

Financial management of personal budgets

Challenges and opportunities for councils

Local government, October 2010



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Summary

Personal budgets are one of the significant changes taking place in social care as part of the vision set out in *Putting People First* (Ref. 1). In May 2010 the government reinforced the commitment to personal budgets (Ref. 2). Later this year the government will publish its policy for adult social care, which will discuss how personalisation and personal budgets should be progressed. They can provide flexibility, choice and control to service users. Personal budgets can improve health and wellbeing, and user satisfaction. They provide opportunities to make cost savings. This report reviews the challenges in setting up personal budgets and illustrates good practice in meeting those challenges.

This report examines personal budgets in adult social care and considers the financial management and governance implications for councils. It reviews the approaches to transition from providing services to providing personal budgets, the choices for allocating money, and how councils can plan for the financial implications. It also considers changes in social care commissioning and the governance arrangements needed for personal budgets.

Intended for finance staff and staff in adult social care departments with an interest in personal budgets, it includes progress and self-assessment checklists to help councils review progress and identify areas for improvement.

Key messages

Progress in setting up personal budgets varies among councils and across services.

- Some councils will need to make a significant effort to achieve the milestones agreed between the Association of Directors of Adult Social Services (ADASS), the Local Government Association (LGA) and Department of Health (DH) on local targets.

- People with mental healthcare needs are less likely to have personal budgets than other service users. This partly reflects the problem of disentangling pooled NHS or social care funds into separate personal social care budgets and funding for NHS services.

Councils should be realistic about the costs and benefits of introducing personal budgets and their implications for planning.

- Personal budgets are unlikely to result in significant cost savings for councils. Self-directed support can lead to savings in cases where councils have high-cost care packages resulting from poor commissioning.
- Personal budgets put block contracts at risk. Councils should identify the block contracts most at risk from personal budgetholders making different choices.
- In-house service provision is at risk for the same reason and needs reviewing.

Reviews of financial and information systems should ensure they can deliver personal budgets and do not create bureaucratic obstacles.

- Medium-term financial plans must show the likely demand and costs of personal budgets and the implications for future budgets.
- Management accounts, financial reporting, management information and councils' approach to financial control and monitoring all need to change to adapt to personal budgets.
- Reviews of management information systems should ensure they deliver relevant information for decision making and performance review.

Personal budgets require councils to make choices about their methods for assigning funding and indicative budgets.

- The method for allocating funding to individuals – the resource allocation system (RAS) – needs to be affordable, transparent and equitable for all care groups. It should provide an indicative, rather than final, budget.
- Councils will need to decide the most suitable method for arriving at an indicative personal budget.

The introduction of personal budgets means that councils have to reconsider their roles and relationships.

- Councils will have to work with care providers and other stakeholders to influence services and ensure they meet personal budgetholders' needs.
- Councils will have a greater role in providing information and support to personal budgetholders, other service users, and those paying for services out of their own pocket (self-funders). Councils can deliver information and support directly or by commissioning others to do so.
- Councils should develop suitable and proportionate arrangements that tackle the risk of fraud but do not stifle innovation or the spirit of personal budgets and personalisation.

Challenges for councils

Personal budgetholders make choices about the services they use.

Councils' ability to respond to those choices and give budgetholders real control will depend on:

- improved administration;
- redesigned systems for budget monitoring and financial control;
- new commissioning strategies, especially where councils have in-house services or rely on block contracts;
- new governance arrangements; and
- transparency to personal budgetholders.

Many of the solutions to these issues come from councils' own experiences.

Effective networking will have an important role in easing the transition.

Recommendations

Making the transition

Councils should:

- have a strong and comprehensive plan to set up personal budgets and meet the ADASS/ LGA/ DH milestones for numbers of personal budgetholders;
- work with other councils, and regional and national improvement bodies, to share learning;
- ensure the offer of a personal budget gives those service users that want it the opportunity of fully self-directed support;
- review options for funding recurrent spending after the Social Care Reform Grant ends in March 2011;
- review how the individual outcomes agreed by personal budgetholders can support wider wellbeing objectives; and
- evaluate progress by capturing data that measures the outcomes, costs and numbers of personal budgetholders.

The financial implications

Councils should draw on recent ADASS/ LGA/ DH guidance and:

- consider the most suitable and least burdensome resource allocation arrangements for personal budgetholders and their carers;
- test local approaches against the policy and legal advice provided in the ADASS common resource allocation framework;
- publish details of how they allocate resources to personal budgetholders;
- develop medium-term financial plans that consider the affordability of personal budgets and the likely change in demand for services;
- develop budget monitoring, management accounting and other management information to enable them to control their finances effectively;
- record the spending patterns of personal budgetholders and their outcomes;
- recognise the use of direct payments is increasing and that in-house provided services may no longer be affordable if fewer personal budgetholders use them;
- similarly review their approach to block contracts; and
- measure the value for money of personal budgets.

Council commissioning strategies

Councils should:

- collect information to assess demand for services and current provision for both public and privately funded individuals in their communities;
- review their approach to block contracts and consider the most appropriate contracting method for personal budgets;
- develop brokerage services to ensure personal budgetholders have enough information to identify the service provider or organisation they will spend their personal budget with;
- work with independent and voluntary sector providers to ensure they are aware of the implications of personal budgets and prepare them to respond positively; and
- work with the NHS to develop personal budgets for mental health service users.

Governance arrangements

Councils should:

- measure outcomes for personal budgetholders;
- develop suitable and proportionate risk management arrangements;
- review internal controls for preventing fraud and misuse of funds; and
- work with internal and external auditors to gain assurance about the effectiveness of governance arrangements.

We also recommend that councils use our checklist to assess their progress with personal budgets.

Checklist for councils

Councils can use this checklist to assess progress and identify areas for further review.

Challenge questions	Issues to consider
Making the transition to personal budgets	
Will the council meet the Putting People First Consortium milestones for numbers of personal budgetholders?	<ul style="list-style-type: none">■ Has the council developed a detailed project plan to meet the milestones?■ Does the plan make it clear how the council will spend the Social Care Reform Grant and the Infrastructure Capital Grant?■ Does the plan identify any efficiencies or cost savings and are these achievable?■ Does the plan clearly identify the risks to implementation?
Will personal budgetholders see a genuine change to the way they plan and receive their care?	<ul style="list-style-type: none">■ Do personal budgetholders fully understand the choices and rules around spending their budgets?■ Does the council understand the challenges personal budgets bring for local social care providers?■ What impact will personal budgets have on service users?■ Is the council satisfied the private and voluntary sectors can respond to personal budgets?
Is the council prepared for personal budgets?	<ul style="list-style-type: none">■ Has the council identified the changes required to IT systems to support personal budgets?■ What training have council staff had to enable them to deliver the changes required?■ How is the council working with peers to share learning?
The financial implications of personal budgets	
Is the council satisfied its RAS is the right model?	<ul style="list-style-type: none">■ Has the council reviewed its resource allocation arrangements against the ADASS common resource allocation framework?■ Has the council considered alternatives such as outcomes-based systems or custom-built software?■ How has the council assured itself the RAS produces reliable indicative budgets?■ Is the council satisfied the RAS properly captures the support provided by informal carers?■ Is there a specific RAS for carers?

Challenge questions	Issues to consider
Is the RAS equitable and transparent?	<ul style="list-style-type: none"> ■ Does the council have a different allocation system for different care groups? ■ Has the council considered the advantages, disadvantages and equity of each approach? ■ Is the allocation system transparent and made available to the public? ■ Is there a well-understood and consistent way of allowing adjustments to the indicative budget?
How will the RAS be reviewed?	<ul style="list-style-type: none"> ■ Are there plans to review the RAS and the amount allocated to personal budgets? ■ Does the council have the good-quality data required to inform that review? ■ Is the council able to produce other management information about personal budgets?
Is the RAS affordable?	<ul style="list-style-type: none"> ■ Does the council have a detailed medium-term financial plan and activity model that considers the financial impact of personal budgets? ■ Are the council's budget monitoring arrangements ready for personal budgets? ■ Is there a policy for unspent personal budgets?

Personal budgets and council commissioning strategies

Is the council satisfied that its commissioning strategy will support personal budgets?	<ul style="list-style-type: none"> ■ What has the council done to ensure that in-house services and block contracts continue to be affordable and complement, rather than compete with, private and voluntary sector providers? ■ Are there any outcomes-based contracts? ■ Has the council considered alternative providers or collaborative commissioning among personal budgetholders to help to personalise services?
Has the council assessed its capacity to provide help to personal budgetholders with support planning?	<ul style="list-style-type: none"> ■ Is enough information provided to personal budgetholders? ■ Does the council provide any other support services, for instance, recruiting and paying personal assistants? ■ Is there a clear policy for charging for these services? ■ Does the council have good-quality management information to assess demand and gaps in provision for all local people needing care and support?
Has the council been successful in explaining to providers the implications, opportunities and risks of personal budgets?	<ul style="list-style-type: none"> ■ How does the council get assurance about the quality of services provided to personal budgetholders and to private funders? ■ Does the council expect to reduce funding to voluntary sector service and support providers because of personal budgets? ■ Is the voluntary sector prepared for the effect of this? ■ Has the council fully considered the impact that personal budgets will have on working with the NHS, especially in mental health and on pooled funds?

Challenge questions	Issues to consider
Governance arrangements	
Is the council measuring the outcomes of personal budgets?	<ul style="list-style-type: none">■ Has the council set up ways to measure outcomes and value for money?■ Can the council show that personal budgets contribute to the council's wider objectives?
What risk management arrangements does the council have in place for personal budgets?	<ul style="list-style-type: none">■ Has the council assured itself that safeguarding, fraud, and reputational risks are minimal?■ Have the council's internal and external auditors tested and assured governance arrangements?

Introduction

A personal budget is an allocation of money given to a person to spend on a support plan. The individual budgetholder develops their support plan with social care professionals to meet a jointly agreed set of needs and outcomes. Personal budgets give adult social care users choice and control over the support they receive.

1 Personal budgets build on experience of direct payments and the work of the DH and the organisation In Control.ⁱ In 2007, the concordat *Putting People First* (Ref. 1) made personal budgets one of the cornerstones of personalising social care.

