

Direct payments rates in England

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Introduction

Direct payments are cash payments in lieu of community care services on the basis of eligible assessed needs. These payments are required to be used to purchase care as an alternative to services being arranged and provided for by the local authority. Direct payments can be provided for regular weekly packages of care or for one-off purposes. When a person chooses to receive a direct payment for a weekly package of care the local authority typically converts the hours of care per week specified in that person's care plan to hours of direct payment. The direct payment is an hourly set rate given per hour of care required to all people choosing to purchase care themselves.

The practice of providing set hourly direct payment rates is contentious. There is no requirement that direct payments be based on a standardised hourly rate. Rather, the emphasis is on meeting the needs of each individual's circumstance such that

...“[the level at which a direct payment should be set] should equivalent to the authority's estimate of a reasonable cost of lawfully securing the provision required... to fulfil the needs for which the direct payment service relates” (Department of Health, 2003).

The types of services for which direct payments can be used are determined by the service user's care plan. Uses of direct payments therefore vary considerably between individuals and more generally between user groups, reflecting the different kinds of care packages usually provided to each service user group. A direct payment is not intended to purchase a homogenous service, but a service that maximises user choice and flexibility. For this reason it may be considered surprising that over 80 per cent of local authorities that responded to a recent national survey on direct payments policies provided data on their set direct payment rates (where the response rate equalled three-quarters of all local authorities in England) (Davey et al., 2006).

How are direct payment rates calculated?

Given the diverse nature of the services that may be purchased with direct payments in lieu of a community care package, how are direct payment rates are calculated, and on what basis?

First and foremost, there are a number of reasons why providing set hourly rates may be advantageous. These include greater transparency across the authority and swifter decisions on payments. Standardised rates also provide a benchmark for everyone concerned, including prospective users, prospective employees and other service providers who might seek to enter the local direct payments market.

Each local authority has its own discrete accounting procedures for calculating direct payment rates, yet it is possible to identify the main principles which underpin these calculations in practice. Two main guiding principles are generally stated. The first is that the rate should be in line with local average costs of the main substitute service (typically home care), but with a deduction for the proportion of the cost of that service that can be attributed to direct and indirect overheads. Local authorities see this as a key efficiency (cost) saving and therefore a benefit of the service (Frontier Economics, 2006)

The second guiding principle is that the rate should be set at a level which is sufficient to pay a 'market' wage rate to a personal assistant appropriate for the tasks required. Local authority commissioners have concerns that direct payment users are able to employ staff at rates that are significantly above average wage rates, which could lead to transfers of staff from care agencies or in-house provision to direct payment users. Thus, direct payment rates are implicitly set at a level which will allow payment of a wage in line with local agency and in-house home care workers, after appropriate deductions for on-costs.

The results of our national survey show that, on the basis of the national average direct payment rate across user groups (as shown in Table 1), the pay rate for a personal assistant employed full-time would be equal to £6.08 per hour, after deductions for tax and national insurance. This falls just below the average wage for home care workers of £6.40 per hour (Curtis and Netten, 2005). Nevertheless, potential wage rates are highly contingent upon necessary expenditure on employment-related costs, particularly on tax and National Insurance. If a personal assistant only works a few hours a week and does not have other employment they could feasibly be paid wages that may work out to be more competitive (Davey et al., 2006).

Table 1 Core average hourly direct payment rates

	Older people	Mental health	Learning disability	Physical disability	Sensory impairment	Disabled children	Carers	All
Day	£8.70	£8.81	£9.63	£8.69	£8.76	£8.77	£8.71	£8.87
Valid (N)	100	97	94	95	86	81	75	n/a
Evening	£9.02	£8.97	£9.11	£9.04	£9.10	£9.06	£9.15	£9.06
Valid (N)	84	81	78	80	73	70	65	n/a
Weekends	£9.47	£9.34	£9.52	£9.43	£9.46	£9.33	£9.44	£9.43
Valid (N)	86	83	81	83	73	71	67	n/a
Bank Holiday	£10.47	£10.38	£10.48	£10.43	£10.55	£10.50	£10.46	£10.46
Valid (N)	73	73	69	71	64	64	58	n/a

Due to the practice of deducting elements that would normally contribute to the direct and indirect overheads associated with independent sector or in-house care, average payment rates are almost universally lower than the costs of contracted home care, the main service for which direct payments substitutes (Davey et al., 2006). This highlights an inherent conflict between the principles of direct payments and their practice. Direct payments are designed to be a mechanism to enhance the role of the consumer in the market place for long-term care, but if direct payment rates are set at a level which is below market value for any form of care other than that of recruiting a personal assistant, the opportunities of direct payments are likely to be reduced. Local authorities argue that rates are appropriate because direct payment services are mainly purchased from a different sector of the market, for example friends, families and neighbours (Frontier Economics, 2006). Moreover many local authorities review the hourly rate to be applied if the service user wishes to, or requires a service from an agency (Davey et al., 2006). There are also other examples of flexibility in the application of standardized rates, for example in response to rurality (where recruiting is difficult), or where the service user has complex needs, particularly for clients with learning disabilities.

To what extent do direct payment rates vary?

There are marked variations in hourly direct payment rates, and also in what is included in those rates. Some of these variations are due to differences in the extent to which the following employment costs are included in the hourly rate:

- Tax
- National Insurance
- Sickness Pay
- Start-up costs
- Contingency funds
- Support costs

The majority of local authorities include an allowance for tax and National Insurance in the direct payments rates. In contrast, a minority, include funds designed to be used towards the costs of support required to help with the management of the direct payment itself (although many local authorities provide additional funding to organisations to provide direct payments support) (Davey et al., 2006).

