

Financial management of personal budgets

Challenges and opportunities for councils

Summary of our national report, October 2010



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Executive 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*.ⁱ In May 2010 the government reinforced the commitment to personal budgets.ⁱⁱ 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.

i HM Government, *Putting People First*, HM Government, December 2007

ii HM Government, *The Coalition: Our Programme for Government*, HM Government, May 2010

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;
- 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.

Making the transition to personal budgets

Will the council meet the Putting People First Consortium milestones for numbers of personal budgetholders?

- 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?

- 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?

- 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?

- 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?

Is the RAS equitable and transparent?

- 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?

- 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?

- 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?

- 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?

- 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?

- 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?

Governance arrangements

Is the council measuring the outcomes of personal budgets?

- 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?

- 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?

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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:

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