2 ADASS, the LGA and DH have agreed milestones for the delivery of personal budgets. Councils had made good progress if they had introduced personal budgets for existing or new service users or carers by April 2010. At least 30 per cent of eligible social care users, or carers, should have a personal budget by April 2011.

3 The ADASS/ LGA 2010 survey of councils' progress in implementing *Putting People First* found 170,000 personal budgetholders receiving about £900 million of council spending. This is about 6 per cent of total spending on adult social care.

4 Personal budgets give holders a transparent and agreed allocation of funding. Holders decide how to spend their budget in ways they think will achieve their agreed outcomes. Personal budgets can be managed:

- by the holder – they receive a direct payment into a bank account to spend as they choose, to meet the outcomes agreed in their support plan;
- by the council or a third party – the personal budgetholder knows how much money is available to them and has a support plan. They ask the council, or another party such as a service provider, to manage the budget to buy services on their behalf or provide services themselves;
- through an Individual Service Fund (ISF) – an independent care provider, family member or friend spends the budget for the holder to meet the outcomes in the support plan, as specified by the holder; or
- through a combination of these methods.

ⁱ In Control is a social enterprise and its mission is to help create a new welfare system in which everyone is in control of their lives as full citizens. Source: www.in-control.org.uk

Individual or personal budgets can improve the health, wellbeing and satisfaction of service users

5 Evaluation of the individual budgetⁱ pilot schemes (Ref. 3) suggests that individual or personal budgets can improve the health, wellbeing and satisfaction of service users. They can sometimes reduce the cost of care. Individual budgets were, overall, cost-neutral. Government expects personal budgets to be cost-neutral too. The key benefit is that they help achieve better outcomes for people.

6 Councils face significant challenges in setting up personal budgets. These include:

- scaling up pilot schemes to offer personal budgets to all new and existing social care users;
- deciding how much to give to each personal budgetholder;
- updating management information and financial systems to meet the different demands of personal budgets;
- drawing up financial plans to ensure that personal budgets are affordable for councils over the long term;
- stimulating a market for social care with a choice of suitable provision;
- giving service users the right information and support they need to manage their personal budget;
- getting the governance arrangements right – adequately safeguarding people and encouraging innovative use of personal budgets while avoiding fraud and misuse of funds; and
- building a cooperative relationship between staff and personal budgetholders.

7 Other challenges include working with partner organisations and planning for the workforce requirements of personal budgets.

8 Chapter 1 explores how councils are making the transition to personal budgets. Chapter 2 reviews the financial implications associated with implementation, and Chapter 3 looks at councils' different commissioning strategies. Chapter 4 comments on the necessary governance arrangements, and Chapter 5 summarises the report's conclusions.

9 The research methodology is in Appendix 1.

ⁱ Individual budgets were piloted at 13 local authorities between 2005 and 2007. An evaluation of the scheme (Ref. 3) was published in 2008. Individual budgets differed from personal budgets in that six funding streams were included. Personal budgets only include adult social care funding.

Making the transition

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The approach to setting up personal budgets varies, but there are common challenges and councils can learn from one another. Good project management is essential and the councils leading implementation have taken a whole-council approach to the culture change required. Progress varies significantly, but some councils are well ahead of the milestones.

The approach to setting up personal budgets

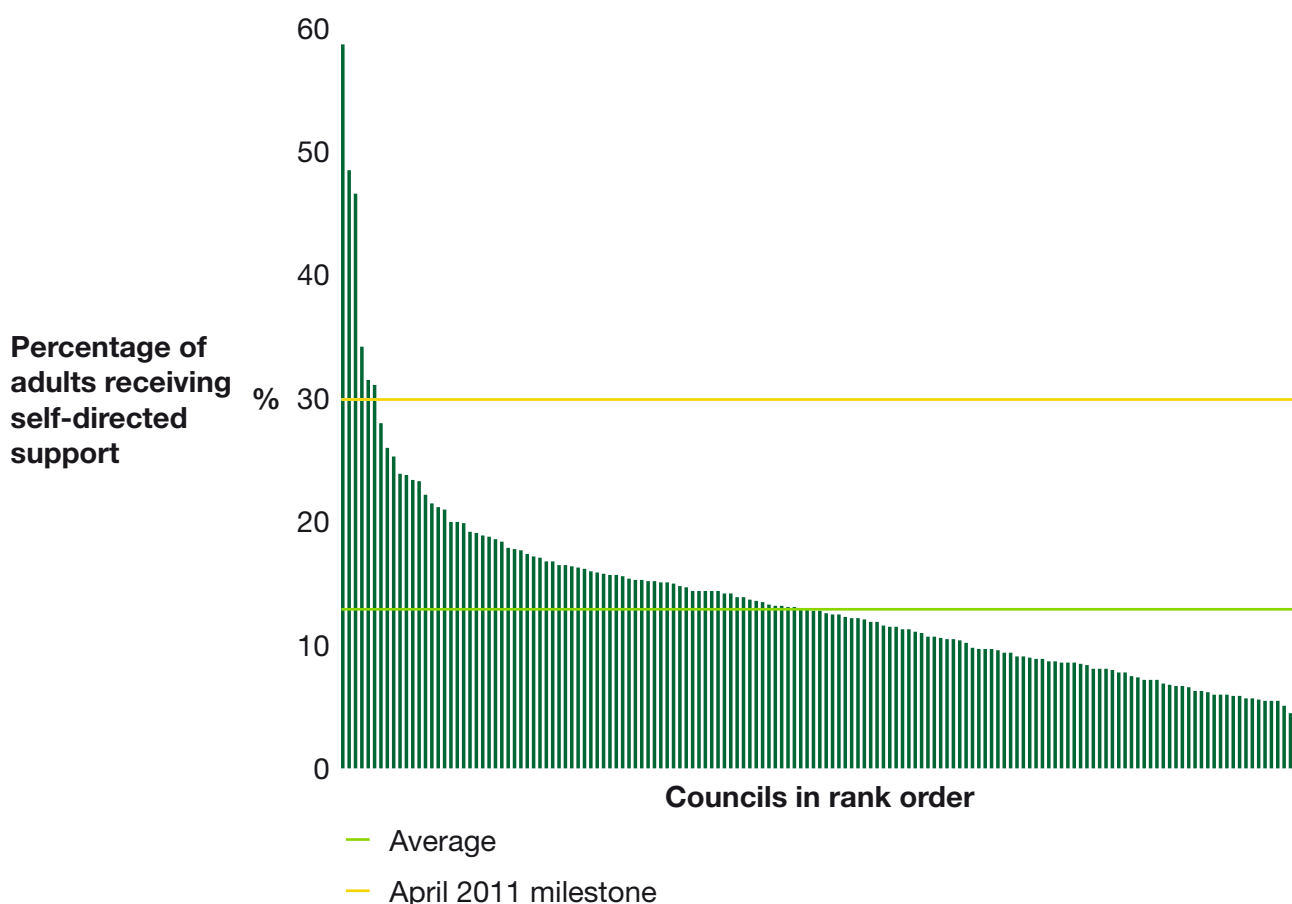
10 Councils' approaches to developing personal budgets vary. The main influences on the local approach are: the type of council; previous experience of direct payments; attitude to risk; IT and system support; and the strength of drivers for change. Figure 1 shows a significant variation in councils' performance in 2009/10.

11 The 2010 ADASS/ LGA survey of councils' progress with implementing *Putting People First* found about 170,000 personal budgetholders receiving about £900 million in 2009/10. Councils reported 74 per cent of the spending was on direct payments to the budgetholders (Ref. 4).

12 National Indicator 130, which measures the number of social care clients receiving self-directed support, probably underestimates the proportion of personal budgetholders. A letter from the National Director for Social Care Transformation set out the findings of an ADASS survey of councils, which identified 950,000 people receiving ongoing council-funded care and support (Ref. 4). The definition for National Indicator 130 includes more people. ADASS believes many 'do not appear to be directly relevant to the offering of a personal budget' (Ref. 4). The ADASS/ LGA survey results imply that 18 per cent of eligible people receive a personal budget, compared with an average of 14 per cent measured by National Indicator 130.

13 Councils responding to our research do not expect personal budgets to contribute to their plans for cost savings. Councils with developed forecasts expect savings to come from other areas of *Putting People First*, such as prevention, early intervention and enablement, rather than from personal budgets. They agree with the DH view that personal budgets will be cost-neutral.

Figure 1: **National Indicator 130 (provisional data) – the proportion of adults receiving self-directed support in 2009/10 for all councils**



Source: Audit Commission analysis of National Indicator Set

14 Councils taking part in our research stressed that effective IT for care management and finance underpinned successful transition. Current systems are unlikely to allow personal budgetholders to oversee their budget. Participants suggested that IT must support budget monitoring, recording of personal budgetholders' spending and outcome recording. Systems should also enable personal budgetholders to view information electronically.

15 The DH made a specific capital grant of £30 million in 2010/11 to help councils with the costs of upgrading IT systems. The Putting People First Consortium,ⁱ with IT providers, published guidance (Ref. 5) in June 2010 to help councils decide how to use the grant and to encourage more focused and standardised development of IT products.

Personal budgets are not just a social care issue

16 Research participants were clear the transition to personal budgets is not simply a matter of developing a RAS and support planning within social care. Councils also wanted to improve outcomes for service

ⁱ The Putting People First Consortium is the ADASS, LGA and IDeA working in conjunction with the DH.

users, increase choice and control and ensure financial affordability and equity. The Putting People First Consortium produced a set of milestones (Ref. 6), which sets out the priorities it believes will lead to the successful implementation of *Putting People First*. These priorities address partnerships, personal budgets, cost-effective services, information and advice and local commissioning.

17 While personal budgets should focus on improving outcomes for the holders, they can have broader impacts on community wellbeing. Research participants used personal budgets to improve housing, stimulate the local economy, strengthen the role of voluntary organisations and help people into employment. Councils also promoted the use of mainstream services to personal budgetholders. The Audit Commission's report *Under Pressure* (Ref. 7) has also commented on these aspects.

Personal budgets should focus on improving outcomes for the holders, but can also have positive impacts on community wellbeing

Social care reform grant

18 The DH made £520 million of grant funding available between 2008/09 and 2010/11 to help councils implement *Putting People First*. The grant was phased so that £237 million of this was made available in 2010/11 with a further capital grant of £33.5 million to help with infrastructure costs.

