferred-payment-scheme/

https://www.gov.uk/attendance-allowance/how-to-claim