Cabinet Wednesday 11th February 2026

Item

Public

Healthy People

Healthy Economy

Healthy Environment

Healthy Organisation

Adult Social Care Deferred Payment Policy

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Cabinet Member (Portfolio Holder):	Cllr Ruth Houghton		

1. Synopsis

The current Deferred payment policy was approved in 2015 after the Care Act 2014. The council has reviewed the current policy to ensure its up to date and reflects current processes and associated costs to provide this service.

A Deferred Payment Agreement (DPA) is a formal arrangement that allows individuals to delay paying for care home fees by securing the debt against their property. Instead of selling their home immediately, the local authority pays the care costs upfront, and the amount is recovered later, usually when the property is sold or from the estate after death.

2. Executive Summary

2.1 Deferred Payment Agreements (DPAs) is a statutory duty that councils must offer to eligible individuals, subject to statutory criteria. It allows individuals entering long-term residential or nursing care who do not have cash assets over £23,250 but do own their own home to defer care home fees by securing the debt against their property. These individuals are not self-funders but are deemed as full charge as they own asset. This prevents the immediate sale of a home and provides financial flexibility during a major life transition. It is governed by the Care Act 2014 and associated regulations.

2.2 Homeowners may be eligible for the value of their home to be disregarded for up to 12 weeks, called a 12-week property disregard. Eligibility for this will depend on when the decision was made to enter a care home and when the referral was made to the council asking for support with this. This is a grace period to decide how the individual wants to fund their care following the 13th week. During this time the individual must still contribute towards the cost of the placement from their income, but the home is not counted as capital.

2.3 If the individuals decide to apply for a Deferred Payment any claim starts from the 13th week or when the application is received.

2.4 This report summarises the main changes and updates within the Deferred payment policy and seeks endorsement from cabinet to approve the changes and additional charges the council has applied within the new policy as outlined in the recommendations.

3. Recommendations

3.1 That Cabinet notes and recommends to Council the approval of the updated Deferred Payment Policy in appendix 1;

3.2 cabinet notes the following main proposed changes within the policy:

- increased one-off setup fee from £610 to £750;
- the introduction of an annual administration charge to reflect the work undertaken during the lifetime of the DPA in notifying interest rate changes and supplying statements;
- Introduce legal charges to reflect the work done in entering the DPA, registration at Land Registry and removing the charge once repaid.
- Maintain the application of interest from contract signing.
- Implement process improvements to reduce completion timelines and strengthen compliance.
- The charges income is used to reinvest in critical staff roles to manage the increasing demand and complex process, this will ensure efficiencies and clear oversight, providing a more consistent approach and improved experience for clients.

Report

4. Risk Assessment and Opportunities Appraisal

4.1 Risk table *(complete below)*

Risk	*Mitigation*
Resources needed to support the increasing numbers of deferred payment agreements	Increases in charges to be reinvested to support the DPA process
Increased cost to individuals	Benchmarking has been carried out to ensure they are realistic and cover cost of the service.
Outdated policy	Updated policy with finance and legal input
Delays in securing property charges	Implement fast-track process with Land Registry Introduce pre-checklist for legal compliance
Aged debt accumulation	Monthly debt monitoring

	Escalation protocol for overdue cases
Audit compliance gaps	Action plan for 19 recommendations Quarterly audit reviews
Stakeholder dissatisfaction	Clear communication of policy changes Provide FAQs and guidance
Interest rate volatility	Review rates bi-annually Align with Care Act 2014 guidance OBR market gilt rates plus 0.15%

5. Financial Implications

5.1. Shropshire Council continues to manage unprecedented financial demands, and a financial emergency was declared by Cabinet on 10 September 2025. The overall financial position of the Council is set out in the monitoring position presented to Cabinet on a monthly basis. Significant management action has been instigated at all levels of the Council reducing spend to ensure the Council's financial survival. While all reports to Members provide the financial implications of decisions being taken, this may change as officers and/or Portfolio Holders review the overall financial situation and make decisions aligned to financial survivability. All non-essential spend will be stopped and all essential spend challenged. These actions may involve (this is not exhaustive):

- scaling down initiatives,
- changing the scope of activities,
- delaying implementation of agreed plans, or
- extending delivery timescales.

