

CALCULATING A DIRECT PAYMENT SUPPORT PACKAGE

This fact sheet covers:

- **Planning an Independent Living Support Package.**
- **Building in Flexibility.**
- **How many hours?**
- **Costing a package.**
- **Ensuring Best Value.**

1. Introduction.

This fact sheet is aimed at local authority staff, support organisations and potential or existing direct payments recipients. It outlines best practice on how direct payments should be calculated. For local authority and support organisation staff it is essential that they also read the Scottish Executive's Direct Payments Policy and Practice Guidance (June 2003).

Different local authorities have different methods of calculating rates. An example is included as an appendix to this fact sheet. Other calculation methods can be provided by other authorities.

2. Assessment.

The amount of money given to someone as a direct payment is based on a community care assessment. Assessment for direct payments should be:

- Based on the principles of independent living - i.e. they should aim to give disabled people choice and control over the support they are assessed as needing and wanting.

- Based on the principles of informed self-assessment – direct payments are about ownership of one's support - it is therefore important that people are supported to participate in their assessment in partnership with the social work department.

Independent living is a set of values and beliefs which emphasise disabled people's right to make their own choices, control their own lives and participate in all aspects of society on equal terms with non-disabled people (for more on this see Fact Sheet 5: Models of Disability).

A number of centres for independent living and direct payments support organisations publish 'self-assessment' lists to guide people through the process. Where no such centre exist, it is still possible to publish guidelines on 'self-assessment' to make them as 'informed' as possible. It is best that such information and (peer) advocacy comes from an 'independent' source, whether funded or not by the local authority (see Fact Sheet 2: The Role of the Direct Payments Support Organisation). For many without information and independent advocacy, or peer-advocacy, recording what tasks should be done and how long they take will either be difficult, or under-estimated.

'Self-assessment' should be seen as the first step in the process of care planning. An assessment is then carried out by a qualified assessor from the local authority. A copy of the agreed assessment or care plan should then be given to the individual who has been assessed. They may wish to use such documents in an appeal, or at a future review. Many direct payment recipients will also wish to use the assessment to help them design contracts or job descriptions for agencies or their own staff.

Assessments from a local authority are often constrained by budgets – an individual's priorities may not be the same as a local authority's. Self-assessments should be used by the person being assessed as a platform to negotiate. Assessments should not be rigid about what will or will not be met.

How many hours?

It is often difficult to calculate the time taken to complete a task. For example, a meal might take ten minutes to prepare one day and two hours the next, depending upon the ingredients and preparation. Also, a bath may take ten minutes if a quick scrub is needed, or an hour if one wants to relax.

Local authorities should allow flexibility in the number of hours of support a person can use - this may vary from month to month, but within certain limits a person should be able to vary the number of hours they use each month. If the number of hours used regularly falls significantly below what a person has been assessed as needing this may warrant a review. A review can also reveal a need to increase the funding if need has been under-assessed (see also Fact Sheet 3 - Monitoring and Review of Direct Payments).

In calculating the number of hours needed within a support package it should be realised that life is not just about getting up, washing, dressing, eating or going to the toilet. It's about enjoying yourself, your company and your social activities. Disabled people should have the same quality of life as non-disabled people. Direct payments allow for such things, so it is possible to allow some hours in the package to enable the person to follow some social pursuit, whether it's a visit to a friend, a church, or a pub.

3. Maintaining flexibility.

Once the community care assessment has been agreed, the number of hours of assistance will be estimated. The flexibility within the direct payment package starts when the recipient decides how to use the agreed number of hours and money.

For example, within a community care plan the person may have been assessed as needing help with cooking an evening meal. Traditionally, this 'need' may have been met by the delivery of food by 'Meals on Wheels' or getting a home help. In either case, such assistance is provided within the confines of the service. For example, the person may only get 45 minutes of an hour's allocation because the home help has not been given any 'travel time' between visits. In addition, the service may not be available every day of the week, or every week of the year.

Within a direct payment package, the recipient has the choice of how flexible they want the support to be. They have to decide if they want a lot of flexibility and control; or a little flexibility and a little control. Being able to negotiate with your own staff will give you greater flexibility but means you have to take responsibility for managing them. Nevertheless, an effective user-led support organisation will be able to help people manage these responsibilities (see Fact Sheet 2).

