PAYING FOR CARE AND REDUCING THE COST

Financial assessment for care at home: the means test explained

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IN BRIEF

If the council arranges or funds care at home and decides to charge, it must carry out a financial assessment and give you a written record of it. It counts most income and any savings above £14,250, ignores the home, earnings and some benefits, and must leave the person with at least the minimum income guarantee after housing costs and disability-related spending: £241.45 a week for a single person over Pension Credit age in 2026/27. The charge can never be more than the care costs the council.



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The financial assessment, often called the means test, works out how much a person pays each week towards care at home that the council arranges or funds. It follows the care needs assessment, and it only happens if the council decides to charge. Councils can be more generous than the national rules but not stricter. This guide covers England from April 2026 to March 2027; care homes follow different rules.

How the means test works, step by step

1. **Needs come first.** The council assesses care needs and agrees which are eligible.
2. **Ask for the charging policy.** Councils can set higher capital limits, cap weekly charges or let people keep more income than the minimum.
3. **The form.** The council sends a form, phones or visits. If the person cannot manage their affairs, it should work with whoever holds a Lasting Power of Attorney, deputyship or DWP appointeeship, and must not pressure someone with dementia to sign forms they cannot understand.
4. **Capital.** Savings and investments are added up, leaving out the home. Above £23,250 the person usually pays the full cost; between £14,250 and £23,250, tariff income is added.
5. **Income.** Counted income is added up, leaving out anything that must be ignored.
6. **Deductions.** Housing costs, disability-related expenditure and the minimum income guarantee are taken off.
7. **The charge.** What is left is the most the person can be charged each week, and never more than the care costs the council.

8. **The written record.** The council must give the person a written record explaining how the assessment was done, what the charge is and how often it is made (statutory guidance, paragraph 8.16).

Where someone clearly has savings well above £23,250 and can afford the charges, the council may agree a "light-touch" assessment based on evidence such as a bank statement. You can ask for a full assessment at any time.

The 2026/27 figures

Figure	2026/27
Upper capital limit	£23,250
Lower capital limit	£14,250
Tariff income	£1 a week for every £250, or part of £250, between the two limits

The minimum income guarantee (MIG) is the least a person must be left with each week after the charge, housing costs and disability-related expenditure.

Who	Weekly MIG
Single person at Pension Credit age or over	£241.45
Each member of a couple, one or both at Pension Credit age	£184.30
Single person aged 25 to Pension Credit age	£120.40
Single person aged 18 to 24	£95.40
Lone parent aged 18 or over	£116.80
Each member of a couple, neither at Pension Credit age	£94.55
Added for each child in the household	£106.85
Disability premium: single / member of a couple	£51.55 / £36.75
Enhanced disability premium: single / member of a couple	£25.15 / £18.10

Who	Weekly MIG
Carer premium	£55.25

A premium is added where the person gets it, or the council considers they would get it under the old income support rules. Ask which premiums have been included and why.

What counts as income

- State Pension, and workplace or private pensions
- Attendance Allowance, the daily living part of PIP and the care part of DLA
- Pension Credit Guarantee Credit and most other benefits, such as Carer's Allowance
- Annuity income
- "Notional income": money the person could get by applying for it, such as a pension they have not yet drawn

Income that must be ignored

- All earnings from a job or self-employment
- The mobility part of PIP or DLA, and Armed Forces Independence Payment
- Pension Credit Savings Credit
- War Pension Scheme payments to veterans (except Constant Attendance Allowance) and Armed Forces Compensation Scheme guaranteed income payments
- Direct payments
- Winter Fuel Payment and other Social Fund payments, and the Christmas bonus
- Council Tax Reduction paid to the person
- Regular charitable or voluntary payments
- Child Tax Credit and, for care at home, Working Tax Credit
- The first £10 a week of a war widow's or widower's pension and some similar payments

Savings and capital



Counted: bank and building society accounts, cash, ISAs, Premium Bonds, shares and other investments, and property other than the home, such as a holiday home or buy-to-let.