5.2. **Current Income 2025/26:**

Below is a breakdown of the current income the council receives in relation to existing and new deferred payment applications.

a. Administration Fees: 5 x £610 = £3,050 (invoiced); 12 x £610 = £7,320 (the applicant can request for this charge to be added to the Deferred amount which the council has a duty to consider). These are a one-off fee applied at the start of the application.
b. Interest Charged: £49,841 (Deferred). These are invoiced twice yearly as per Office for Budget Responsibility interest rates.
c. Contributions Invoiced: £215,075. This is based on the assessed Contribution in relation to weekly income and is payable at point of monthly invoicing.
d. Contributions Deferred: £451,382. This is the deferred amount of the weekly contribution; 6 monthly statements are provided to the applicant to monitor this balance.

5.3. **Projected Income Post-Change from 1st April 2026:**

Over the last 2 years we have received an average of 60 Deferred Payment applications, with demand increasing.

a. Setup fees increase from £610 to £750
b. Annual admin fee - proposed £100 per agreement
c. Legal Fees of £240 per agreement (calculated on an estimate of 2.25 hours x bottom scale hourly rate)

d. Cancellation of charge £100 – removal of charge from land registry based on time estimate of 55 minutes
e. £100 (optional) letters of undertaking from solicitor acting in an ongoing sale where proposal is to repay without waiting for DPA agreement

5.4. **Interest Revenue:**

a. Average deferred balance £50,000 per case; interest at 4.65% = £2,325 per case annually.
b. Across 60 cases = £139,500 per year (subject to repayment timing).
c. Net Impact: Additional recurring income from admin fees and interest strengthens cost recovery and sustainability
d. Repayment Timing: Average duration 3 years before property sale.

6. Climate Change Appraisal

6.1. This policy does not have a direct impact on energy and fuel consumption, renewable energies and climate change.

7. Background

7.1. Deferred Payment Agreements (DPAs) were introduced under the Care Act 2014 to ensure that individuals entering long-term residential or nursing care are not forced to sell their homes immediately to meet care costs. The scheme allows eligible adults to defer payment of care home fees by securing the debt against their property. In practice, the local authority pays the care costs upfront and recovers the amount later, typically when the property is sold or from the estate after death.

7.2. The legal framework is set out in the Care and Support (Deferred Payment) Regulations 2014 and subsequent amendments, which require local authorities to offer DPAs to qualifying individuals. The purpose of the legislation is to provide financial flexibility during a major life transition, preventing hardship and enabling choice. While the arrangement operates similarly to a loan, it is cost-neutral for councils, who may recover administrative, legal, and valuation costs.

7.3 The local authority applies to the Land Registry to apply a charge to the property. This scheme was introduced under the Care Act 2014 and is governed by the Care and Support (Deferred Payment) Regulations 2014 and subsequent amendments.

7.4 The Care Act 2014 (sections 34 to 36) requires local authorities to offer DPAs to allow persons to defer the sale of their main or only home where it is needed to fund care fees.

7.5 The Care and Support (Deferred Payment) Regulations 2014 and The Care and Support (Deferred Payment) (Amendment) Regulations 2017 set out the legal framework and local authorities' responsibilities in greater detail.

7.6 Access to the scheme is subject to statutory eligibility criteria, including property ownership and capital thresholds. Local authorities apply a legal charge on the property through the Land Registry to secure the agreement. This approach supports adults who have most of their capital tied up in their home, allowing them to maintain care arrangements without immediate asset liquidation.

7.7 Demand into ASC from self-funders is increasing, with those eligible for a DPA more than doubled over the last 3 years.

7.8 The Care Act 2014 permits Local Authorities to charge for the DPA scheme but only on a cost neutral basis to recover as admin fees, legal, valuation and ongoing running costs.

