

Produced for the Department of Health

Individual Budgets

Report on Individual Budget Integration

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Executive Summary

1. An Individual Budget is an innovation in the delivery of Social Care. It enables people who currently use Social Care services to become active participants in the design of their own support by telling them, up-front, how much money will be available to meet their needs.
2. Early evidence suggests that Individual Budgets bring significant benefits to people who need support and that they do so in a way that is affordable.
3. Individual Budgets are one element within a universal system of Self-Directed Support which could be used to transform the current Social Care system.
4. Increasing numbers of people are using Individual Budgets and growing numbers of Local Authorities are developing systems of Self-Directed Support.
5. An Individual Budget is just one example of a wider category of social innovation which is called a Conditional Resource Enhancement (CRE). A Conditional Resource Enhancement is not a 'benefit' nor is it a direct service - instead it is a way of giving citizens control of resources within a managed framework of support and conditionality.
6. When considering the future scope of Individual Budgets it is important to distinguish two logically distinct options: (a) to extend the scope of the Individual Budget concept by including other funding streams within its scope or (b) to develop other forms of CRE that are similar to, but distinct from, the Individual Budget.
7. Individual Budgets do appear to offer a very useful way of integrating some of the diverse funding streams that have evolved to meet overlapping objectives.
8. However the integration of funding streams is not essential to the success of Individual Budgets and there is a danger that too much focus on integration will over-complicate the already complex task of implementing Self-Directed Support.
9. Currently progress towards Self-Directed Support and to funding integration is being led by Local Authorities and there are areas of funding that can be integrated without undue difficulty (e.g. Disabled Facilities Grant).
10. However other streams of funding lack sufficient flexibility to be meaningfully integrated at this stage of policy development (e.g. the Independent Living Fund). Any developments will require critical decisions by national policy-makers.
11. There are others streams of funding of funding that could either be integrated within an Individual Budget or developed into a CRE. National policy-makers may want to encourage innovation outside Social Care; this may lead to greater resource clarity in other fields which can be synchronised with the development of Individual Budgets without unnecessary complication.
12. There are a range of policy issues that will need addressing in the short, medium and long-term in order to support the shift to Self-Directed Support.

Introduction

1. In 2004 in Control published a paper, based on early work in the field, that defined the concept of an Individual Budget as a tool for empowering people who need support to take more control over their own lives.¹ Since then there has been growing interest in the possibility that Individual Budgets might play a key part in the wider reform of Social Care and even to the possibility that these ideas might have an wider applicability, beyond Social Care.
2. in Control's early practical development of the Individual Budget concept, together with initial findings from the second phase of in Control's work and the government's own *Individual Budget Pilot Programme* all point to the value of this new tool - a tool that makes it possible for people who currently are often passive recipients to become "participants in the design of services... innovators and investors" (Leadbeater & Cottam).²
3. Yet important questions remain unanswered as to the proper purpose and scope of the Individual Budget tool. In particular the Department of Health's White Paper: *Our health, our care, our say* while setting out an interest in promoting this approach also recognised that there was still much to learn:

Furthermore we will explore... the expansion of the Individual Budget concept further to take on a wider range of income streams, taking into account the progress made on the pilots... to report on this to the Prime Minister in the summer of 2007. More broadly we will ensure that we join up the development work on Individual Budgets and the continuing development of the welfare reform programme. (Our health, our care, our say p. 84)

Report

4. At the end of 2006 the Department of Health commissioned in Control to produce a report that examined the the value and scope of Individual Budgets and, in particular, what streams of funding might be properly integrated within it.
5. The report's authors are Simon Duffy (National Director of in Control) and John Waters (Technical Director of in Control). The authors have developed the report by a combination of:
 - Conceptual analysis based on upon the latest evidence and thinking
 - Identifying and describing innovations in Individual Budgets and examples of funding integration
 - Identifying other parallel initiatives and the lessons learnt
 - Consulting with a range of experts in Social Care and beyond (see Appendix 3)
6. The structure of the report has been organised as follows. Section One describes how the concept of an Individual Budget has emerged defines its practical consequences in some detail. Section Two puts the concept of an Individual Budget into the wider

context of welfare reform and the emerging focus on co-production and personalisation. Not only are Individual Budgets a means for empowering people who need support but they also appear to offer a vehicle for integrating diverse funding streams, Section Three explores the early practical experience of integration and draws out some of the lessons. In the light of the lessons of implementation Section Four summarises both the possibilities for extending the scope of Individual Budgets or for developing other forms of Conditional Resource Enhancement in parallel to Individual Budgets. Section 5 then turns to some of the other policy challenges which will be raised by Individual Budgets within both the medium and long-term.

