

21 March 2024

**Care Connect Customer Fees and
Charges 2024/25**



Report of:

Michael Kelleher, Head of Planning & Housing

Electoral division(s) affected:

Countywide

Purpose of the Report

This report concerns the proposed increase to private customer charges levied by the Care Connect Service for the 2024/2025 financial year.

Executive summary

- 1 Care Connect provides emergency home alarm and telecare services to approximately 9000 vulnerable and elderly residents across the County Durham area. Through an alarm unit installed in customer homes, residents can be connected to our control centre at the push of a button, following which our responders can be dispatched to customer homes to provide any help and support as is required. The majority of customers are 'private payers', and it is their charges which this report concerns itself with. Around 2350 *Telecare* customers, referred by Adult and Health Services with an assessed need for support, are charged (or not) directly by AHS depending on their assessed financial circumstances. AHS pay a fixed annual amount to Care Connect for the provision of these services as part of an internal commissioning arrangement.
- 2 The Care Connect Service, in common with others across the authority, faces a challenging financial climate due to a number of factors; including the impact on operating costs of ongoing high inflation, and the impact of current economic conditions on customers' ability to continue paying for the service.
- 3 The service is funded through a variety of sources, including Public Health underpinning and the fixed contribution from DCC Adult & Health Services for provision of the Telecare services. In addition to this, a range of self-generated income includes charges paid by internal and external customers for a variety of monitoring services via our control

room, and the self-payer customer charges discussed in this paper. It is a long standing practice that all charges are increased in line with the RPI rate for the previous November, to cover the associated increased operating costs of the Care Connect Service. The November 2023 RPI rate was 5.3%.

Recommendation

4 REG MT is recommended to::

a) Approve an increase of 5.3% in the Care Connect customer charge for the 2024/2025 financial year in line with the November 2023 RPI.

b) Note that this amount strikes the right balance between raising additional income for the service in light of inflationary pressures and increased costs; and ensuring the service remains affordable for customers therefore minimising the risk of them leaving the service.

c) Approve an increase of 5.3% for all new customer installation charges from 1 April 2023, in line with the November 2023 RPI.

d) Approve an increase of 5.3% for all other charges, paid by internal and external 'business' customers for the range of monitoring services via our control room, in line with the November 2023 RPI.

Background

- 5 The vast majority of privately paying Care Connect customers are currently charged **£5.65** per week for a basic personal alarm and response service. This equates to an annual charge of £293.80 per year, generally paid over 10 monthly direct debit payments of £29.38. A smaller number of customers - those without a telephone line in their homes - pay an additional **£3.33** per week (**£8.98** total) for a standalone alarm unit (GSM) which operates without the need for a telephone line connection – the additional charge funds the increased purchase costs to the service for this equipment. Subsidised customers (Pre-LGR 'legacy' customers) pay a reduced rate, currently **£3.30** per week, which is also increased each year by the same rate as full paying customers. A 5% increase was applied to customer charges in April 2023, as the relevant RPI rate at that time (14%) was felt prohibitively high to pass on to customers.
- 6 Installation charges, a one off payment made by customers to have Care Connect equipment installed, currently sit at **£38.75**, having been increased by 14% last year in line with the November 2022 RPI.
- 7 Whilst these costs may not seem high, they must be seen in the context of an elderly and vulnerable customer base for whom household finances are extremely pressured – especially so given the current economic climate. It could fairly be assumed that significant cost increases to the Care Connect service would make it unaffordable for those who need it the most, and put County Durham's most vulnerable residents at risk.
- 8 Charges (of varying amounts dependent on the service provided) paid by internal and external 'business' customers for the range of monitoring services via our control room, also increased by 14% last year in line with the November 2022 RPI.

Considerations and Risks

- 9 The primary risk for any business when increasing customer charges is the prospective loss of customers. In addition to bringing direct risks to the ongoing finances of the Care Connect Service, this could also be expected to impact upon the finance and resources of other service areas, as is discussed later.
- 10 The Care Connect Service faces a loss of income of circa **£70,000** in the 24/25 financial year as consequence of the Digital Upgrade and the impending switch off of the analogue Public Switch Telephone Network.

As noted above, customers without a telephone line in their homes currently pay an additional **£3.33** per week for a more expensive 'GSM' alarm unit which operates as a standalone unit without the need for a telephone line connection. In the case of AHS Telecare customers, these additional costs are re-charged to AHS on a quarterly basis, outside of the fixed contribution received from AHS for Telecare services. The breakdown of this projected lost income, based on the previous 3 years' average, is shown in the table below:

Period	Lost Self-Payer Income	Lost AHS Re-charge Income	Total
2020/2021	£26,635	£35,876	£62,511
2021/2022	£29,933	£35,933	£65,866
2022/2023	£39,989	£43,435	£83,424
3 Year Average			£70,600