7.9 The changes to the pricing structure will not affect the existing DPA agreements they will be charged for future agreements only.

7.10 Eligibility is for those with assessed care needs, property not disregarded, and capital below £23,250**.**

7.11. The Setup fee is currently £610; this was set in 2015 and has not been reviewed since.

7.12. Interest is applied from contract signing; invoiced six-monthly and paid at redemption of the deferred payment. Repayment: Deferred amount plus interest and fees recovered upon property sale or from estate.

7.13. Benchmarking has supported in the review of current charges and identified that Neighbouring Authorities charge the following:

- Setup fees range £750–£1,000.
- Annual admin fees £100–£250.
- Legal Fees (where charged separately) up to £400
- interest rates consistent with statutory guidance

7.14 A part of the review in how the council manages Deferred Payments, we have considered that there are charges we are permitted to apply which we do not currently charge for. We have considered that other councils do so and what charges would be fair and in line with our comparative neighbouring councils. Adding these additional charges will support with improving the function and processes of Deferred Payment applications, improving the service being delivered to the residents of Shropshire. The council needs to be compliant with auditing standards and to support with efficiencies and monitoring of the process from start to finish. Councils are not permitted to make a profit from DPA's therefore the additional fees will be used to create additional resource to focus solely on Deferred Payments, this will support colleagues in social work operations, financial assessments, budget setting and legal.

7.15. The updated policy and changes will ensure compliance with 19 audit recommendations. Improved income management, legal compliance, and system controls.

7.16. The policy and investment will support the current challenges and delays in securing charges and process inefficiencies.

7.17. Investment in a dedicated role for DPA's will support with robust oversight of active DPA's and those in sleep state to ensure full recovery of funds, DPA's currently equate to £2.7m budget commitment and aged debt. It will also support with pressure on Land Registry where there is a back log of over 12 months.

8. Additional Information

8.1. Deferred Payment Agreements are critical to the delivery of adult social care. They enable residents to access long-term care without immediate financial distress, aligning with our commitment to fairness, choice, and independence. By offering this flexibility, we reduce the risk of delayed admissions, ensure continuity of care, and support families during complex financial decisions.

8.2. For the Council, the scheme safeguards revenue streams while meeting statutory duties under the Care Act 2014. Effective administration of DPAs also helps manage demand pressures, maintain financial sustainability, and uphold public confidence in our services. Strengthening this policy is therefore essential to balancing compassionate care with robust financial governance.

9. Conclusions

9.1. Deferred Payment Agreements remain a vital mechanism for supporting individuals who require long-term residential care without forcing the immediate sale of their home. They uphold the principles of the Care Act 2014, offering financial flexibility and choice while ensuring the Council recovers costs in a fair and sustainable way.

9.2. Recent audits and operational reviews highlight the need for improved processes, stronger controls, and timely invoicing to mitigate financial risk and maintain compliance. Implementing this updated policy sets clearer charging structures, streamlined administration, and enhanced monitoring will strengthen governance and reduce exposure to aged debt.

9.3. Cabinet is asked to endorse these recommendations to ensure the scheme continues to operate effectively, remains cost-neutral, and delivers equitable outcomes for service users and the Council. If approved the report will be presented to full council to approval alongside the annual Fees and Charges report.

List of Background Papers (This MUST be completed for all reports, but does not include items containing exempt or confidential information)

Local Member:	***ALL***

Appendices [Please list the titles of Appendices]

APPENDIX 1 - ADULT SOCIAL CARE DEFERRED PAYMENT POLICY.DOCX

APPENDIX 2 - THE CARE AND SUPPORT (DEFERRED PAYMENT) (AMENDMENT) REGULATIONS 2017

APPENDIX 3 - THE CARE AND SUPPORT (DEFERRED PAYMENT) REGULATIONS 2014

APPENDIX 4 - AUDIT COMMITTEE REPORT - DEFERRED PAYMENTS MANAGEMENT