If the recipient does not want this responsibility, they can use the direct payment to engage an agency to cook their meal. The agency employs the care worker, so the individual doesn't have the responsibility of employing someone. They may have more flexibility in choosing when they have the meal cooked, but who will cook it and whether they can do other tasks within the same hour will depend upon the agency.

If the individual is willing to take on the responsibility of employing a personal assistant (PA), then that complete one hour will give them more flexibility and control. It might, for example, allow them to instruct their employee to prepare a cordon bleu meal (which could take up the full hour), or to rustle up beans on toast (which might take 15 minutes) and then go and mow the lawn, or do something else.

This latter option is possible, because the government's practice guidance clearly states:

“by exploring innovative and creative options, it may be possible to identify alternatives which both cost less and meet the user's needs more effectively.”

Attempting to pin someone down to a 'standard' community care assessment, i.e. they can only use that one hour to prepare a meal, restricts the cost-effectiveness, flexibility and empowerment initiated by a direct payment.

As long as a person's needs are being met, (i.e. they get their meal) it does not matter whether the support they purchase precisely matches the routine described in the care plan.

4. Calculating the amount.

If an individual chooses to use an agency, then the cost of the package is the fee set by the company (see also Fact Sheet 7: Direct Payments and Support from Agency Providers).

However, the cost of employing a personal assistant may be more complicated. The Chartered Institute of Public Finance and Accountancy (CIPFA) suggest two ways of working out the hourly rate, either:

- The average cost of agency provision.

OR

- A reasonable funding level (based on the wage rate for a local care worker) plus add-on costs.

In calculating a reasonable funding level, local authorities should bear in mind the following:

- Local labour rates (for example in an area of low unemployment higher wages may have to be offered to attract the right staff).
- Skills needed by the PA - their role may be more onerous and complicated than that of a local care worker. In some circumstances, the needs of the direct payment recipient may demand specific training to be given to the PA or they may be required to do tasks outwith the remit of the local care worker - in such circumstances the basic hourly rate should reflect the amount and type of work to be completed.

However the amount is calculated, it is imperative that the recipient has enough to arrange adequate support. Under-funding can cause a breakdown in the support arrangements with the consequential need for expensive emergency cover.

i. Calculating Costs.

The following should be included in calculating the support package:

- The basic wage - index linked to SJC rates (recommended pay rates for local authority staff).
- Payments for unsocial hours - e.g. week-ends, sleepovers, public holidays, if this is the norm for local staff in a particular area.

Mandatory employment costs to be added on:

- Employers National Insurance - this will vary depending on average wages and hours.
- Employers Liability Insurance – this is available at around £84 per year (April 2004).
- Holiday pay (currently 4 weeks per year).
- Sick pay & cover.
- Maternity pay & cover.
- From April 2003 Adoption pay & cover.
- From April 2003 Paternity pay & cover.
- Fees for payroll and book-keeping, if used – a support agency is often paid to ensure this role is fulfilled, thus meeting the

individual's statutory employer requirements (see also DPS Fact Sheet 9 - Setting Up a Payroll Service).

Essential Add-on Costs.

In order to encourage **good employment practice** direct payments should also include:

- Training costs – there may be legal needs for particular training – this would be necessary to comply with health and safety regulations e.g. moving and assisting.
- Emergency cover for staff absence.
- Travel subsistence and other costs likely to be incurred by the PA - basically the PA should not be out of pocket.
- Administration - advertising, recruitment expenses.
- Cost of criminal record checks on PAs, if required.

Consideration should also be given to any additional costs to the employer for example buying a bed settee for PAs doing sleep-ins, use of domestic essentials such as soap, toilet roll etc.

Many of the above costs will need to be paid at the beginning as start-up costs (e.g. employer's liability, advertising, and training), many will be paid on a regular basis. Financial monitoring of the direct payment will need to take into account the use of contingency money. For example, there is a legal requirement for employers to provide their staff with 4 weeks annual leave. However there may be 6 months with little or no annual leave taken and then high amounts taken in the rest of the year. National Insurance contributions may also still need to be paid. Local authorities will need to bear any extra costs that will need to be met before clawing back surplus funds.

Building up contingency money also makes sense because it might allow the person to have a special outing or holiday. Having a 'float' will also provide a cushion to cover holiday and sick leave, or special leave for bereavement, or to care for a new-born child.

ii. Pensions.

