Care
Navigators

LOCAL AUTHORITY CHARGING - PENSIONS

2025/26

LOCAL AUTHORITY CHARGING - PENSIONS

Care and Support Statutory Guidance – ANNEX B and ANNEX C

Reforms to defined contribution pensions came into effect from April 2015. The aim of the reforms is to provide people who are over 55 years old with much greater flexibility

For the purposes of charging, a local authority must follow the guidance set out on the treatment of income and capital in Annexes B and C and treat a person's assets accordingly.

The rules for how to assess pension income for the purposes of charging are:

a) if a person has removed the funds and placed them in another product or savings account, they should be treated according to the rules for that product

(b) if a person is only drawing a minimal income, or choosing not to draw income, then a local authority can apply notional income. This must be the maximum income that could be drawn under an annuity product. If applying maximum notional income, any actual income should be disregarded to avoid double counting.

(c) if a person is drawing down an income that is higher than the maximum available under an annuity product, the actual income that is being drawn down should be taken into account

If you choose to withdraw funds from your pension pot and manage it directly, for example combining it with other assets rather than through a pension's product, this may be treated as capital under the rules in Annex B of the Care and Support Statutory Guidance

What is a SIPP?

A self-invested personal pension (SIPP) is the name given to the type of UK government-approved personal pension scheme which allows individuals to make their own investment decisions from the full range of investments approved by HM Revenue and Customs

Annuity and pension income

While the capital is disregarded, any income from an annuity must be taken fully into account except where it is:

(a) purchased with a loan secured on the person's main or only home

(b) a gallantry award such as the Victoria Cross Annuity or George Cross Annuity

Occupational Pension income

If you enter a care home permanently and have a personal or private pension, an occupational pension or a retirement annuity, you can choose to pass 50 per cent to your partner remaining at home. This amount must be excluded or disregarded from a local authority financial assessment.

LOCAL AUTHORITY CHARGING - PENSIONS

Before deciding whether to take advantage of the 50 per cent disregard, you should consider whether it benefits your partner financially. This is because receiving extra income can affect their entitlement to means tested benefits such as Pension Credit, Housing Benefit or Council Tax Reduction.

If you would like some help to understand Local Authority Charging and how pensions are assessed, please make an appointment.

www.carenavigators.co.uk

01280 818 784

nicola@carenavigators.co.uk