



Department of Health

Local Authority Circular

LAC (DH)(2015)3

To: The Chief Executive
County Councils }
Metropolitan District Councils } England
Shire Unitary Councils }
London Borough Councils
Common Council of the City of London
Council of the Isles of Scilly

Date: 16 June 2016

SOCIAL CARE – Deferred payment agreements maximum chargeable interest rate for period 1 July - 31 December 2015

1. Summary

This Circular:

- I. Sets out the updated maximum interest rate chargeable for Deferred Payment Agreements for the period from 1 July – 31 December 2015
- II. The maximum interest rate chargeable will be 2.25 per cent

Further details are provided in the annex to this circular.

2. Action

This circular is issued under section 78 of the Care Act 2014

3. Enquiries

Enquiries about this circular should be made by email to:

Payingcare-secretariat@dh.gsi.gov.uk

Current circulars are now listed on the Department of Health website on the internet at:

<https://www.gov.uk/government/collections/local-authority-circulars>

Full text of recent circulars is also accessible at this site.

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ANNEX TO THE CIRCULAR

The interest rate for deferred payment agreements (DPAs) is based on the cost of government borrowing. The regulations and statutory guidance set out the maximum interest rate chargeable, which is derived by adding the 15-year average gilt yield, as set out by the Office for Budget Responsibility (OBR) twice a year in their Economic and Fiscal Outlook report, to a 0.15 per cent default component.

The maximum interest rate chargeable changes every six months to track the gilt yield rate. The maximum rate chargeable for DPAs is fixed for six-monthly periods (1 January – 30 June and 1 July – 31 December), and the relevant figure is the gilt rate set out in the economic and fiscal outlook report published most recently before the start of that period.

That means that:

- For the first period from the policy's inception on 1 April 2015 until 30 June 2015, the rate has been derived from the Economic and fiscal outlook report December 2014 which quotes a gilt rate figure of 2.5 per cent.
- For the second period from 1 July 2015 – 31 December 2015, the rate should be derived from the Economic and fiscal outlook report March 2015 which quotes a gilt rate figure of 2.1 per cent.

The gilt rate figure is added to the default component (0.15 per cent) to get the final maximum interest rate – so from 1 April to 30 June, the maximum interest chargeable on DPAs was 2.65 per cent, and from 1 July – 31 December, the maximum chargeable will be 2.25 per cent.

The Economic and fiscal outlook reports contain multiple figures for different financial years – local authorities should use the figure for the financial year in which the six-monthly period in question is to start (so for example, for the 1 July to 31 December period, the rate should be the rate quoted for financial year 2015/16 as 1 July is within this financial year).

The Department of Health intends to disseminate further updates on the maximum interest rate chargeable via Local Authority Circulars after each relevant fiscal event.