Ignored: the home the person lives in; personal possessions, unless bought to avoid charges; the surrender value of life insurance and annuities; personal injury compensation held in trust or administered by a court; and payments from certain compensation schemes, such as the infected blood, Windrush and Post Office Horizon schemes.

Tariff income is always rounded up: £18,100 is £3,850 above £14,250, which is 15.4 lots of £250, so the tariff is £16 a week.

Housing costs and disability-related expenditure

The MIG must be left **after** housing costs (rent, mortgage payments, council tax after any reduction, and service charges) and **after** disability-related expenditure (DRE). Ask how your council treats water charges and buildings insurance.

DRE is the extra spending caused by illness or disability, such as a community alarm, extra heating or laundry, or care the council does not arrange. It can make a large difference; see Disability-related expenditure.

Some councils ignore the difference between the higher and lower rates of Attendance Allowance when they fund no care at night. The national guidance does not require this, so it is a local choice; if the person pays privately for night care, list it as DRE instead.

Worked example

Margaret is 84, lives alone in her own home and has eligible care needs. Her weekly figures:

- State Pension £184.90, workplace pension £150, Attendance Allowance (higher rate) £114.60: total income **£449.50**
- Savings of £19,000 are £4,750 above £14,250, so tariff income is **£19**
- Council tax after the single person discount: **£30**
- Agreed DRE (extra heating, laundry and a community alarm): **£25**

£449.50 + £19 − £30 − £25 − £241.45 (MIG) = **£172.05 a week**. That is the most she can be charged; if her council-arranged care costs less, she pays the cost. Her home is not counted. If her council ignores the night-time part of Attendance Allowance (£37.90), her maximum charge falls to £134.15.

Checking the written assessment

- [ ] The home is left out
- [ ] Every savings balance is right, and joint accounts are split
- [ ] Tariff income is worked out correctly
- [ ] Earnings, mobility payments and Savings Credit are ignored
- [ ] Rent or mortgage, council tax and service charges are deducted
- [ ] Each item of DRE you listed is accepted, or the reason for refusing it is given
- [ ] The right MIG and premiums are used
- [ ] The charge is no more than the cost of the care
- [ ] The start date and how often you pay are clear

Reassessment

Councils must reassess charges regularly, usually once a year when benefits rise in April, and should do so whenever circumstances change or the person asks (paragraph 8.17). Ask for a reassessment when savings fall, a benefit changes, new disability costs arise, a partner dies or care costs change. Report changes promptly so the charge stays right.

How to challenge the assessment

1. **Ask for the full calculation in writing** if you do not have it.
2. **Ask for a review**, explaining what is wrong and enclosing evidence (wording below).
3. **Make a formal complaint** through the council's complaints procedure. Complaints should normally be made within 12 months of the problem or of when you found out about it.
4. **Go to the Local Government and Social Care Ombudsman** once the council's process is finished: free, online at lgo.org.uk or on 0300 061 0614 (Monday, Tuesday, Thursday and Friday 10am to 1pm; Wednesday 1pm to 4pm). It cannot normally look at a problem you have known about for more than 12 months.

Asking for a review: "Please review the financial assessment dated [date] for [full name, date of birth, reference]. I believe it is wrong because [for example: a joint account has been counted in full; the costs of extra heating and a community alarm listed below were not allowed; council tax was not deducted]. Evidence is enclosed. Please send me a revised calculation showing each figure used, and apply any correction from the date the charge started. If you do not agree, please explain why in writing and treat this letter as a formal complaint."

Documents to have ready

- [ ] National Insurance number and date of birth
- [ ] Pension and benefit award letters for 2026/27
- [ ] Statements for every bank, building society and savings account
- [ ] Details of investments, Premium Bonds and any property other than the home
- [ ] Rent or mortgage statement, service charge bill and council tax bill
- [ ] Receipts or a costed list of disability-related costs
- [ ] Lasting Power of Attorney, deputyship order or DWP appointee letter, if you act for the person

What to do next

1. Ask the council for its charging policy and the financial assessment form.
2. Gather the documents above and list every disability-related cost.
3. Check that Attendance Allowance, Pension Credit and council tax help are all being claimed.