7. It is important to note that the analysis and conclusions drawn are entirely the responsibility of the authors. This report was drawn up for consideration by the Department of Health and in no way should any of the views expressed within the report be taken to as the view of the Department.

Definitions

8. However before beginning it is important to ensure that there is clarity about some of the terms used in this discussion. Imprecise use of language, particularly in the context of change, development and innovation, is liable to create confusion and lead to misunderstandings. It is therefore important the authors set out clearly the meanings of the key terms of this discussion:
 - **Individual Budget** - this term refers to the particular too, currently being used by Local Authorities in England, whereby people who need support are told how much money they can expect to receive to meet their support needs.
 - **Self-Directed Support** - this term refers to the whole system for organising support or which an Individual Budget is just one important element. In addition to individual funding such a system requires a flexible system of support, brokerage and monitoring that enable everyone who needs support to take the maximum degree of control over their support that is appropriate for their circumstances.
 - **Conditional Resource Enhancement** - this term (or the acronym CRE) refers to the general approach of giving people control of resources, but subject to certain conditions. An Individual Budget is just one example of this wider concept. It will be important in the analysis below to distinguish the possibility of 'extending the scope of Individual Budgets' from the 'developing other CREs' as practically these two strategies have very different practical consequences.
 - **People who need support** - this term, or where there is no ambiguity just the term 'people' is used to refer to anyone might need and be entitled to receive Social Care. This term can be taken to encompass older people who need support, disabled people, people with mental health problems or with learning difficulties. It is preferable to the term 'users of Social Care' in this context because the term 'users' is unduly passive and does not reflect the nature of the relationship that is being created through the use of an Individual Budget.

1. History of Individual Budgets

1. Between 2003 and 2005 in Control developed a new model for how Social Care services could be delivered called Self-Directed Support.³ This approach evolved out of earlier innovations in Care Management, Direct Payments and Person Centred Planning.⁴ The purpose of a system of Self-Directed Support is to ensure that support is personalised and control over support lies as close to the person as possible. Self-Directed Support is a universal and flexible system that is designed to be implemented across the whole of Social Care.⁵
2. One key element of this new model is the idea of an Individual Budget. An Individual Budget allows everyone who needs support to be told 'up-front' how much money they are entitled to and enables them to meaningfully choose or design their support - within that allocated budget. The idea has, so far, proved successful on the ground and has been of increasing interest to policy-makers.
3. However there is still much to be done to develop and test this concept. The Department of Health is placing the concept under close scrutiny within the *Individual Budget Pilot Programme* for 13 Local Authorities. In addition in Control is working with 95 Local Authorities who are also implementing Self-Directed Support and testing out the value of Individual Budgets within that framework. There are currently 1560 people who have taken advantage of Individual Budgets since in Control's national programme was launched at the beginning of 2006 (see Figure 1).

