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**TO EACH MEMBER OF THE
SOCIAL CARE, HEALTH & HOUSING OVERVIEW & SCRUTINY COMMITTEE**

19 January 2011

Dear Councillor

**SOCIAL CARE, HEALTH & HOUSING OVERVIEW & SCRUTINY COMMITTEE - Monday
24 January 2011**

Following Chairman's Briefing, please find attached a replacement appendix to the revised report for item 17, issued on 14 January 2011:-

**17. Statutory Review of Fees and Charges and Revenue Income
Optimisation Business Cases**

Please find attached replacement appendix to the revised report.

Should you have any queries regarding the above please contact Democratic Services on
Tel: 0300 300 4032.

Yours sincerely

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Committee Services Officer
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Telecare Business Case

RIO Project Recommendation

This business case proposes three areas for development:

Review the charges for Monitoring Services

- Introduction of a charge to the users of Telecare of the equivalent of at least £3.50 per week.
- Bring the charge for the Careline pendant alarm monitoring into line with other Local Authorities. This is currently £2.50 and other authorities tend to be in the range of £3.50-£4.00.

Consider charges for providing and installing Telecare equipment

- Some authorities charge for the installation of Telecare equipment

Develop a sustainable business model for Telecare

- Where Telecare is provided in the absence of a community needs assessment then the principle should be to ensure that overall the costs of provision of equipment, installation and monitoring is covered by charges on a 'cost recovery' basis.

Projected additional income (Scenario 2)

	2011/12 Year 1	2012/13 Year 2	2013/14 Year 3	Total
Gross projected income (£)	£245,977	£245,977	£245,977	£737,932
Investment costs (£)	0	0	0	0
Net projected income (£)	£245,977	£245,977	£245,977	£737,932

Social Care, Health and Housing Response to Recommendations

Review the charges for Monitoring Services

- Telecare is currently free. To deliver the income estimated in the business case the charge would need to be £4.29 per week. This is based on a data about the range of charges in other authorities rather than a cost recovery model. Although the business case takes into account the fact that many of those receiving community care would be able to claim the charge as Disability Related Expenditure (resulting on no net increase in income to the council) it does not allow for any reduction in take up of the service as a result of introducing charges. It is felt that introduction of a charge in the £3.50-£4.00 range would result in fewer people declining the service.
- The Careline pendant alarm monitoring cost is currently £2.50 per week. The business case proposes and increase to £4.00 per week but this would represent a very significant increase. It is also felt that it is reasonable that the cost for Careline should be less than that for Telecare (as the system is much

simpler). It is therefore felt reasonable that the increase for Careline should place it around 50p per week less than Telecare indicating a range of £3.00 to £3.50 per week.

The business case sets out three scenarios. The one which appears in the final report is the 'mid-range' scenario – Scenario 2. It is felt the given the current low level of charge a more realistic rate (in terms of public acceptance) is Scenario 1 which is set out below and is based on weekly costs of £3.69 for Telecare and £3.53 for Careline:

Projected additional income (Scenario 1)

	2011/12 Year 1	2012/13 Year 2	2013/14 Year 3	Total
Gross projected income (£)	£191,874	£191,874	£191,874	£ £575,622
Investment costs (£)	0	0	0	0
Net projected income (£)	£191,874	£191,874	£191,874	£ £575,622

It is also noted that no allowance is made in the business case for the work involved in billing 800 customers on a regular basis. Whilst it is proposed to keep the charging regime as simple as possible it is estimated that a resource equivalent of one whole time equivalent would be required to set up and maintain billing and that this should be reflected in the business case. This is set out below:

Projected additional income (Scenario 1 plus billing costs)

	2011/12 Year 1	2012/13 Year 2	2013/14 Year 3	Total
Gross projected income (£)	£191,874	£191,874	£191,874	£575,622
Investment costs (£)	25,000	25,000	25,000	75,000
Net projected income (£)	£166,874	£166,874	£166,874	£500,622

Consider charges for providing and installing Telecare equipment

- In the exploration of the cost recovery model (see below) this area will be explored. The business case assumes that not all customers will pay for installation so this aspect only contributes less than 1% of the annual income.

Develop a sustainable business model for Telecare

- It is felt that the best way to deliver Telecare in a way that is financially sustainable is on a transparent cost recovery basis. By this we mean that overall aim is that the Telecare 'business' covers all of its costs through charges, and that these costs and charges are available for public scrutiny. Such a model would not preclude differential pricing although there are significant advantages in having a very simple pricing structure.

- It should be noted that cost to the authority of the purchase of Telecare equipment is considered as a fixed cost in the business case. It is important that in developing the business model that these costs are taken into account as they are not in fact fixed. Also (as the take up of Telecare increases) there will be increasing opportunities to reuse existing equipment when it is no longer required by the customer, thus reducing costs.
- It should also be noted that whilst the council leads in the provision of Telecare there are no significant barriers to other organisations (private or voluntary) entering this market and competing with us on a commercial basis (indeed there may be good reasons for encouraging this).

Conclusion

In summary, the view of the directorate is that there is a significant opportunity here but that the charge rates for Careline and Telecare should be based on a robust cost recovery model rather than one that is simply benchmarked against other local authorities. Until this work is completed it is not possible to give an accurate estimate of the additional income but the net £167k per annum figure that is identified in 'Scenario 1 plus billing costs' as set out above is considered to be a realistic estimate.

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