

Fairer Charging Phase 2: Telecare Charging: Appendix A

Calculation of the charge on a 'cost recovery' basis

1. The charge is calculated by taking the total costs and dividing by the average number of installations in place during the year and then dividing again by 52 to produce the weekly charge per installation. These are set out in the table below:

	2011-12	2012-13	2013-14
Average number of Installations	964	1,188	1,387
Staff	£85,487	£85,487	£85,487
Monitoring charges	£50,128	£61,776	£72,124
Equipment	£94,218	£91,517	£ 88,973
Total Costs	£229,833	£238,780	£246,584

Annual cost per installation	£238.42	£200.99	£177.78
Weekly cost per installation	£4.58	£3.87	£3.42
Average over 3 years			£3.96

2. These estimates assume that the number of installations continues to increase along with the monitoring charge but that the monitoring charge per customer remains the same. They also assume no increase in the number of staff required to deliver the service. The cost of equipment reduces as this only includes the cost of new and replacement equipment and it is assumed that a good deal of the equipment can be re-used when a customer no longer requires it.
3. It is possible that the introduction of a charge will lead to some customers asking for the Telecare equipment to be removed to avoid the charge and it may also result in reduced demand for new installations. Extensive modelling of the financial effects of these factors has not been undertaken but it is considered that the charging model remains robust even with relatively large changes in demand.
4. Whilst the commissioning of Telecare Services is beyond the scope of the work undertaken and this report, the effect of the introduction of charging on the demand for Telecare will be an important consideration in the determination of future contractual arrangements.