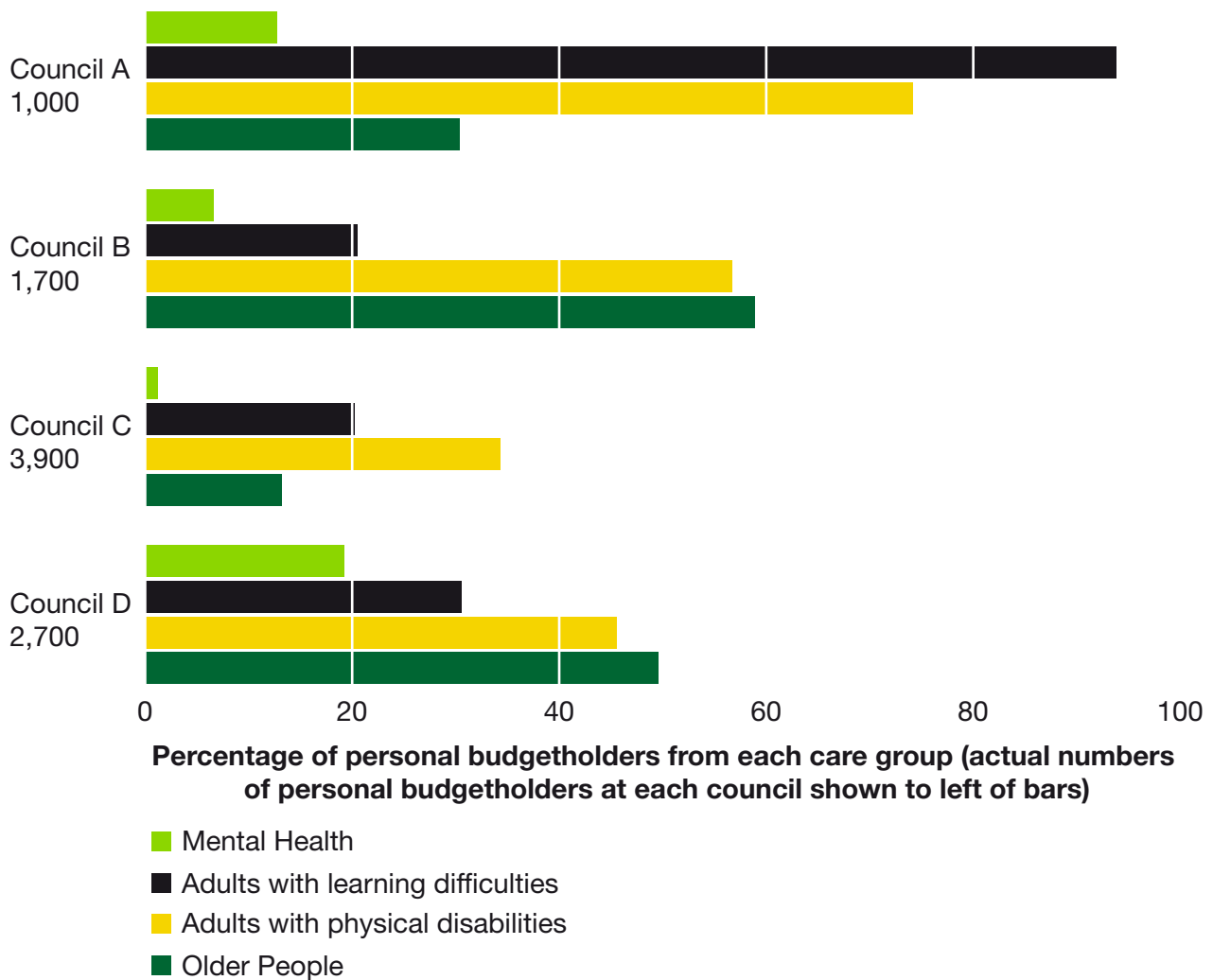
19 The ADASS/ LGA survey of councils in April 2009 (Ref. 8) found that, in the first year, councils spent the grant on dedicated project teams, changes to care management and developing internal processes. About a sixth of the grant funded market or provider development. There are no audit requirements for the grant, but we are aware that some councils did not spend the first year of grant money, as they did not have project teams in place.

Progress with setting up personal budgets

20 Figure 2 shows that older people and adults with physical disabilities account for most personal budgetholders at the councils that provided data to us.

21 Older people are the largest care group nationally. The data from councils responding to our research show between 13 per cent and 59 per cent of older people have a personal budget at each council, or an average of 34 per cent. On average, 50 per cent of adults with physical disabilities have a personal budget. One council, however, reported that 94 per cent of its adults with learning disabilities have a personal budget.

Figure 2: **Personal budgetholders for a sample of four councils, by proportion and care group**

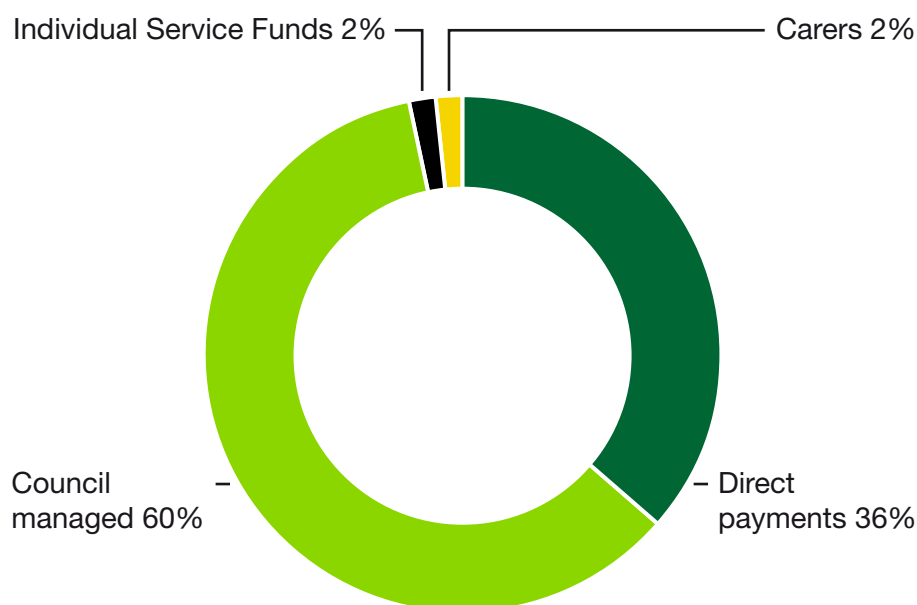


Source: Audit Commission

22 In the sample councils, most personal budgets are still managed by the council (Figure 3). However, 36 per cent of personal budgetholders took their personal budget as a direct payment. At one council 50 per cent of personal budgets were managed via direct payments.

23 Two councils provided information on the value of their personal budgets. One reported that over £10 million, out of almost £33 million of social care funding, went through personal budgets, the other reported £22 million out of £50 million. The councils managed £5 million and £14 million respectively themselves and personal budgetholders managed the rest, taking it as direct payments.

Figure 3: **Method for spending a personal budget at four councils**



Source: Audit Commission

24 One of the biggest challenges, however, is the culture change required for social care workers, finance staff, service users, service providers and local residents. All of our research participants recognise the significant work required to communicate the purpose, benefits and implications of personal budgets to all those affected. This report focuses on the financial management and governance arrangements, but councils should not ignore the other challenges.

The financial implications

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This chapter examines some of the financial implications of personal budgets for social care departments and presents an analysis of data collected from research participants.

Councils see developing the RAS for calculating an indicative personal budget as a real challenge. However, a simple model is often good enough. It is important that councils carry out modelling of the financial commitment the RAS will create. Councils should not expect to achieve large cost savings from personal budgets.

25 Personal budgetholders choose whether to take direct payments, third-party payments, ISF or a combination. Each method has implications for councils.

26 Councils with a well-established method for delivering personal budgets have seen an increase in the number of people taking direct payments and a fall in the number of third-party (mainly council) managed personal budgets. The third approach – the ISF – is, so far, not offered widely, but may be an attractive choice for both personal budgetholders and councils. Table 1 summarises some of the financial and other issues that councils will need to consider as they review how they support each choice.

Developing a resource allocation system

27 The RAS allocates money to produce an indicative budget. The DH has not specified how councils should calculate personal budgets. One hundred and twenty-two councils (Ref. 8) have used the points-based RAS developed by In Control.

Table 1: **Issues to consider for each method of managing a personal budget**

	Direct payments	Council managed	Individual Service Funds
Choice and control	Offers maximum choice and control for personal budgetholders and greatest opportunity to improve outcomes.	Personal budgetholder is aware of the budget and involved in support planning but delivery of support likely to be through traditional models of care.	Designed to allow holders choice and control but without the responsibility of managing a budget.
Administrative change	Likely to be an existing process for administration, although this will need to be updated for both councils and personal budgetholders.	Council keeps administrative responsibilities. Little change to existing care commissioning required.	Can lead to reduced administrative responsibilities, although the council is still accountable. Will require significant development and work with service and support providers.
Budget monitoring	Use of the personal budget is not monitored unless specifically requested and checked.	Allows financial planning as the council knows how it will spend the personal budget.	A service provider will check spending.
Effect on commissioning	May require changes to commissioning to move away from block contracts.	Little or no change to existing commissioning process if personal budgetholders are happy with current provision.	Potentially more effective, outcomes-based commissioning. This will require a significant change to the way contracting takes place.
In-house provided services	In-house provision may no longer be affordable should significant numbers of direct payment users choose to use alternative services.	Little or no change to existing commissioning process if personal budgetholders are happy with current provision.	Personal budgetholders may choose alternative services, affecting the affordability of in-house provision.
Governance risk	Risk of fraud and misuse of funds increases.	Risk of fraud and misuse of funds minimised.	Requires effective governance of contract with ISF manager.

Source: Audit Commission

28 There are no plans for a national RAS. However ADASS, working with a wide range of practitioners as well as In Control, has produced a common resource allocation framework (Ref. 9), summarised in Appendix 2. This gives advice to councils about how to allocate resources, with a benchmarking checklist to help councils self-assess their local approach. Alongside the framework, ADASS has also published practical RAS tools. Other methods include outcomes-based and hours-based models, and custom-built software that uses unit cost data.