These are now being promoted by central government. Presently if any employer has 5 or more staff they must provide information on stakeholder pensions. Although employers do not have to contribute currently it is increasingly likely that direct payment recipients will need to

offer their staff a pension scheme. Not only will this make the job more attractive, but it will also reduce the expense of staff turnover.

iii. Extra Assistance.

Some direct payments users may require help to manage a direct payment from an advocate or supporter. This can be done by:

- Adding on a number of hours to the assessment.
- A separate contract with an advocacy organisation.
- An enhanced hourly rate.

If a family is helping someone to manage, the direct payment cannot be used to fund this (though personal income or Disability Living Allowance could).

iv. Other Sources of Funding.

The overall amount of a direct payment can be enhanced from the following funding sources:

- Independent Living Fund.
- Supporting People (from April 2003) – housing support costs.
- Access to Work - help in the workplace.
- Education Access Fund - help in higher education.
- Personal Income (including benefits) – local authority. charging policies for care services still apply.

5. Value for Money.

Assessing, planning and costing a direct payment support package is a dynamic process. Recipients' requirements may change over time. As the recipient settles into their new life of independence, they may want to do different things, or try new activities. If they have a degenerative illness, they may require more assistance. Very occasionally a person finds they can be more independent than they had thought and they choose to have less assistance. (See also Fact Sheet 3: Monitoring and Review of Direct Payments).

The advantage of getting a direct payment is to break away from having a routine. Direct payments enable human growth, social and economic development to take place in the lives of recipients. Former residents of

care homes have become company owners; previously housebound people have travelled Europe.

It is therefore difficult to compare the costs of direct payments with the costs of other social work services. In terms of best value, the underlying quality of life is quite often significantly different between a recipient of a direct payment and a recipient of a direct service.

Often local authorities put a ceiling on the costs of direct payments, saying it is cheaper to put the recipient into residential care. Cheapness does not equate with best value. Reducing the costs of care may mean reducing the quality of life for the recipient.

6. Further Reading.

- A Guide to Receiving Direct Payments in Scotland – Scottish Executive 2003.
- Community Care (Direct Payments) Act 1996: Policy and Practice Guidance, Scottish Executive – updated June 2003.
- Community Care (Direct Payments) Act 1996 – Accounting and Financial Management Guidelines, Fully Revised Second Edition, produced by CIPFA, 3 Robert Street, London WC2N 6BH, 1998.
- Direct Routes to Independence: A guide to local authority implementation and management of direct payments, by Francis Hasler, Jane Campbell and Gerry Zarb, 1999.
- Funding Freedom 2000: People with Learning Difficulties Using Direct Payments, by Andrew Holman and Catherine Bewley, Values into Action, 1999.
- Commissioning Independent Living: A guide to developing personal assistance schemes and support services, by Etienne d'Aboville, King's Fund 1995.

The following guides are available from Annual Pack Orderline on 08457 646646:

- The Employer's Quick Guide to PAYE and NIC's.
- The Statutory Sick Pay Manual for Employers.
- The Statutory Maternity Pay Manual for Employers.

The following guides are available from the Department of Trade and Industry helpline on 0870 150 2500, or 0870 150 2100 (textphone):

- Maternity Rights.
- Redundancy Payments.
- Union Membership and Non Membership Rights.

7. Further information.

- Convention of Scottish Local Authorities (CoSLA) – for information on Scottish Joint Council (SJC) pay rates, telephone: 0131 474 9200.
- Health and Safety Executive – for information on Insurance and Health & Safety, telephone: 08701 545 500
- Low Pay Unit – telephone: 020 7467 7207 or www.lowpayunit.gov.uk
- Scottish Personal Assistants Employers' Network (SPAEN) – telephone: 01698 250280.
- Fish Insurance – telephone: 01772 724442.

UPDATE, Scotland's National Disability Information Service.

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Appendix

Sample Costing Procedure from Local Authority

Basic Rate

This model bases the funding level on an evaluation of the tasks required of the personal assistants as defined in their job descriptions.

