Permanent Residential Financial Assessment – Deferred Payment Calculation

Mrs Yorke lives alone in a bungalow which she owns outright. She has recently had a stroke which she has not fully recovered from. Whilst in hospital Mrs Yorke was assessed for her care needs. It was decided that these needs would be best met in a care home. Mrs Yorke and her family need to consider a care home placement. They have looked around several care homes in the area and really like a home, particularly a garden-view room at £650 per week. Mrs Yorke is aware that as she owns a property she will have to pay for her care. Mrs Yorke's weekly income is: State Pension of £150, Private Pension of £100 and Attendance Allowance of £83.10. She has £1,000 in her current account.

Mrs Yorke and her family are sent information about residential care and deferred payments whilst she is still in hospital. The Benefits and Contributions Adviser visits Mrs Yorke and her family. Mrs Yorke is eligible for the 12-week property disregard and can be offered a Deferred Payment Agreement. As the property is owned outright, this will be under the Universal Deferred Payments Agreement Scheme.

Mrs Yorke and her family are left to decide whether to accept the offer of a deferred payment. After a family discussion and consulting an Independent Financial Adviser, Mrs Yorke accepts the Councils offer.

The independent property valuation shows the bungalow is worth £130,000.

The amount Mrs Yorke can borrow from the Council is:

£130,000 (Property Value) – £13,000 (10%) + £1,000 savings - £14,250

= £103,750. Over 139 weeks this equates to a maximum of £746.40 per week.

Mrs Yorke can keep up to £144 per week of Disposable Income Allowance (DIA) – she decides to do this to maintain her property to a high standard.

Her weekly contribution from her income towards the care fees has been calculated as:

£150 (State Pension) + £100 (Private Pension) + £83.10 Attendance Allowance - £144 (DIA) = £189.10

The weekly Deferred Payment for the home and room of her choice would be: £650 - £189.10 = £460.90. As Mrs Yorke can potentially borrow a maximum of £746.40 each week, the cost of her care is both affordable and sustainable as there is more than enough equity in the property to cover her care costs beyond 32 months. Mrs Yorke is also aware that if the room is no longer available when she leaves hospital, she can look for a care home costing up to £935.50 a week. This is Mrs Yorke's contribution added to the maximum amount she can borrow each week.

Permanent Residential Care – Property Income Calculation

Mrs Yorke decides to rent out her property. She does this through a letting agency. Mrs Yorke is entitled to retain up to 20% of her net rental income each month. Her letting agent charges a monthly fee of 15% plus VAT.

Rental Income		£750.00
Minus - Agency Fee (15%)		£112.50
Minus – Fee VAT (20%) on £112.50	£22.50	
Mrs Yorke's Net Rental Income		£615.00
Mrs Yorke chooses to keep 10% of her Net Rental Income Minus	£61.50	
		£553.50

Mrs Yorke has £553.50 per month rental income, which is added to her income contribution. The increase in her income contribution means that she will borrow less money against her property and/or her equity will last longer.