29 Seven of the eight councils visited used a locally developed points-based model based on that of In Control. These convert a needs assessment into a point score that leads to the indicative personal budget. The eighth, Coventry City Council, has introduced an outcomes-based model developed in-house. Case study 1 summarises the outcomes-based model used by Coventry City Council.

Case study 1

Coventry City Council's outcomes-based RAS

In Coventry, a Promoting Independence Framework sets out how adult social care is delivered. This includes a RAS that does not use a points system but is based on four key outcomes, reflecting the Care Quality Commission (CQC) performance measures. These are:

- health and wellbeing;
- choice and control;
- economic and educational participation; and
- social and community participation.

There are three categories – basic, standard and enhanced. These relate to the person's mental, physical and emotional health, the complexity of their day-to-day life as well as workforce skill sets required, risk and stability. The contribution of carers is also considered.

After initial contact, everyone who is likely to require ongoing support or assistance to optimise their independence receives a short-term enablement service. This includes a social care assessment (and any other specialist assessment required) to establish their outcomes and goals and their eligibility.

There is an element of self-assessment and the individual is actively encouraged throughout to contribute in identifying their outcomes and plan their support with a broker.

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Each category provides an indicative amount that forms the basis for support planning. The model includes a traffic light approach to allow support planners some tolerance about how closely the cost of the support plan reflects the indicative budget. For instance, a support plan that is not within 50 per cent of the indicative amount would trigger a discussion with a manager.

The Council believes its RAS promotes creative and innovative approaches in a way that a points system could not. The indicative amount acts as a target to work towards meeting individual outcomes in the most cost-effective way, with an expectation that universal services and assistive technologies will be optimised.

The Promoting Independence Framework highlights the importance of the review process. The Council can adjust the personal budget and support plan if necessary, but the review also allows the Council to understand how well the system is working across the city.

Source: Audit Commission

30 Within the group of councils using a points-based model, there were different approaches to developing the needs questionnaire and price-points system. Each developed its RAS to meet local circumstances, but was also aware the RAS provides an indicative personal budget. It is a starting point for support planning, not necessarily a final amount.

31 The agreed support plan may be for more or less than the RAS. It is more important to ensure the method for assessing a person's needs is accurate. Assessment and resource allocation are not separate though. While accurately identifying need, social care workers should be realistic about the costs of services in meeting those needs.

32 A good RAS will capture the needs of a person and allow them to prepare a support plan. Councils will need to review their RAS against each of the key parts of the RAS framework described in Appendix 2. These apply to all types of RAS.

33 Some councils are developing a separate carers' RAS that reflects and supports the role of unpaid carers. Councils can use the Carers' Grantⁱ to fund this RAS, but many provide extra services for carers. The purpose of the carer's RAS, therefore, is to assess the needs of the carer and allocate resources, but also to make sure the carer has access to all the extra services available. Case study 2 sets out how Coventry City Council intends to support carers.

ⁱ The Carers' Grant is a non-ring-fenced grant provided by the DH.

Case study 2

Coventry City Council Carers' RAS

At Coventry City Council, as well as carrying out an assessment and a support plan for carers, social care workers also complete an outcomes matrix. This assesses carers against the same four outcomes as the standard RAS, described in Case study 1. The matrix groups carers into basic, standard and enhanced categories, taking into account factors like whether they have a life of their own and their ability to continue caring. The category identifies the types of support the carer can choose from, including universal and targeted services, for example, a Carers' Emergency Response Service and options such as a direct payment or carers' break.

The matrix makes the universal offer that is available for regular and substantive carers more transparent.

Source: Audit Commission

How much does a RAS offer?

34 Research participants provided details of their RAS. Figure 4 plots the personal budget profile for each council. The curves are plotted according to the percentage of the total number of points that can be assigned. This allows comparison between needs assessment systems that use a different number of points.

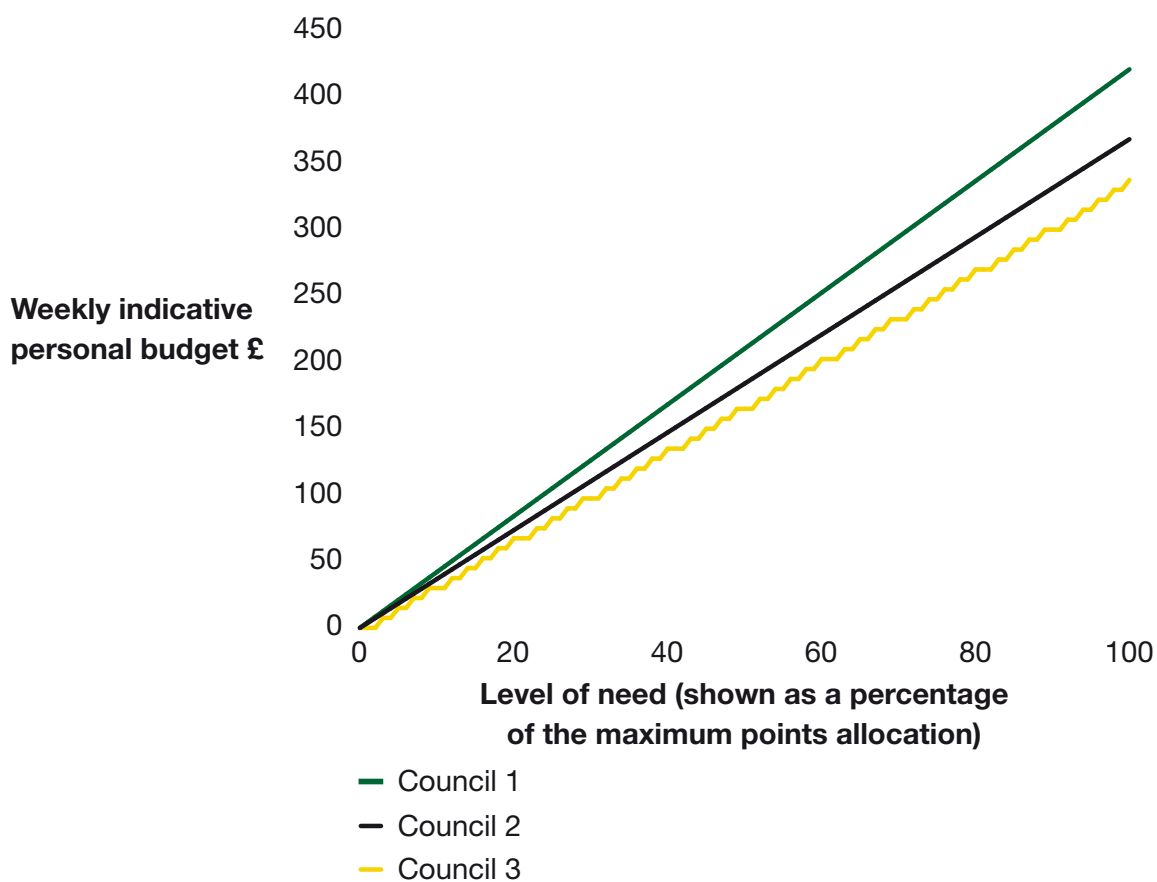
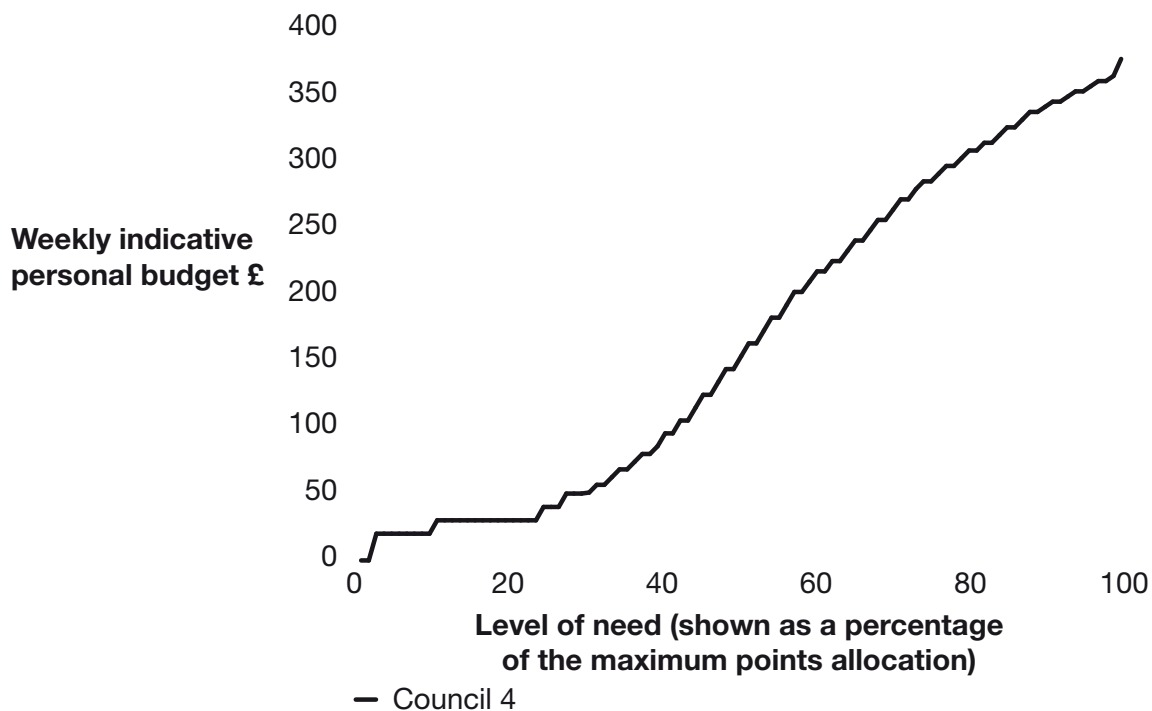
35 Figure 4 shows that some councils use a separate 'pounds per point' allocation for each care group, to reflect the differences in past spend on services for different care groups. Other councils use a single allocation, with the aim of making personal budgets equitable for people in different care groups but with the same need. Some councils aspire to a single RAS but have concerns that costs in the local social care market will make this impossible.

36 Points-based systems can assign indicative personal budgets using a linear system in which each point awarded in the needs assessment receives the same allocation. Alternatively, allocations can use a table that assigns a different amount of funding to each point, or group of points. When plotted in a chart, this system will result in a curve, with the cost of care more closely resembling the observed tendency that care costs rise more steeply as needs become more complex.

