

Care Home Fees – a new landscape?

The Dilnot Report – July 2011

Alex Stanier, 11 August 2011



Life Expectancy

We have never had it so good. Life expectancy in some parts of the UK is now stands at 79 or 83 years for men and women respectively. Even for those of us who will be unable to draw a state pension until the age of 66 (i.e. for those who retire after April 2020) and with the upcoming removal of the default retirement age in October, this still means that a greater number of us will be enjoying significantly longer in our retirement than previous generations.

Cost of Care

These changes mean that the costs of caring for an ageing population pose increasingly relevant and troublesome issues for local authorities whose budgets are already under increased pressure. Moreover the question of estate planning with a view to minimising the impact of care home fee contributions is an issue that is increasingly raised by anxious parents, keen to maximise their children's eventual inheritance without leaving themselves short of money to live on.

The costs of care vary around the UK depending both on the area and whether nursing support is required. In the South East, a person in nurse assisted residential care might expect to pay in the region of £40,000 per year for such care, plus their other living expenses.

Income Assessment

Under the current legislative framework both income and capital is assessed when deciding on how much contribution a person must make to the cost of their care. In short, a local authority may, in the right circumstances, reduce a person's capital to £14,250 before they no longer have a claim against their capital estate and if a person has over £23,250 in capital then they are liable to pay for the full cost of their care. If that person receives income, such as

that from state and/or private pensions, this will still be subject to ongoing assessment. Local authorities assess the maximum amount of income a person could receive, so they will assess benefits that are not actually being received so long as the resident was eligible to receive them. For this reason, and as an aside, it is important to ensure that you are receiving all of the benefits that you are eligible for if you ever require local authority care.

The Dilnot Report

Enter economist Andrew Dilnot, who, in his recent report, describes the current framework as 'confusing, unfair and unsustainable' and has called for sweeping reform of care fee assessment. The Dilnot Report, commissioned last year by the coalition government, has made the following crucial recommendations amongst several others:

- 1) That the limit of means tested assessment should be increased from £23,250 to £100,000
- 2) There should be a cap on the amount of fees any one person pays during their lifetime. The report recommends this should be in the region of £25,000 to £50,000 with a suggested figure of £35,000

On the face of it, this may seem like a dramatic step towards reducing the amount of fees a person may have to pay in their lifetime and should, if implemented, provide considerable reassurance to those facing the financial uncertainty of funding their own care. However, as always, the devil is in the detail.

One of the recommendations of the report is the so-called 'hotel fees'. These are, essentially, general living costs (food, accommodation etc), which a resident would continue to pay on a yearly basis. Although the report suggests a limit of £7,000 to £10,000 for these costs it is widely believed that these hotel fees will be used to plug any shortfall in local authority coffers.

The Treasury were also quick to express their doubts as to the sustainability of Andrew Dilnot's recommendations. Whereas the report itself indicates that the cost of implementation would amount to

between £1.3bn and £2.2bn, it has been suggested that this is a very short term forecast and the costs of implementation would increase exponentially as time passed and in light of a continually aging population.

What, if anything, comes from this report remains to be seen. We certainly seem on course for the governmental White Paper, due to be published next Spring. After this it should be clearer how the government intends to act so watch this space.

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