Consideration in evaluating the funding level is given to issues such as:-

- the degree of initiative required
- the degree of knowledge required
- the degree of responsibility required
- the amount of strenuous work required
- any involvement in medical procedures, for example help to use/maintain ventilation equipment
- consideration has also been given to a very competitive employment market and the difficulties PA employers have faced while trying to recruit staff

Per hour figures	Low Rate	Middle Rate	High Rate
Suggested hourly funding level	£ 6.13	£ 7.90	£ 9.10
8.5 % Employers' NI	£ 0.52	£ 0.67	£ 0.77
Sub Total	£ 6.65	£ 8.57	£ 9.87
Contingency 18%	£ 1.20	£ 1.55	£ 1.78
Total	£ 7.85	£ 10.11	£11.65

A sleepover allowance of £30.03 per night is included if sleepovers are identified in community care assessment.

It is important to note that the local authority only suggests a funding level - **it is the choice of the employer as to how much they actually pay their staff.**

The contingency funding of 18% covers any additional employer's costs - e.g. for agency cover due to staff shortage, annual leave, Employer's Liability Insurance, tax, redundancy (if employee has been there for more than 2 years). Just under half of this is needed to provide staff cover for 4 weeks annual leave. This funding is not sufficient to provide all personal assistants with paid leave for public holidays but will allow higher payments for staff working on Public Holidays.

Add-ons

If needed additional funding is given for:-

- payroll services based on how many staff there are
- initial moving and assistance training
- recruitment and advertising costs

Example

Tamara requires 40 hours of support per week plus someone on call overnight. Amongst other tasks, her staff are required to assist her with blood tests for diabetes and to take action should her blood sugar levels reach dangerous levels.

In Tamara's situation she would be entitled to either the higher or middle rate. At middle rate this is £7.90 per hour.

Most payroll services will make a charge to the PA employer. This may be based on the number of PAs. Within this model it is £7 per payslip per month. Because of the size of package Tamara needs two staff. The monthly cost would therefore be £14, the weekly cost: $£14 * 12 / 52 = £ 3.23$

Calculation of weekly package

COSTING		Per week
Number of Hours	40	
Pay Rate	£7.90	£316.00
Number of Sleep-ins	7.00	
Sleep-in Rate	£30.03	£210.21
Total		£526.21
Employers N.I.	8.5%	£44.73
Total		£570.94
Contingency	18%	£102.77
Total		£673.71
Payroll per No. Employees	2	£3.23
Total		£676.94

The regular cost of the package would therefore be £676.94 per week. However this figure does not include set up costs.

Calculation of Set Up Costs (variable one off figure)

Advertising	£200
Payroll Set up	£30
Interview Room booking	£32.50
Total	£262.50

There are likely to be increased costs at the beginning of a package to cover recruitment of staff. Some payroll services will make an initial set up charge. Stationery and travel expenses for people to attend interviews are funded from contingency money. Some employers may wish to use an independent venue to interview staff, in which case room hire fees should also be included.

Tamara needs to spend £200 on an advert in local papers. The payroll service has a £30 set up charge. She trains her staff herself but needs them all to come in on the same day - she funds this out of contingency so there are no training costs. (To purchase a Risk Assessment followed by training would cost £400 for up to 6 PAs – training is done by the support organisation).

Annual Costs

It is a legal requirement for employers to have Employers Liability Insurance. If this cannot be met through contingency costs this could be added as a one-off annual payment (£84 per year). Information on this available from Fish Insurance.

SPAEN has recently introduced an Employer's Indemnity Insurance scheme this costs around £100 per annum.

The payroll service may charge an amount to cover annual returns to the Inland Revenue – this is £15. Again if this can't be met through contingency it could be an annual add on.

Some Local authorities now pay for direct payment recipients to take out membership of local support organisations and/ or the Scottish Personal Assistants Network.

Other Funds

With a package this size consideration should be given to other sources of funding, in particular whether Tamara would be eligible for funding from the Independent Living Fund. If this was the case and Social Work paid £250 of the basic initial package the ILF would be requested to pay the further £426.94 of the basic package (ILF contribution is also income assessed but does not take into account salary of the individual or partner). The annual and set up costs should be split between them.

Important Warning.

Some of the costs of being an employer do not vary according to the size of a package. For example: it will cost the same for an employer to take out Liability and Indemnity Insurances. If the package is only for a couple of hours per week this will have a disproportionate affect on the funding compared to a larger package. In these situations it is important to fund these additional costs out with the 18% contingency funding normally provided.