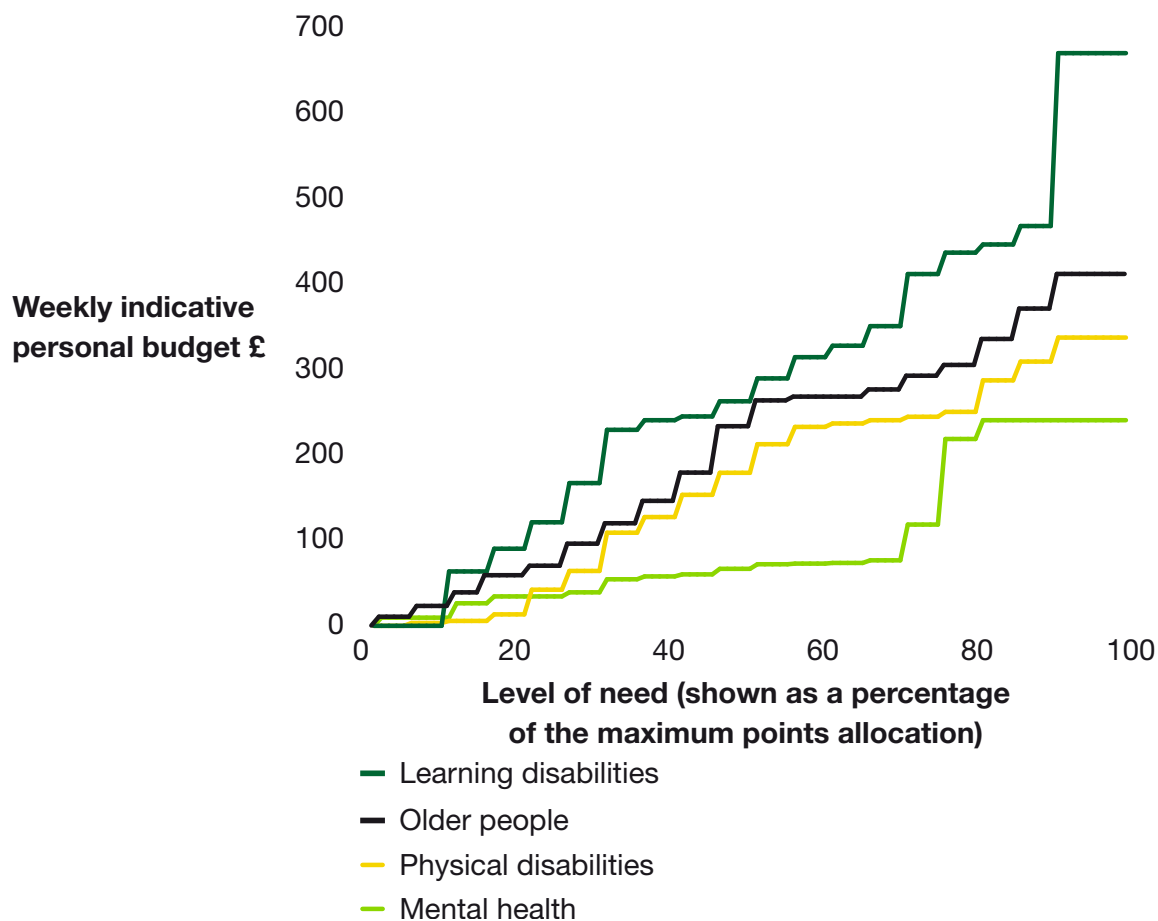
Figure 4: **Indicative personal budget allocations for six councils**

Councils 1, 2 and 3 use a straight line RAS for all care groups.

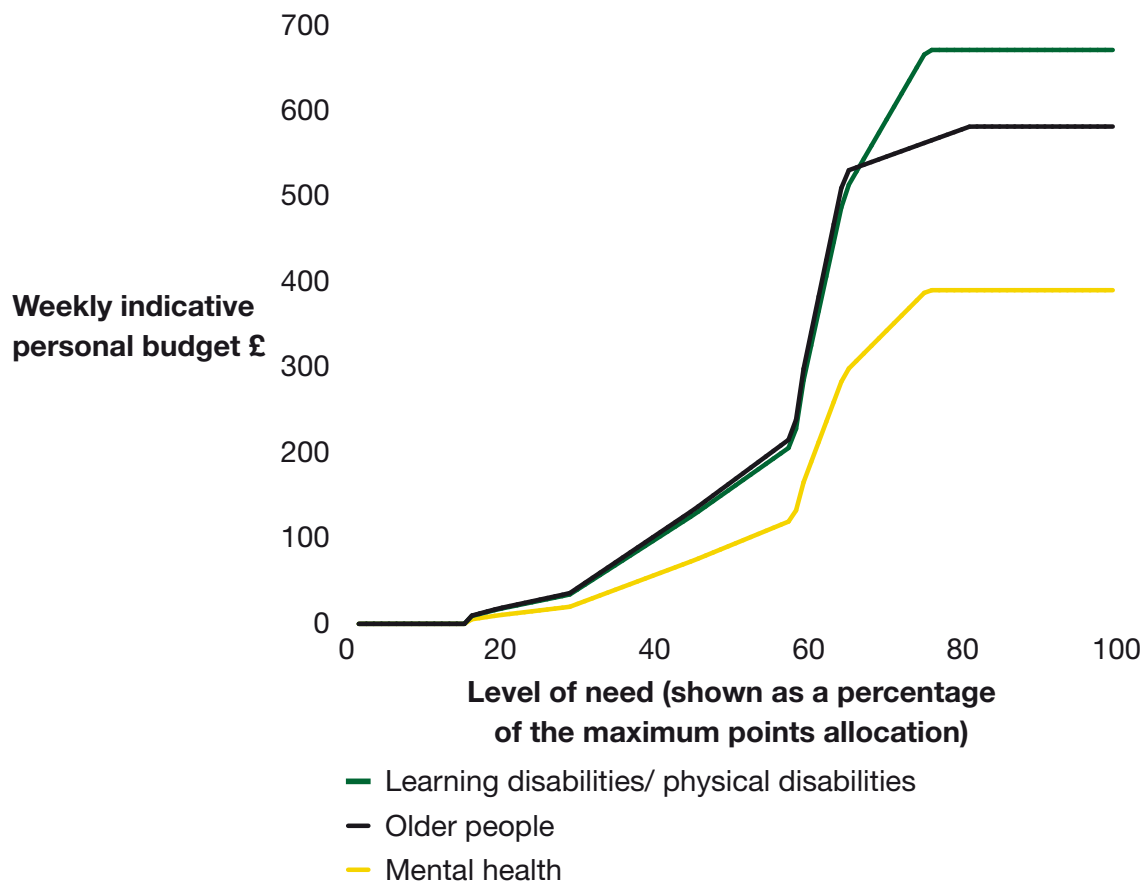
Council 4 uses a single RAS curve.



Council 5 has a separate RAS curve for each of its four care groups



Council 6 has a separate RAS curve for each of its three care groups



Source: Audit Commission

37 Figure 4 shows that single RAS models produce an indicative budget that fall within a similar range. Using a RAS curve based on our sample data results in a wider spread of indicative budgets, especially for people with greater need. RAS curves allocate more to those with learning disabilities and physical disabilities than to older people. The mental health care group receives the least.

38 The charts also show that councils with a single allocation all used a fixed price point rather than a more sophisticated allocation curve, and the resulting allocations were similar.

Approaches to the technical details

39 Councils will share the details of their RAS, such as the self-assessment questionnaire, but they are reluctant to make the indicative allocations publicly available.

40 West Sussex County Council does include the pounds per point figures in its RAS guidance in leaflets and on the website. The Council will explain the details of a personal budgetholder's resource allocation if asked.

41 Transparency and openness should underpin trust between the council and the personal budgetholder. Personal budgetholders should have access to indicative allocations. 'Points chasing' by budgetholders (or potential budgetholders) is an issue if there are weaknesses in accurately recording a person's care needs. The solution is better assessment and recording, not withholding information.

42 Research participants see developing the RAS as an iterative process. Most were still refining unit costs, price points or questionnaire weightings. Councils had different viewpoints on reviewing price points. Some councils had not changed the allocations since their development a few years ago, some had increased them and some had reduced the allocations. As well as refining the allocation system, councils had also put significant effort into developing their needs questionnaire.

43 Research participants also took different approaches to quantifying the levels of informal care personal budgetholders received from family and friends. Some chose to include informal care within a person's assessment, either inflating the need for those without such care or deflating the need for those with informal care. Others chose to apply a separate adjustment to the needs assessment, ensuring the needs assessment of the person would not change if their informal care changed.

44 Some councils insisted the right way would be to assess the needs of the individual first and assess the person's informal care separately. This approach would properly capture the needs of the individual as well as the informal care.

Transparency and openness should underpin trust between the council and the personal budget holder

Financial modelling

45 Research participants had not yet considered in detail the likely financial impact of personal budgets over the medium to long term. While *Putting People First* directs councils toward achieving best use of resources by focusing on prevention and early intervention, it is unavoidable that social care budgets will come under pressure in the government spending review in autumn 2010.

46 The RAS and agreed support plans must result in sustainable, affordable allocations and not over-commit the council. Councils should model activity to identify unmet need and people not previously taking up the offer of services. This could quantify the likelihood and cost of more new service users taking up a personal budget.

47 One of our research participants noted that in 2006, 11 per cent of the people the council assessed for social care turned down the services offered, perhaps because they did not meet their needs. That figure is now 6 per cent. The council believe this is because the care package offered is more suitable. However, although the demand for services has increased, the council also found that 5.6 per cent of personal budgets allocated were unspent, resulting in a saving of around £1 million.

48 In-year budget monitoring is also more difficult under personal budgets, because the methods for spending and reporting money are no longer the same. Basic budget monitoring has not changed significantly but there is more detail required when reporting on personal budgets, and councils have had to develop new financial reports.

49 Councils will need clear policies on how to treat personal budget underspends – whether the money can be clawed back or whether it should be carried forward. There will also need to be policies to deal with people who have fluctuating conditions – sometimes requiring a different budget – and for those needing to spend much of the budget at the start, for example, on a piece of equipment.

50 Making sure there is enough money available to fund personal budgets can be difficult where the RAS does not link to the overall social care budget. Currently, care management and finance systems do not provide enough detail to monitor personal budgets effectively.

