

## INTERNAL PROVIDER PRICES

### BACKGROUND

The new model of social care, with personal budgets in the hands of individuals, requires internal providers to set 'prices' for their services for the first time.

**Important note:** these **prices** are the amounts needed from a service user's personal budget to purchase internal provider services, and are distinct from **charges**, which are amounts charged to an individual from their own money, based on their assessed ability to pay.

Providers will generate income sufficient to cover their full costs through a combination of services to **individual commissioners** (prices charged to service users, funded from personal budgets allocated through the RAS) and **strategically-commissioned services** (funded outside the RAS).

The prices referred to in this Appendix relate only to **individually-commissioned services**.

### PHASE 1 APPROACH

For July 2009, the following principles will apply and will underpin the calculation of internal provider prices:

#### 1. Standard Average Prices

Initially, prices will be calculated on a *standardised, average basis* i.e. each service provision type will set a single price for a single, time-based unit of service, regardless of locality (e.g. one hourly rate for home care, one daily rate for day services, one night rate for respite services etc).

#### 2. Cost Base

Wherever possible, costs will be based on the average costs for 2008/09 from the financial ledger. The main exceptions to this will be:

- where costs of a service are known to have changed; in this case, the most accurate current costs will be used;
- where the service delivery model has changed, such that it no longer reflects the structure recorded on the financial ledger; in such instances, costs from other centre codes will be apportioned on the most appropriate basis.

#### 3. Activity Base

Wherever possible, existing activity records for 2008/09 will be used, based upon the most recent 'average' activity period, except where future activity can be reasonably expected to deviate from historic patterns to a material degree. The methodology for calculation of activity will be standardised across similar services, and will be made available for information.

#### 4. Full Cost Recovery

Providers will set prices at the same level as costs, including a contribution towards some overheads (see point 3 below). Providers will not set prices that generate a profit, as they are not yet constituted with the ability to trade

## 5. Overheads

Prices will include recovery of the following overheads:

- indirect management structure costs
- corporate support costs (inc. finance, legal, HR, property management, Health & Safety and IT)
- transport costs

They will not include the following:

- democratic core costs
- transformation programme management costs

## 6. Other Funding Streams

Services funded either wholly or partly by other funding streams (e.g. health monies, Supporting People income etc) will set prices net of that income i.e. Cheshire East Council will not seek to 'double recover' the costs of that element of the service. Where this funding is location-specific, the effect of that income will be spread across the whole of the relevant service, in keeping with the principle of standardised, average prices (see Point 1 above).

## 7. Strategically Commissioned Services

Costs associated with the provision of strategically commissioned services, including reablement and the 'service of last resort', will be removed from the calculation of these prices.

## 8. Contingency

An element of contingency has been withheld from the RAS allocation to fund transitional relief and supplementary allocations, as required. Internal provider prices are unaffected.

The list of actual prices will follow, and will be shown in Table 1 below.

Internal providers will be supplied with information technology to enable them to monitor and manage the impact of their prices on their full cost recovery position. Prices will be set at the beginning of the implementation in July 2009, and they will not be reviewed more frequently than on an **annual basis**.

In addition, internal providers will develop standard **terms and conditions** for the application of these prices that identify for the service user the way in which these prices will apply.

## PHASE 2 AND BEYOND

As the RAS allocation is rolled out on a patch-by-patch basis, detailed work will continue on options for setting local prices (i.e. specific to a given provider unit) and activity- or need- (rather than time) based prices e.g. separate prices for swimming at a day service, as compared with horse riding or snooker, additional prices for additional support needs etc.

### Table 1

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