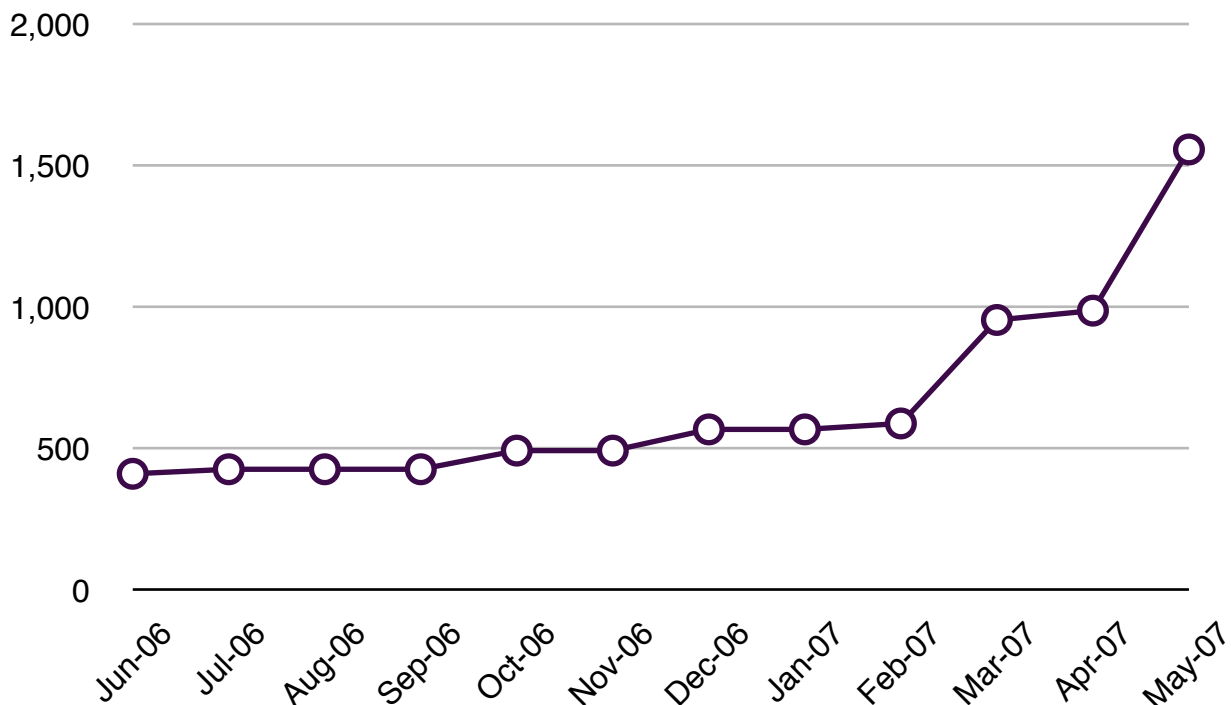


Figure 1 Growth in Individual Budget numbers within in Control membership

Social Care

4. Before embarking on a more detailed analysis of the purpose and nature of an Individual Budget it is important to set out the context within which Individual Budgets have emerged.
5. Individual Budgets have developed as an innovation in Social Care. 'Social Care' is the term used to cover the 'caring services' provided by Local Authorities (either directly or by private or voluntary organisations under some form of contract with a Local Authority). These services are 'social' insofar as they are not 'medical' and hence not under the aegis of the NHS. 'Social Care' as a distinct function within the welfare state is a relatively recent phenomenon. The following historical outline may help to explain some of the dynamics of the current system.
6. Victorian and early Twentieth Century views often saw the poor, disabled or mentally ill as to blame for their own condition. Combined with prevalent eugenic beliefs this led to the development of large institutions that segregated people from their communities and often disguised systematic abuse of human rights. These forms of institutional provision reached their peak in the 1970's; from that time onwards progressive efforts have been made to erase institutional provision. However the assumption that when people need support the direction of their 'care' should lie with the state is still prevalent.⁶
7. As people began the shift away from institutions there was a specific subsidy set up for providers of Residential Care; while this helped to accelerate the shift from large scale institutions it had two unforeseen effects: (a) it encouraged many older people to seek subsidised care within care homes and (b) it led to the development of institutional community services that limited personal autonomy.⁷ By the 1990s, when this particular subsidy was terminated, Social Care had developed into the following major components:⁸
 - **Residential Care** - units where many people live and receive 'care' (the average size for people over 65 is 34). 267,000 people live in residential care homes.
 - **Day Centres** - a place where people go during the day. 242,000 people attend day centres.
 - **Domiciliary Care** - help in your own home. 98,000 people receive 'intensive home care' (more than 10 hours per week).
 - **Hospital Care** - in addition many people have continued to be placed in hospitals (increasingly private) or similar large-scale institutional environments.
8. It is striking that even where the existing Social Care system provides relatively personalised services, in the form of domiciliary care, it does so in cumbersome and restricted manner. More than half of all home care services to adults are provided through pre-commissioned block contracts or in house services and, as CSCI have noted:

Most councils restrict the help they will offer to a list of prescribed activities. Care managers draw up individual care plans that tightly specify both the tasks to be undertaken and the time to be devoted to these tasks. During this study, people using services, their families and their care workers told us that it could be difficult to carry out

the required tasks in the time available. They also expressed frustration with the inflexibility of this system. (**Time to Care?** p.)

9. Furthermore in 2005-2006 CSCI inspections revealed the degree to which the Domiciliary Care Agencies they inspected failed to meet required minimum standards. Poor performance was highlighted in all key service areas (see Tables 1 & 2).