51 The DH is working with the Chartered Institute for Public Finance and Accountancy (CIPFA) to redesign statutory financial reporting rules to reflect personal budgets. But councils should not wait till the rules change – they need suitable management accounts now to make personal budgets work. The Putting People First Consortium recommends common standards for councils and IT providers upgrading IT and finance systems (Ref. 5).

The RAS and agreed support plans must result in sustainable, affordable allocations and not over-commit the council

52 A financial management risk that needs urgent attention arises from budgetholders buying services outside existing council contracts. The financial risk is that the council pays for an in-house or block contract service with spare capacity in addition to funding personal budgetholders to buy alternatives. In response, some research participants are considering reorganising in-house services. The in-house service would become a business unit with an income target rather than expenditure budget. As well as the change management and cultural issues that could arise, this will also require accurate costing and pricing information.

53 The three main issues that councils will need to address are:

- Monitoring and forecasting – how much has the council committed to personal budgets both in the year and in the future and how much is being spent?
- How does this impact on the ability to commission new services and spending patterns on block contracts and in-house services?
- What are people spending their personal budgets on?

54 Case study 3 outlines how one council addressed these issues.

Case study 3

Manchester City Council social care restructure

When Manchester City Council introduced personal budgets, budget monitoring became more difficult. Budget responsibilities had moved and it became less clear who was responsible for what expenditure. The Council restructured its finance department in a way that it felt allowed the new divisions to perform effectively and have a suitable budget to manage and monitor. The benefits to the Council include improved accountability and management information.

Before restructuring, the Council charged personal budget expenditure directly to a service or care group. The restructure created four divisions, which operate in a trading environment.

- Customer support – most expenditure falls within this division. Expenditure for direct payment personal budgets is attributed directly to a geographical team, rather than care group. Expenditure for virtual personal budgets (effectively council-managed personal budgets) is split depending on the service type, for example, home care or day care. The amount is determined by the actual activity and the virtual personal budget price set.
- Commissioning – this division has budgetary responsibility for all remaining block contracts, preventative services, early intervention and intermediate care. Income comes

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from virtual personal budgets based on the charge made for each particular service. Under- or overachievement of income will suggest either issues with block contract performance, for instance under-use, or issues with the price for the commissioned service. At year-end, if the virtual personal budget price for a particular service is set correctly, the actual cost will be fully offset by the virtual income from the customer support division.

The third and fourth divisions are.

- Business units – all in-house services work as trading accounts. Charges are made against a personal budget holder and income attributed to the relevant business unit as well as costs, such as staffing and premises. The trading account shows how the virtual personal budget charges relate to the actual costs of providing the service.
- Business development – includes support services and programme management costs.

Source: Audit Commission

Value for money and efficiency savings

55 We asked all research participants whether they expected personal budgets to lead to cash savings. Some forecast small savings but none expected savings to be significant. Councils hoped to be able to allocate resources more equitably across care groups but there was no consensus about whether assessment and care management would be more or less costly. Where councils forecast and achieved small savings, they reinvested them into other areas of social care transformation, such as prevention and early intervention services.

56 Research participants felt there may be cost savings in future years if personal budgets lead to better outcomes for personal budgetholders, for instance, delaying a condition worsening. However, the savings associated with this would be difficult to identify or quantify, and might also be savings to the NHS rather than councils.

57 Some research participants were able to give examples of reducing high-cost care packages. Better commissioning could have achieved the same savings. In practice, it was the introduction of personal budgets that challenged previous arrangements and costs.

58 The overall value for money implications of personal budgets cannot be assessed as the information required does not exist.

The introduction of personal budgets has challenged previous arrangements and costs

Council commissioning strategies

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Setting up personal budgets is leading to significant changes in councils' contracting models. In-house and block contract arrangements may no longer be suitable and councils are moving towards framework contracts and outcomes-based contracts.

To give choice and control to personal budgetholders, councils will need to provide help for support planning and encourage innovation, for instance through a brokerage service.ⁱ

Changes to councils' contracting models

59 Personal budgets allow holders much greater influence over the services they receive, including choice of provider. Individuals, rather than councils, decide the services to buy. Research participants recognised early the implications of personal budgets for commissioning and contracting. They are now reviewing block contracts and in-house services, and developing framework contracts.

60 Framework contracts allow a council to select several service providers based on their ability to guarantee specific quality and delivery standards. However, the council does not guarantee demand. Terms and conditions, including the price, are agreed in advance. A typical contract would allow a council to request the service as the need arose, without committing to a fixed provision. A council would not have to enter a fixed-cost contract for unused services and could offer choice to personal budgetholders at a guaranteed standard of quality.

61 This contract is different to spot contracting where a provider could expect to provide a service only if it had the capacity to do so – terms and conditions and the price would be negotiated separately for each transaction. Other council departments may already be familiar with framework contracting.

62 Some councils are piloting outcomes-based contracts that specify outcomes rather than services and allow greater personalisation. Independent care providers usually manage outcomes-based contracts and may also commission from other providers to achieve the specified outcomes. The contract could equate to care hours bought, but would

i A brokerage service provides information and technical advice to people requesting it, independent of the resource allocation process, to help them with all aspects of their personal budget. Examples include helping people with support planning, developing informal support, meeting their responsibilities as a personal budget holder or acting as an advocate.

allow the personal budgetholder to draw on the service flexibly – using more some weeks and fewer others.

63 Research participants noted that this approach allows a council to avoid making time-consuming weekly manual variations to standard contracts, specifying fixed care hours. The provider would manage the under- and overprovision of care and the council would manage the personal budgetholder's contribution.

64 As more people arrange and buy their own services through direct payments, councils will have to use these more flexible procurement models.

65 The ISF method of using a personal budget works through outcome-based contracts (Box 1 summarises DH guidance on the subject).

Box 1: Outcomes-based contracts

The DH has published many good practice guides and toolkits that are available on the Personalisation Network website.

Contracting for Personalised Outcomes: Learning from Emerging Practice (Ref. 10) is a good practice guide that draws on the learning of six councils. It describes how they have begun to reshape their contracts and range of budget-holding choices. It looks at their relationships with the provider market to ensure that personalised services are available for everyone with care and support needs.

The guide provides a summary of the main parts of the contractual models identified. There is also a framework for understanding the relationship between them and a brief account of the key messages to be taken from the resulting case studies.

Case studies describe the work of two of our research participants, Manchester City Council and West Sussex County Council, in detail.

Source: Audit Commission

Management information is important

66 Councils are responsible for ensuring that personal budgetholders' needs are met: the right level and quantity of care provision is available, at the right price and quality. Part of that responsibility is ensuring that budgetholders and service providers can discuss issues with the council.

67 Case study 4 outlines how one council is improving financial, contract monitoring and outcomes information.

Case study 4

Hartlepool Borough Council's contract monitoring system

Hartlepool Borough Council is developing a contract monitoring system. It will link with the Council's existing financial systems and will enable comprehensive reporting, tracking and security. It will provide several features, including:

- a high-level analysis of services bought using personal budgets that will help improve commissioning decisions, as well as the detailed audit trail;
- an internet-based portal that personal budgetholders can use to see information about their personal budget, or provide details for the Council's monitoring requirements; and
- providers will be able to upload their activity data directly to the system.

The Council believes that applying the system to outcomes-based contracting will help to monitor outcomes for all service users, as well as aid statutory reporting.

Source: Audit Commission

68 Councils spoke to us about potential decreases in the use, and therefore the provision, of day services. This could occur as service users choose mainstream, or more innovative, personalised day activities. Although all day centre users will be offered a personal budget, this could still ignore the service users with greater need. Councils should provide the right support to allow high-dependency social care users to also use alternative services of their choice.

69 Councils have been considering the choices available:

- disinvesting from services;
- using existing buildings for other purposes;
- sharing buildings with other organisations, such as NHS bodies; and
- setting income targets for certain types of service.

70 Information held by councils should be used to enable personal budgets and more personalisation for individuals. A lack of management information, or financial constraints, should not result in service users being unable to benefit from a personalised service. The Audit Commission's publication *The Truth is Out There* (Ref. 11) discusses how to give people choice through better use of information.

A support structure needs to be in place that also allows high-dependency social care users to choose alternative services that fulfill their needs

- 71** Good management information will provide a council with:
- a basis for needs analysis;
 - information on the demand for services;
 - quality measures for service providers – as measured by regulators such as the CQC;
 - quality measures for providers – as measured by outcomes for service users;
 - a method for capturing new ideas for services;
 - provider cost and price information; and
 - details of provider capacity.

72 This information is likely to become more difficult to obtain as direct payments increase if monitoring systems are not able to capture it.

Choice and control

73 Personal budgetholders can have greater choice and control if there are suitable options available to them. This can have significant implications for services and councils' finances. The quotes below provide some first-hand examples.

'If you've got £250 a week, think about how you want to use it. If you choose to carry on coming to the day centre, we'll take £45 a day off you from your allocation.'

Council to personal budgetholder

'£45 a day? I'm not paying that. I sit in a chair all day and do now't.'

Personal budgetholder's reply

'I want to stay on the fleet management bus to college.'
Personal budgetholder to council

'It's £75 return, which is atrocious but that's the contract, and then they'll go, "a taxi's only £20 return and if I share my taxi with Bobby up the road then it's only £10 return.'

'When they do that, as an individual they get a much better outcome but then for us, a commissioner, we're tied into contracts. If one person comes off the bus, instead of ten you've got nine and the unit cost goes up. It's just like a constant balancing act the whole time to try and look at the issues.'

Council's response

74 In the transport example council commissioning decisions have affected the price of some of the services offered by the council. Personal budgetholders will be able to reduce the cost of their own packages by making their own decisions about which services to buy. However, this does not necessarily reflect a saving for the council overall. It may simply result in spare capacity in an apparently expensive service for which the council continues to pay.

Brokerage

75 Councils support personal budgetholders using brokerage. Brokers can help with support planning as well as recruitment of personal assistants, payroll, Criminal Records Bureau checks and other services. This service can be in-house provided there is no conflict of interest, or provided by a third party. The DH has made it clear that councils should set up user-led organisations to provide much of this advice. Case study 5 sets out Manchester City Council's intended approach.