- 11 With new digital alarm units now being installed as standard for *all* Care Connect customers, all of which operate as standalone units and do not require a telephone line, there is no longer a differential / increased cost to providing a service for customers without a telephone line – the increased costs for these new digital units apply to all customers equally. It is no longer fair or justifiable to charge a higher amount for customers without a telephone line, as the same digital equipment is being used for all customers.
- 12 All customers are expected to have been upgraded to digital alarm units by the mid point of 2024-25. A Capital Funding Scheme is in place to cover the initial digital upgrade costs, the scheme began in the current year (23/24) and concludes in the 2025-26 financial year. While the scheme was designed to, and has allowed, DCC to protect customers from the initial costs of upgrading to digital; in future, following the conclusion of the capital scheme and completion of the wider digital upgrade project, a charges review will be required (prior to the 2026-27 financial year). It may be that at this stage the additional ongoing costs relating to more expensive digital units must be passed on to customers, but it is anticipated that costs will have reduced at least somewhat by this time - as is often the trend over time as new technology becomes industry standard. If digital alarm costs do indeed fall into line with the previous prices for analogue equipment, this will

bring finances into line with the existing Care Connect revenue budget and no specific customer charge increased will be required.

- 12 Given the above, it is proposed that customer charges beginning in the 24/25 financial year are made uniform across all customers to ensure fairness in relation to the uniformity of equipment used and services delivered. While at this time many customers are still using analogue units, all customer units are projected to have been upgraded to digital units across the course of 24/25. The alternative approach of attempting to amend individual customer billing at the time they are upgraded to a new digital unit would be prohibitively time consuming and complex, and is not being considered as an option. It can be seen that as a result of the new uniform pricing structure, existing customers without a telephone line who currently pay an increased weekly charge for a specialised unit, will see their charges decrease in the coming year.
- 13 The personal alarm and response services provided by Care Connect act as a preventative measure by delaying the requirement for traditional, more costly, social care support from the authority. Whilst it is not possible to quantify the exact value of this to DCC at this time, and with due acknowledgement of the inherent difficulty in evidencing the value of prevention services; it would be sensible to assume there would be such an impact.
- 14 In addition to internal partners, a similar impact could also be predicted in respect of DCC's key strategic partners such as the ambulance service and the police, who are the inevitable alternative agencies to be contacted when a person is in need of emergency support and they do not have a service such as Care Connect in place.
- 15 Standard practice is to increase rates and charges in line with RPI from the preceding November, to cover the corresponding increase to service operational charges. Whilst last years' (November 2022) RPI rate of 14% was felt to be prohibitively high for customers, it is believed the lower rate this year of 5.3% is fair and manageable, especially when seen in the context of a state pension increase of 10.1% in April 2023, and an expected increase of 8.5% in April 2024.
- 16 As ever from a business perspective, there is no obvious 'right answer' on where to set customer charges, due to the balance required between increasing much needed income to the service, and the potential loss of customers inherent in increasing charges.

Conclusion

- 17 Given the prevailing financial climate, it is necessary for Care Connect to raise customer charges for the 24/25 financial year. In line with practice, an RPI inflationary rise of 5.3% across customer service and installation charges is believed to be the correct decision to increase necessary income to the service whilst ensuring it remains affordable for customers. As discussed in paragraph 12, the introduction of a single charge for all customers will actually reduce the cost for existing customers without a telephone line who currently pay more for a different type of alarm unit.
- 18 The suggested increase to customer charges would result in weekly charges increasing as per the table below. The increased income raised from the 5.3% rise, circa **£93000**, is shown in the bottom portion of the table. It can be seen that this amount recovers (with a small excess) the lost income outlined in paragraph 10.

	Current Charge (23/24)	Proposed Charge (24/25)
Weekly Service Charge (Annually)	£5.65 or £8.98 GSM (£293.80) or (£466.96)	£5.95 (£309.40)
Weekly Service Charge <i>*Subsidised Customers</i> (Annually)	£3.30 or £6.63 GSM (£171.60) or (£344.76)	£3.48 (£180.96)
One-off Installation Charge	£38.75	£40.80
Additional Income (Full) Self Payers	Additional Income (Subsidised) Self Payers	Total Additional Income
£82,540 (5,291 customers x £0.30 per week)	£11,176 (1,194 customers x £0.18 per week)	£93,716

- 19 It is proposed that other charges, paid by internal and external 'business' customers for the range of monitoring services via our control room, should also increase by 5.3% in line with the November 2023 RPI, as per standard practice. This will support the Care Connect service with the associated increased operating costs of these services brought about by the rate of inflation.

Background Papers

N/A

Other useful documents

N/A

Author(s) Matthew Edwards

Tel: 07436626815

Appendix 1: Implications

Legal Implications

None.

Finance

As per body of paper.

Consultation

N/A

Equality and Diversity / Public Sector Equality Duty

Care Connect services are primarily provided to County Durham's most vulnerable residents. Groups including the elderly and those with additional needs are directly impacted by the continued operation of the service.

Climate Change

N/A

Human Rights

N/A

Crime and Disorder

N/A

Staffing

A large charge increase, followed by a significant loss of customers, may lead to a necessary reduction in the staff within the service in the future.

Accommodation

Text.

Risk

Any increase in charges carries an inherent risk of loss of customers for the business involved. Affordability of such a vital service, especially amongst more vulnerable clients, should be given the highest priority.

Procurement

N/A