Service Area	% failing
User focused services	22%
Personal care	26 %
Protection	29 %
Managers and staff	33%
Organisation and running of the business	23%

Table 1 Performance of Domiciliary Care Agencies

Standard	% failing
The needs, wishes, preferences and personal goals for each user are recorded in a personal service user plan	48%
Staff are supervised and appraised	43%
Safe procedures for medication, with users keeping control where possible	42%
Rigorous recruitment and selection procedures	39 %
The risk of accidents for users and staff is minimised	37%

Table 2 Standards in Domiciliary Care Agencies

10. In contrast to this approach disabled people, older people and families have tried to develop supports and services that were more personalised and more under their own control - in order to achieve what is commonly called Independent Living.⁹ Pressure from these groups led to the development of the Independent Living Fund in 1988 and the Direct Payments Act in 1996 - both initiatives allowed disabled people to take direct control over the cash for services:

- In 2006 there were 32,000 people using Direct Payments (and growth in Direct Payment usage continues to be significant).¹⁰
- In 2007 there were approximately 19,000 people using the Independent Living Fund¹¹

11. However both these approaches were still expected to fit within an overall system of Social Care that was not designed to support Independent Living. Although there has been significant progress in moving away from its institutional legacy the assumptions of the past still influence the current system. Today the current system of Social Care is still not designed to treat recipients as citizens who are entitled to support and who can be



Figure 2: Professional Gift Model

expected to take control over their own support. Instead support is treated as ‘gift’ which is given to people on the basis of an assessment of their needs (see Figure 2).¹²

Self-Directed Support

12. In 2003 the Department of Health (together with several Local Authorities and Mencap) set up In Control in order to explore whether these initiatives could be further developed into a new system for Social Care - what was called Self-Directed Support.

13. In order to do this it was necessary to fundamentally reengineer the system of Care Management that had been implemented during the 1990s. The system of Self-Directed Support that was developed has the following seven steps (see Figure 3):

- **Step 1** - Everyone is told their financial allocation - their Individual Budget - and they decide what level of control they wish to take over their budget.
- **Step 2** - People plan how they will use their Individual Budget to get the help that’s best for them; if they need help to plan then advocates, brokers or others can support them.
- **Step 3** -The Local Authority helps people to create good Support Plans, checks they are safe and makes sure that people have any necessary representation.
- **Step 4** - People control their Individual Budget to the extent they want; there are currently 6 distinct degrees of control: from direct payment at one extreme and with to Local Authority control at the other.
- **Step 5** - People can use their Individual Budget flexibly: they can use statutory services, (the cost of which is taken out of the Individual Budget) and other forms of support; if they change their minds they can re-redirect their Individual Budget to more appropriate forms of support.
- **Step 6** - People can use their Individual Budget to achieve the outcomes that are important to them in their context of their whole life and their role and contribution within the wider community
- **Step 7** - The authority continues to check people are okay, shares what is being learned and can change things if people are not achieving the outcomes they need to achieve.

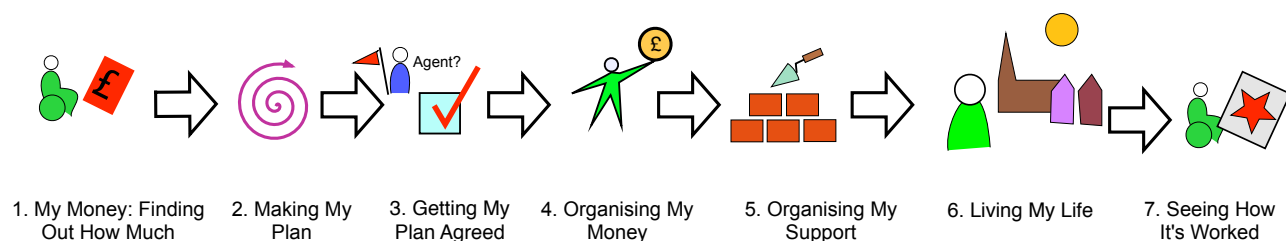


Figure 3: Seven Step Model of Self-Directed Support

Impact of Individual Budgets

14. This approach has now been tested with over 1500 people and while there is still work to be done the initial evidence is very promising: not only is it delivering the primary

purpose of giving people more power and control over their own support it also seems to be leading to improvements in well-being and efficiency.