Case study 5

Manchester City Council brokerage services

Manchester City Council is hoping for a better quality of life for its social care users and for them to be more active, rather than passive, recipients of care. The Council has agreed three forms of brokerage to help personal budgetholders with the support planning process.

- Do-it-yourself – using the My Manchester website to identify services.

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- An in-house brokerage service working with personal budgetholders to find the most fitting solutions. The service carries out assessments as well as brokerage and concentrates mainly on ISF users.
- Formal brokerage – this is a mixture of in-house and externally provided support focused around the direct payment personal budgets.

These services are also all open to self-funders.

Source: Audit Commission

76 Councils can stimulate the brokerage market by grant-funding independent and voluntary sector organisations. The next stage might be to reduce reliance on grants by making them transitional, with the goal of creating self-funding services. Most councils are still developing their approach. An important issue is whether personal budgetholders will be expected to pay for brokerage services and how these costs will be included in budgets.

77 Councils will need to ensure that brokerage services include obtaining information face to face or in easy-read and other accessible formats. Electronic methods will be useful for some people but could create inequality for those without the right computer skills or access to computers.

Council commissioning will need to respond

78 The need for some council-provided services will fall, but councils will need to ensure that capacity is available elsewhere before that can take place.

79 Personal budgets could allow new providers into the market. Micro providers, or small community-based services, were often excluded from council tenders in the past because of their small size. Research participants noted that these smaller providers can develop custom-made services in line with the personalised approaches expected under *Putting People First* (Ref. 1).

80 The smaller independent and voluntary providers may need help in responding to personalisation. Councils can broker, or provide, capacity-building support to stimulate the market.

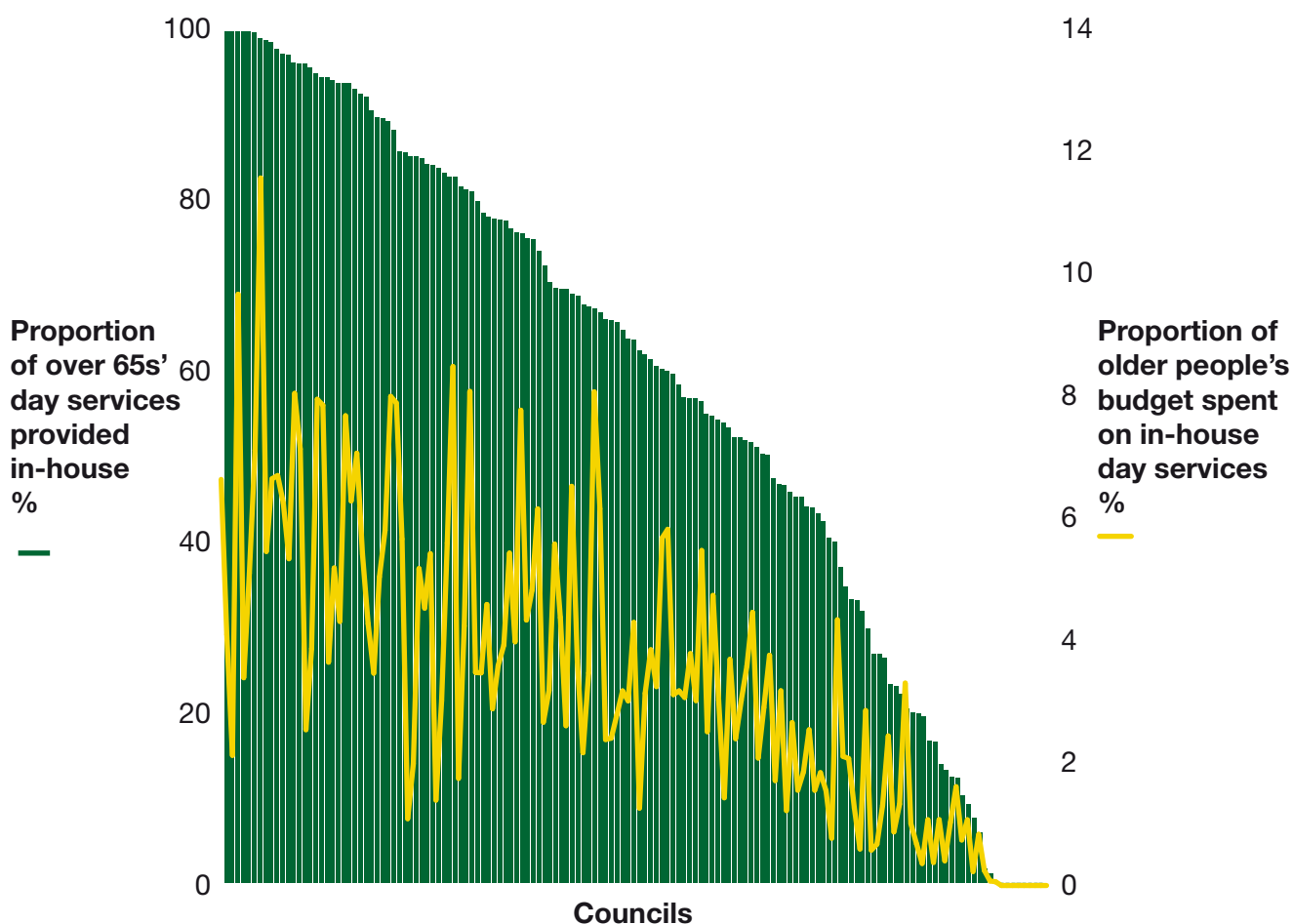
81 Putting control into the hands of personal budgetholders can also lead to collaborative commissioning by groups of personal budgetholders. Research participants spoke about personal budgetholders using their direct payments to socialise together, going for lunch on the way home from using other services, for instance.

The use of direct payments is increasing

82 As personal budgets become the norm and social care users become more used to the choice and control they allow, councils can expect the numbers of direct payments to increase. In-house providers may find they need to compete for direct payment users' cash, by changing the kinds of services offered. Direct payment users may face increased costs if they continue to buy traditional services either privately or from the council, unless they are willing to become less risk averse and change the services they buy.

83 Figure 5 shows there is a large variation in the proportion of day care services provided in-house by councils and in the total cost of these services. Those councils with high-cost services and a high proportion provided in-house will face financial and operational challenges if personal budgetholders choose alternatives.

Figure 5: **Proportion of day services for over 65s provided in-house and the proportion of the budget spent on in-house services**



Source: Audit Commission analysis of NHS Information Centre PSSEX1 data for 2008/09

Personal budgets and the NHS

84 Research participants had less well-developed personal budget approaches for people with mental healthcare needs. Several did not provide them at all, despite the IBSEN report's (Ref. 3) evidence that mental health service users would be major beneficiaries of the policy. Existing joint arrangements, such as pooled funds, with the primary care trust or mental health trust, were not flexible enough to adapt to personal budgets.

85 Some research participants considered there to be financial risk in offering personal budgets to mental health service users. They had concerns that the market for mental health services is not as well developed as for other care groups and that it could be difficult for large NHS providers and smaller independent providers to coexist. Integrating council and NHS assessment was also seen as an obstacle.

86 Councils also discussed the financial risks of being unable to include NHS funding in a social care personal budget. Personal budgetholders may want to keep a council-funded personal budget rather than apply for NHS-funded continuing healthcare, even if eligible.

87 Personal health budgets could lead to a joint personal budget between health and social care and a joint support plan. This would support recent initiatives such as integrated care pilots and existing joint working and partnerships between health and social care. However, this will take some time given the different stages of development of personal health budgets and personal budgets for adult social care.

Governance arrangements

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Councils are responsible for securing value for money and ensuring that personal budgetholders make the best use of available resources. To assess value for money, councils will need to measure outcomes. There will also need to be proportionate monitoring and mitigation of risk while still allowing the innovation that will lead to the benefits that personal budgets bring.

Measuring value for money

88 Councils face the challenge of rising demand for social care services against a requirement to deliver greater efficiency savings. Personal budgets in themselves are unlikely to produce significant cash savings. However, research participants considered, from anecdotal evidence, that satisfaction and health and wellbeing outcomes for personal budgetholders were better. This suggests personal budgets offer improved outcomes for a similar, or slightly reduced, spend.

89 The IBSEN evaluation (Ref. 3) of the individual budget pilot schemes found, through a sophisticated evidence base, some support for these observations. However, research participants did not have the same methods for recording outcomes.

90 As well as outcomes for individuals, councils will need to measure organisational outcomes, covering areas such as cost, risk, choice and control, and the extent to which other, wider council objectives are supported. None of these sets of outcomes are easy to quantify, nor are they based on routinely collected data. However, they will be important to prove success.

91 Outcomes for personal budgetholders are hard to measure. Care management systems do not collect information on individual outcomes. Councils need to capture the outcomes in support plans and then at review stage, to assess how successful the personal budgetholder feels in achieving the support plan. Research participants advised others to establish baseline health and wellbeing and satisfaction scores at an early stage.

92 The DH has published *Changing Lives Together* (Ref. 12), which looks at how joint-working between citizens and their local councils can result in new methods of measuring success in local social services. The document provides details about several initiatives that councils have developed to find out if people are achieving the outcomes that they consider to be important.

Councils need to assess the success of personal budgets by capturing outcomes in support plans and at review stage

93 One of our research participants, Hartlepool Borough Council, will measure personal budgetholders' outcomes over five years. The Council's assessment includes a quality of life questionnaire that is revisited at the review stage. The Council will be able to use this information to measure the success of support planning.

Managing risk

94 There are personal, financial and reputational risks associated with personal budgets. Many councils recognise these risks and use risk enablement panels,ⁱ or other risk management tools, to manage risks to the personal budgetholder or to the council. One important role of risk management is to ensure the consistent application of the personal budget policy across large numbers of social care workers and personal budgetholders. Case study 6 outlines some approaches to risk panels.

Case study 6

Operating risk enablement panels

Research participants stressed that self-directed support can only flourish in a culture with a positive approach to risk. Many councils have a risk enablement panel to manage risk. Panels can consider the more innovative aspects of support plans where there is no national consensus or guidance about what can and cannot be purchased with a personal budget. Some councils allow capital items to be bought, using future years' budgets: others do not, as people's circumstances can change quickly.

One council also gave an example of how personal budgets are not allowed to be used; in this case, to buy private physiotherapy, just because of the length of NHS waiting lists.