4. Check the written record against the checklist as soon as it arrives.
5. Ask for a review in writing if anything is wrong, and diary a reassessment each April.

How we can help

Day and Nightcare is a CQC-registered home care provider, rated Good, supporting people at home since 2008. We provide care funded by councils (including direct payments), privately and by NHS Continuing Healthcare. Our fully managed live-in care is available anywhere in England from £1,550 a week, and we offer home care visits, waking nights and sleep-ins across Oxfordshire. For a free initial assessment and a written quote, call 01865 715780 or contact us.

Common questions

Does the council count a husband's or wife's income and savings?
No. The council can only assess the person who needs care; it has no power to assess a couple's joint resources. A partner's own income and savings in their sole name are not counted. Savings held jointly are normally treated as split equally, so half of a joint account counts. Where income such as Pension Credit is paid for a couple, the starting point is that each partner has half, and the council should consider the effect on the partner at home.

Is Pension Credit counted in the financial assessment?
Partly. Guarantee Credit is normally counted as income. Savings Credit is ignored for people receiving care outside a care home. Pension Credit is still worth claiming even when someone pays towards care, because the council must leave the person with at least the minimum income guarantee, and Pension Credit unlocks other help such as Housing Benefit, Council Tax Reduction and help with NHS costs.

Can the council charge more than the care actually costs?
No. A council must not charge more than the cost it incurs in meeting the person's needs, and it cannot charge for the needs assessment, the financial assessment or the care and support plan. The only fee allowed on top is an arrangement fee for people with savings above £23,250 who ask the council to arrange care at home, and that fee must not exceed the council's actual costs.

Are the rules the same in extra care housing or supported living?
Yes. The rules for care at home apply to every setting other than a care home, including extra care housing, supported living and Shared Lives arrangements. The person keeps at least the minimum income guarantee after housing costs, and the value of the home they live in is not counted. Rent and service charges are treated as housing costs, so make sure they appear on the assessment.

Do we have to tell the council about money given away in the past?
Yes. Answer the questions honestly. People are free to spend and give away their money, but the council can treat someone as still having money they deliberately gave away to avoid care charges. It looks at whether avoiding charges was a significant reason for the timing and whether care could reasonably have been foreseen. Keep deeds of gift, receipts and proof of debts repaid; see our guide to deprivation of assets and gifting.

Sources and further information

- GOV.UK: Care and support statutory guidance (chapter 8 and annexes B and C)
- GOV.UK: Social care charging for care and support 2026 to 2027 (local authority circular)
- legislation.gov.uk: Care and Support (Charging and Assessment of Resources) Regulations 2014, regulation 7
- GOV.UK: Benefit and pension rates 2026 to 2027
- legislation.gov.uk: Local Authority Social Services and NHS Complaints (England) Regulations 2009, regulation 12
- Local Government and Social Care Ombudsman: make a complaint

Read next

PAYING FOR CARE AND REDUCING THE COST

Council funding for care: assessments, means test and charges

How council funding for care works in England in 2026/27: the free care needs assessment, who is eligible, the financial assessment for care at home (£23,250 and £14,250 limits, minimum income guarantee, disability-related expenditure), what is ignored, top-ups and how to challenge.

Read the guide →

PAYING FOR CARE AND REDUCING THE COST

Disability-related expenditure (DRE): lowering your care charge

What disability-related expenditure (DRE) is, the costs the Care Act statutory guidance says councils should allow, the evidence to keep, standard allowances versus individual assessment, how to ask and challenge, and a template letter for people paying towards care at home in England.

Read the guide →

PAYING FOR CARE AND REDUCING THE COST

How to pay for live-in care: every funding route in England

The main ways to fund live-in care in England in 2026/27: self-funding with the home disregarded, Attendance Allowance, council personal budgets and direct payments, NHS Continuing Healthcare and personal health budgets, joint packages, couples, VAT on agency fees and the Pension Credit trap.

Read the guide →

All guides in the information centre Check what help you could get

Talk to our care team: 01865 715780

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Information, not advice: please check anything important with the organisation named.