15. The very early work (2003-2005) focused on 60 people with the most complex needs in 6 Local Authorities. But while the numbers and the size of the project was very modest the outcomes were striking and statistically very significant:¹³

- Improved satisfaction levels for the people who use services (e.g. satisfaction with support went from 48% to 100%)
- Improved efficiency (e.g. the lowest reduction in cost was 12%)
- Increasing use of community and personalised support (e.g. use of residential care reduced by 100%)¹⁴

16. Individual Budgets appear to provide a particularly vigorous means of empowering people who use Social Care. The table below shows how citizens were able to achieve the changes that they wanted to achieve in their lives over the course of one year (see Table 3):

Desired change	% Achieved
Where I live	76%
Who I live with	81%
What I do with my time	69%
Who supports me	89%
Other specific changes	90%

Table 3 Achievement of life goals with Individual Budgets

17. Furthermore the use of Individual Budgets appears to accelerate a shift in the kinds of support people use away from more traditional or institutional support solutions and towards support that is personalised and community-based (see Table 4):

Type of support	Before	After
Support at home	20	22
Employing personal assistants	8	22
using day centre	12	11
Hours of day centre	4.5 days	3.5 days
Using family support	21	21
using community support	8	15

Table 4 Different purchasing decisions with Individual Budgets

18. The underlying technology which makes an Individual Budget much easier for Local Authorities to achieve is the Resource Allocation System (RAS) that is applied at Step One.¹⁵ The RAS draws on the experience of commissioning effective individual services to assign particular levels of funding to particular levels of need. As such, it replaces the existing service-based approach where service plans have to be developed and costed before a budget can be set - use of the RAS is radically more

efficient and defines the budget before planning begins - this therefore creates a better context for meaningful planning and avoids any in-built reinforcement for existing services (see Figure 4).

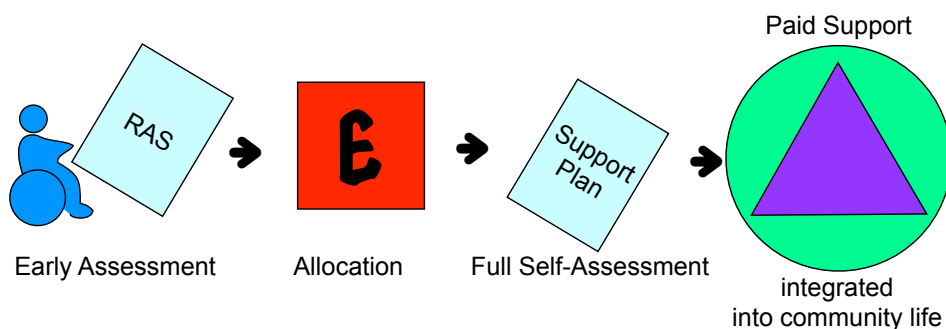


Figure 4: The impact of the RAS on the planning process

Properties of an Individual Budget

19. If we then take our account of an Individual Budget from these sources and this particular body of practical experience it is then possible to provide a description of the essential properties of an Individual Budgets:

- **Transparent** - Individual Budgets must be clear and up-front, letting the person who needs support know what they can expect to receive so that they can plan and organise their support in a way that suits them best.
- **Flexible** - Individual Budgets must be flexible, allowing the person who needs support to meet their needs in the most effective way possible; people should not be artificially restricted in using their discretion to use their budget as effectively as possible.
- **Fair** - Individual Budgets should be allocated in a way that is fair and which provides people a budget that is adequate to meet their needs and without imposing unreasonable financial burdens on people who need support
- **Easy to Use** - Individual Budgets should be easy to use and widely supported; people should be able to be take them as cash or should be able to choose other people to manage their budget for them; there should be no artificial restriction on how people are supported to manage their budget.
- **Outcome-focused** - Individual Budgets should serve to help people positive outcomes in their lives and any monitoring or regulation of people's management must be primarily focused on the outcomes people achieve.

20. Of course, as with any new concept, it is possible that learning will emerge which might lead to the reshaping of the tool. However for this report we will take an Individual Budget to be defined by these properties.

Purpose of Individual Budgets

21. It is also important to note that an Individual Budget also provides a useful way of reconceptualising the purpose of Social Care. In particular an Individual Budget assumes that usually both of the following two goals can be achieved:

- The primary goal of an Individual Budget is to **meet the needs** that society believes entitle the individual to the resources - the allocating additional resources can only be justified in terms of the individual's needs.
- The secondary goal an Individual Budget is to give the individual the means to meet their needs in a way that is **personalised and effective** for the individual - the only valid way of meeting a need is in away that respects the individual's autonomy.