Oldham Metropolitan Borough Council has set up a risk enablement panel that responds to high risk with a less intrusive approach.

The panel follows the following principles.

- The person is at the centre of all planning. They are entitled to attend the panel, as are their families.
- It is a partnership that seeks to find positive outcomes and solutions, and not leave one person to decide alone. It includes health and social care staff, as well as those from the voluntary and independent sectors.
- It has to be enabling, while protecting the most vulnerable.

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ⁱ Further details on risk enablement panels can be found on the In Control website www.in-control.org.uk

At Manchester City Council a senior social worker quality-assures the points score produced by the RAS. The risk panel will then ensure overall consistency across the Council and can increase or reduce the agreed support plan. The panel also assesses the risk of use of personal budgets and choices that might not be in the best interests of an individual.

At Hartlepool the Council has a weekly risk enablement panel. It is a multi-team forum to talk through cases, review the risks and how to manage them. It also discusses difficult cases to ensure that there is an agreed approach in place. In addition, all direct payment personal budgets are signed off by an assistant director or the director, in accordance with the Council's constitution. The Council finds the panel useful because issues are still raised by members and MPs for social care users who don't fully understand their personal budget. The Council uses this learning to develop its approach.

Some councils do not use a risk enablement panel except in specific circumstances, preferring to embed risk management tools at each step of the personal budget. Risk panels can be an expensive use of staff time and, as personal budget systems mature, councils will need to embed risk management at all levels of personal budgetholders' interactions with the council and service providers, rather than rely on panel approaches.

Source: Audit Commission

95 Personal budgetholders will need to accept some risk for their choices, as will councils in allowing personal budgetholders to take control. Councils will need to take a positive approach to this. Personal budgetholders should be aware of the implications of their choices but remain able to decide for themselves. Once a personal budget system is established, it may be that risk management panels are used only in exceptional circumstances.

96 *Putting People First* (Ref. 1) puts a responsibility on social workers to ensure that support plans are creative and promote innovation. Case study 7 describes how one council reviewed the way it presented personal budgets to social care users, to improve their understanding and ensure a consistent approach.

Case study 7

Cumbria County Council's work on clarifying the personal budget process

Cumbria County Council has made it a priority that the language used in its documents is clear and simple. The Council wants to ensure that potential personal budgetholders understand the process; for instance, what is meant by an indicative budget and what it means legally. The Council needed to clarify issues about personal budgets and how individuals could hold the Council to account.

To do this, the Council worked with a social care law specialist as well as its own legal department to examine its complaints register. The Council then checked its services did not breach fair access to care, safeguarding and other key legislation. The Council ran learning sessions for legal staff, social care staff and finance staff.

The Council also established a service user consortium and talked to service users about what they understood about self-directed support. It was able to gather a lot of information in this way and realised there was still work to do to ensure personal budgetholders were receiving the right messages. In particular, the Council gathered evidence that suggested people did not fully understand that their personal budget was allocated to meet only the specific outcomes linked to their assessed needs. The result of this was there was confusion about what a personal budget could be used for. The Council held seminars and consulted users on the clarity of the public information documents produced.

The project team also worked closely with the Council's social workers to make sure they understood and followed the eligibility, needs assessment, indicative allocation, support planning and final sign-off procedures.

Finally, the Council reviewed its processes using a 'customer journey' approach from the perspective of a personal budgetholder, from the day they first contacted the Council. The Council was then able to identify how to deliver the same outcomes and arrangements across all care groups.

Source: Audit Commission

Research participants did not report significant concerns about the misuse of personal budgets

Misuse of funds

97 Personal budgets represent a change to the delegation of financial control and service delivery. They potentially contribute to improved quality of services, but they also increase the risk of fraud, corruption or other misuse of funds.

98 Misuse of funds may be by either personal budgetholders abusing the budget, or by their carers taking advantage of the personal budgetholder's access to the funds. At this early stage, research participants did not report significant causes for concern, but the national data cannot corroborate this as it does not routinely report on personal budget fraud. Experience from direct payments so far suggests that levels of abuse are low.

99 The Audit Commission fraud reporting process has, however, received information about direct payment fraud. Further details on fraud, including direct payment fraud, are in the Commission's report *Protecting the Public Purse* (Ref. 13). Councils should be aware of, and be actively managing, these risks. Specifically, the risks include people receiving a personal budget they are not entitled to; or genuine personal budgetholders, or their carers, using the personal budget fraudulently.

100 Social care workers can help raise awareness of the signs of misuse of funds or fraud, and discuss potential cases at an early stage. There is also a role for both internal and external auditors to ensure the council's arrangements are working effectively.

101 However, as one research participant said: 'There have been a couple of instances where I would say the money's been misused, but I would argue that it was done more through lack of awareness and lack of suitable support rather than devious or deliberate fraud. But, we've had a case where somebody's "done a runner" and left the authority and we've never been able to track them down, but not for a significant amount of money. So there have been isolated cases but they're in a minority – a couple of cases I would say in the five years that I've been working on direct payments.'

102 And to put it into context: 'If you add up the homecare we lose because the carer goes in 20 minutes late and leaves ten minutes early, or the person says, "just make me a cup of tea and you can go" we've probably lost a lot more.'

Role for auditors

103 Internal auditors will need to assure themselves about arrangements for approving significant capital spend using a personal budget. Research participants had to make decisions about a caravan, equipment and a dog. There will be questions to resolve about the ownership and use of such assets but these should not become obstacles to providing more suitable services.

104 Internal auditors can provide assurance about the impact of personal budgets on a council. Several research participants used internal audit to review the RAS and financial plans and to look at safeguarding issues. Development of internal audit work programmes is at an early stage but could be a useful source of assurance for the council.

105 The Audit Commission published guidance for its auditorsⁱ about the early individual budgets pilots. It said that, in summary, where individual budgets or direct payments are significant, auditors should consider authorities' arrangements to:

- assess and monitor individual budgets; and
- ensure that payments are made using relevant statutory and professional guidance including CIPFA's guidance.

106 The checklist at the beginning of this report supplements the auditors' guidance. It aims to help councils and their auditors review the financial management and governance arrangements risks posed by personal budgets.

ⁱ www.audit-commission.gov.uk/localgov/audit/auditmethodology/pages/individualbudgets.aspx

Conclusion

107 Personal budgets are an important part of transforming adult social care, but councils will need to work hard to set them up effectively. Several evaluations show the benefits they can bring. Councils taking part in our research gave many examples of how personal budgets were starting to make a difference to people's lives. However, many councils have a long way to go to match the progress of leading councils.

Personal budgets are starting to make a difference to people's lives

108 The report includes a checklist for use by councils and auditors to measure progress against the main challenges of personal budgets. We recommend councils use it to identify areas for improvement. Auditors can work with councils to help them mitigate the risks and plan for affordable and sustainable personal budgets.

109 The results of personal budgets used well will not only benefit social care users. Councils will face the challenge of demographic change better prepared: flexible, more suitable care will be available and councils will have developed affordable and equitable long-term financial plans.

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Appendix 1: Research methodology

The methodology involved a combination of qualitative and quantitative, and primary and secondary research methods.

We undertook desk-based research to ensure the fieldwork was well grounded in the relevant policy, practice and legislation. We reviewed literature regularly.

From September to November 2009, we visited eight councils that we considered to be making significant progress with setting up personal budgets. We selected sites based on discussions with the DH, In Control and our local auditors. Councils were asked to suggest the most suitable officers to answer semi-structured interview questions, based on the report objectives. Fieldwork participants included directors and assistant directors; senior managers from social care finance; personal budget project managers; social work practitioners; commissioning managers and internal auditors.

The focus of the primary research was to find out the approach taken to setting up personal budgets; the challenges overcome as well as those remaining; and to document examples of good practice. Participants were also asked to complete a data template outlining the number and value of personal budgets at their council, any cost savings expected and the local contributions policy. Following the site visits, participants were contacted to confirm the case studies developed from the interview notes.

We analysed spending and activity data, drawing mainly on the social care expenditure (PSSEX1) returns, local data collection and the national indicator set.

We shared the key messages from the report and a draft of the final report within the Audit Commission, with an internal advisory group and the Audit Commission Board. A draft of the

report was sent for external consultation with a group of experts drawn from a wide range of organisations working in social care.

We are grateful to the following councils for their help and advice in producing this document:

- West Sussex County Council;
- Hampshire County Council;
- London Borough of Richmond-upon-Thames;
- Coventry City Council;
- Oldham Metropolitan Borough Council;
- Manchester City Council;
- Hartlepool Borough Council; and
- Cumbria County Council.

Appendix 2: ADASS policy advice on resource allocation

ADASS has recognised the challenges that councils face when developing a RAS. With In Control and 18 councils, ADASS has developed a common resource allocation framework.

The framework provides advice on policy and legal issues that apply to all councils in England, whatever form of RAS they adopt. It also includes practical tools.

Councils can use the framework to add value to any existing or developing RAS. Its basis is in the principles of co-production, equality, transparency, sustainability, and the use of suitable language. The framework has five key parts.

- Principles and policy advice – the duty to assess needs; fair access to care services; equalities; fair treatment of people with high-support needs; justifying changes to an allocation; and the role of informal carers and their right to an assessment.
- A personal needs questionnaire – a basis for the RAS, this tool asks about the needs of the person and any informal care they receive.
- Questionnaire scoring sheet – converts assessed needs into points.

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- A financial framework – calculates an indicative allocation using the personal needs questionnaire and questionnaire scoring sheet.
- A system map – showing how the tools fit into a council's social care operating system.

The framework seeks to provide a transparent method of allocating funds to those who are eligible. At an early stage of the self-directed support process, a person is told the amount of money they are likely to need to address their support needs. Councils should regard this 'indicative allocation' as a rough figure to aid support planning. On completion of a support plan the final amount of the personal budget should be agreed, having fully considered a person's circumstances.

Source: Audit Commission based on the Common Resource Allocation Framework, ADASS, October 2009

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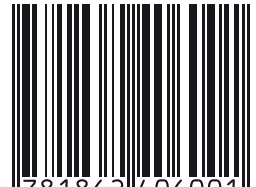
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We welcome your feedback. If you have any comments on this report, are intending to implement any of the recommendations, or are planning to follow up any of the case studies, please email: nationalstudies@audit-commission.gov.uk

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