We also see considerable regional variations in rates and variations between local authority types, as shown in Tables 2 and 3. As expected, rates are higher in London and the South East, although there appears to be more variation than can be explained by market forces. Although a North/South divide in payment rates is apparent, comparison between neighbouring regions in the North suggests that the picture of regional disparities is complex. On average, service users in the Yorkshire and Humber region and from metropolitan authorities receive the lowest hourly rates. Metropolitan authorities were found on average to offer hourly rates 11 per cent lower than the English norm.

Table 2 Average core direct payments rates in England for all service user groups by regional location

		Daily	Evening	Weekend	Bank Holiday
South West		£10.30	£10.54	£10.54	£10.30
	Valid (N)	4	4	4	3
London		£9.75	£9.87	£10.41	£12.09
	Valid (N)	24	20	20	17
South East		£9.07	£9.88	£10.25	£11.51
	Valid (N)	12	11	12	10
East		£8.96	£9.06	£9.91	£11.68
	Valid (N)	6	5	5	5
North East		£8.95	£8.70	£8.70	£8.70
	Valid (N)	9	6	6	6
East Midlands		£8.33	£8.56	£9.24	£7.95
	Valid (N)	6	5	6	5
West Midlands		£8.25	£8.15	£8.35	£8.81
	Valid (N)	8	5	7	3
North West		£7.68	£8.39	£8.66	£10.30
	Valid (N)	16	15	15	14
Yorkshire and the Humber		£7.57	£7.92	£7.95	£8.86
	Valid (N)	10	9	8	8

Table 3 Average core direct payments rates within England for all service user groups by local authority administrative type

		Daily	Evening	Weekend	Bank Holiday
London Borough		£9.70	£9.87	£10.41	£12.00
	Valid (N)	24	20	20	17
Shire County		£8.96	£9.06	£9.46	£9.50
	Valid (N)	17	15	16	15
Unitary Authority		£8.77	£9.36	£9.55	£10.40
	Valid (N)	29	24	26	21
Metropolitan District		£7.70	£8.05	£8.43	£10.10
	Valid (N)	25	21	21	18

Levels of compensation for unsociable hours vary more extensively than daily rates. In some cases there is virtually no differential made - typically because the hourly rate is expected to be sufficient to allow for the accumulation of funds to resource higher pay rates for unsociable hours. Evening rates of pay were on average 2 per cent higher than daily rates, whereas weekend rates were generally 6 per cent higher. Bank holiday rates were around 18 per cent higher than the daily rate (but with a wide range of between £4.12 to £25 per hour) (Davey et al., 2006).

Contrary to expectations, there was relatively little variation in direct payment rates for within each service user group. Due to the wide variations in average unit costs for services for different user groups, there is the potential for wide discrepancies between resources paid to direct payment users and mainstream service users, particularly for groups where services have comparatively high unit costs, such as services for disabled children (Curtis and Netten, 2005). The only distinction is that daily rates for people with learning difficulties are generally notably higher than for other groups.

Aside from the hourly rates listed above, about three-quarters (75 per cent) of local authorities pay a nightly rate for a 'sleepover' or 'sleep disturbance', rather than an hourly rate. The use of a nightly rate was particularly common in shire counties (83 per cent). Their night rate was the most generous of all authority types at around £45 per night. London boroughs tended to pay the lowest nightly sleepover or sleep disturbance rates, surprisingly given that they paid above average core rates (average of £38 per night). Around one quarter of local authorities responding to the survey revealed weekly live-in rates. Average weekly rates for people with a learning disability, people with a physical disability and disabled children were all considerably *lower* than the average unit costs of residential care for these groups. In contrast, the average weekly live-in rates for older people and people with mental health problems were significantly *higher* than average unit costs for equivalent residential care, due to the comparatively low costs of residential care for these two groups.

In most cases these rates would not be sufficient to allow an hourly wage above the national minimum wage. Whilst it is acknowledged that there is often a differential level of input required during these working periods than during the day, whether or not this breaches the European Working Time Directive depends on the boundaries of the concept of 'working time'. Prior to the Judgement of Court in SIMAP, on 3 October 2000, the general interpretation of the European Commission has been that only periods of actual work during time spent on call should be classified as working time, although since this Judgement, time spent on call where the employee has to be physically present and to be available to the employer immediately in case of need must be considered working time, even if they are inactive for part of this time (Kenner, 2004).

Discussion

The calculation of direct payment rates is at present contentious and is likely to remain so as demand for the service grows. Assumptions that current rates are sustainable due to the majority of care being purchased through friends, family and neighbours are as yet largely unsubstantiated. In reality, it is unclear how direct payment service users secure services as individual purchasers and what factors influence their ability to do so. The question of what is a 'reasonable' resource to pay for any given set of care needs is therefore a complex question for any authority. In order, to assess whether the sum paid to individuals is reasonable, given their circumstances, local authorities are largely reliant on feedback obtained from service users and care managers through monitoring.

The practice of setting rates at a level so as to prevent any 'skewing' of the local employment market may reduce both equity and choice, as well as the potential for direct payments to influence the care market. A critical feature is the degree of flexibility in which direct payment rates are established for individuals seeking to purchase care via this route.

References

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