22. The current system of Social Care naturally tends to define needs in terms that that system itself can meet (e.g. "Mary needs to attend the day centre"). However, in a system of Self-Directed Support it becomes possible to develop a more sophisticated understanding of need whereby the person co-designs the means by which the need is met ("Mary wants to make friends by attending the Bingo.)

23. In particular this new approach to thinking about need enables the focus to shift to the kinds of **outcomes** that people will achieve in meeting their needs. Increasingly monitoring and evaluation of Social Care could come to be understood in terms of the outcomes that people achieve and the barriers to achieving those outcomes.

Social Care Reform

24. It is also particularly important to note that Individual Budgets have been designed in such a way that the pace of Social Care reform could be accelerated and all those who are currently merely recipients could be placed in control of their own Individual Budget within a few years. Individual Budgets enable the possibility of systemic and whole-scale reform of Social Care because they offer:

- A **universal** approach to reform - everybody would be assigned a fair level of funding, regardless of the level of control they decided to take over that funding
- A **flexible** approach to reform - there are different levels of control people can take over their funding, not everybody will take their budget as cash and some will need different levels of support or representation.
- An **inclusive** approach to reform - people can still make full use of existing public services and other social services, the Individual Budget is not biased against any particular type of service
- An **efficient** approach to reform - the tool can be developed over time to include various streams of funding that are currently organised through competing systems
- A **practical** approach to reform - it allows for older systems and forms of contracting to be progressively dismantled without undue disturbance to the existing market

25. So, in terms of the history of Social Care, Individual Budgets appear to build on the positive experience of Direct Payments; but they go much further, so that everyone can benefit from being in control of their own money and their own support, even if they do not want direct control over the cash. Individual Budgets are therefore one tool for the radical reform of Social Care into a coherent system of Self-Directed Support. They

make possible a universal system that enables people who need support to become or to remain full citizens.

Cultural Change & Citizenship

26. Individual Budgets are consistent with an attitude to support that sees people who need support as citizens.¹⁶ The challenge is to offer help to these citizens in ways which enhance rather than undermines citizenship and improves outcomes in the following domains:

- **Self-determination** - the individual's ability to control their own life
- **Direction** - the individual's sense of purpose and identity
- **Money** - the resources necessary to achieve citizenship
- **Home** - having a safe and secure place to live within the community
- **Support** - needing help from other people across the community
- **Community Life** - contributing to family, friendships and community life

27. Individual Budgets seem to be one way in which the long-term policy goals of national government - increased Independent Living and improved well-being - can be achieved through a practical partnership with people who need support and their families. The approach is a form of co-production - with the Individual Budget forming one part of the new 'contract' between the citizen and the state.

28. However this shift is not merely technological. It is primarily cultural and it would be wrong to conceive of the cultural change as being merely about changes in how professionals think and behave. Self-Directed Support is a challenge not just to professionals but to society as a whole but also to the whole of society.

29. It is therefore encouraging to find that there is a willingness to change both within Local Authorities, service providers and from people who need support themselves. In fact the general public seem well disposed to the concept of Self-Directed Support. When CSCI commissioned MORI to test public opinion about Social Care they found:

People want to choose their Social Care - three quarters (73%) say a person requiring Social Care should be able to choose their services and be given money by the government or council to pay for them, rather than have the government or local council decide. (When I Get Older, p. 3)

Exploring Direction

30. The idea of an Individual Budget has many attractions, but there are many questions that still remain to be asked and answered. In particular this report aims to explore in some detail the appropriate **scope** for Individual Budgets: in particular which of the many funding streams that currently existing should form part of a system for Individual Budgets.

31. However to examine that topic clearly it is important not to confuse two quite distinct logical options for extending the scope of Individual Budgets:

- First, it is possible to extend the scope of Individual Budgets **directly** by incorporating funding streams into the Local Authority funding stream that currently drives progress in Self-Directed Support.
- Second, it is possible to extend the scope of Individual Budgets **indirectly** by borrowing some or all of the emerging technology of Self-Directed Support and applying it to other streams of funding where it may have a positive impact.

32. The view of the authors is that this second possibility, which might easily be overlooked in the excitement of considering the benefits of Individual Budgets, is an important option to consider for some funding streams where direct extension will either be impractical or where the necessary policy conditions are lacking.

33. It is for this reason that in the following section that we consider the concept of an Individual Budget from a higher level of abstraction and explore the wider concept of a Conditional Resource Enhancement in more detail.

2. Understanding Individual Budgets

1. Individual Budgets have grown out of the very specific history of Social Care services. They are emerging as a specific tool for co-producing support with those who need support and, in principle, they could be used to universally reform the delivery of Social Care.
2. However this is not the only context for Individual Budgets. The broader policy context for Individual Budgets is the growing emphasis, across the whole welfare state, placed upon promoting citizenship and personal responsibility. Individual Budgets are just one example of a wider strategy for reform and it is important that any exploration of the scope of Individual Budgets is also sensitive to this wider context.
3. While it is an accepted part of modern society that the state takes significant responsibility for improving the well-being of the whole community, or redressing the disadvantages suffered by one portion of the community, there are a number of very different strategies that can be employed.¹⁷

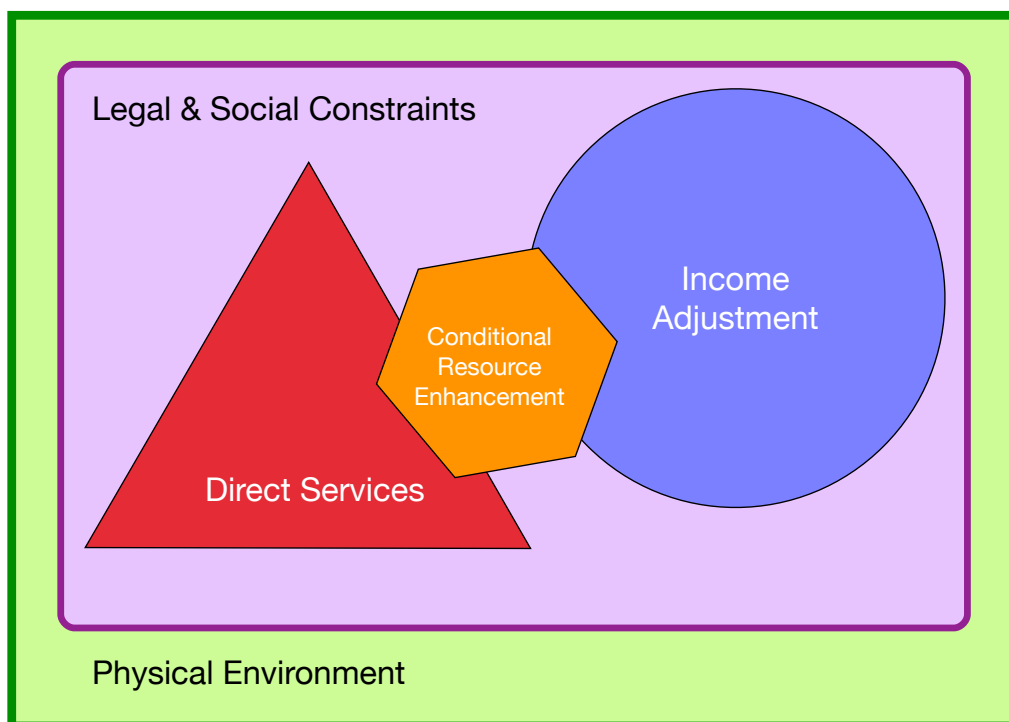


Figure 5: Five different strategies for improving well-being

4. To begin with we can identify five very broad strategies for improving well-being (see Figure 5):
 - **Create Legal & Social Structures** - The legal system can impose obligations on people to act fairly and can punish those who might act in ways that damage well-being (e.g. Disability Discrimination legislation aims to protect disabled people from unfair treatment.)
 - **Adjust Income** - The tax and benefit system enables government to alter the resources people can control directly and the incentives under which they operate.

(e.g. £12 billion is transferred to 4.2 million people who are entitled to receive the Disability Living Allowance or Attendance Allowance)

- **Direct Service** - The government provides, directly or indirectly, a range of health, educational or other services that people either must or can use, subject to whatever criteria govern eligibility to that service. (e.g. Over £70 billion is spent on the NHS who provide therapy and health care to the whole population.)
- **Adapt Physical Environment** - The government can change the structure of the environment within which the agent operates. (e.g. Increasingly buildings are designed so as to enable people who use wheelchairs full physical access.)
- **Conditional Resource Enhancement (CRE)** - The government can also target resources towards those individual who are eligible with specific conditions attached. Individual Budgets are an example of a Conditional Resource Enhancement.

5. Simplifying somewhat, we might argue that innovations such as Individual Budgets arise as the government finds that funding, currently committed to Direct Service, is better managed by people themselves. Shifting resources into the form of a Conditional Resource Enhancement is a way of improving the management of those resources, while still achieving the same social objectives.

6. In general terms any Conditional Resource Enhancement is defined by a Framework that has the following five dimensions:

- **Autonomy** - The CRE must be under control of the individual or of someone who can properly represent their interests.
- **Flexibility** - The CRE must be able to put to different uses by the person - it cannot be so inflexible that it cannot be shaped by the person.
- **Targeting** - The person receiving the CRE must be eligible in some way for receiving the CRE.
- **Support** - The person receiving the CRE may get some form of support, information or advice.
- **Conditionality** - There must be some conditions the breach of which would enable to the CRE to be constrained, withdrawn or managed in some different way.

7. The framework of support and conditionality for Individual Budget is provided by the broader system of Self-Directed Support (SDS) within which the Individual Budget features (see Table 5).

Boundary Condition	Self-Directed Support
Autonomy	Supported Decision-Making principles dictate whether the person is in direct control of their budget or whether some form of support or representation is required.
Flexibility	The Individual Budget can be used to purchase anything that is legal.
Targeting	Resources are rationed and targeted using the Resource Allocation System and fine-tuned when the Support Plan is agreed.

Support	Support can be provided at any stage of the Self-Directed Support process (from planning to organisation) and from a wide-range of possible support systems.
Conditionality	The monitoring and review process continues to be the responsibility of the Local Authority and the current Care Management system.

Table 5 The Framework Conditions for Individual Budgets as a CRE

8. An Individual Budget is then a particular kind of state intervention focused on particular individuals: not direct service, not income adjustment, but Conditional Resource Enhancement: putting the individual in control of the relevant resource, but within a framework which implies some degree of conditionality.

Lessons from other CREs

9. On this analysis an Individual Budget is one example of a Conditional Resource Enhancement. But it is not the only example of a Conditional Resource Enhancement. Other forms of CRE that have been used within the UK are set out below:
- **Wheelchair vouchers** - restricted to one form of equipment
 - **Local Housing Allowance** - restricted to private sector renting
 - **Individual Learning Accounts** - restricted to certain educational providers
 - **Nursery Vouchers** - restricted to registered providers
 - **Direct Payments** - restricted to certain forms of support
 - **Disability Parking Permits** - providing improved access to resources
 - **Concessionary Travel Passes** - reducing the cost of travel for people with eligible needs
 - **Independent Living Funds** - funding which must be spend on personal care
 - **Direct Payments** - funding for Social Care, regulated according to a Care Plan agreed with the Local Authority
10. When examining this list is interesting to note that most of these alternative CREs achieve conditionality by heavily restricting **how** the resource can be used (e.g. by the use of vouchers and travel passes). An Individual Budget achieves conditionality in a different way, by focusing on the purpose of the resource and upon the **outcomes** that is actually achieved. This outcome-based approach would seem to be essential to any approach that presumed that the citizen is best placed to determine how to meet their needs and that services that have been provided in the past cannot be presumed to form any reasonable template for what will be appropriate in the future.
11. However Individual Budgets are not the only outcome-focused CRE. For example recent reforms to the Housing Benefit system provides an interesting parallel development and suggests that there are many areas within the current welfare system where a different way of thinking may be possible.¹⁸ Housing Benefit is an amount paid to cover the cost of rents for those people who are deemed unable to afford to pay the cost of their own housing. In the past those who were identified as eligible were able to get the cost of their rent covered by the state, although the state would only pay rents

which it deemed 'reasonable' within any particular market. Usually rents were paid directly to landlords. Under the new system of Local Housing Allowances those who are eligible are given a locally defined allowance which they can use to pay their rent. People can add to that allowance or they can seek a rent lower than the allowance. This reform seems to be both cost-effective and more consistent with citizenship.

12. Interestingly this reform has been restricted to the private-rented sector, where lower rents apply. Any effort to introduce choice and portability to the social housing sector (i.e. Housing Associations and Council housing stock) through 'Choice-based lettings' has been more limited. Applicants have no budget and can only select from the range of available properties to which they are matched using traditional needs criteria (i.e. a single person would not be eligible for a 3-bedroom house, even if they chose to pay the higher rent from other income)
13. The other important thing to note is that while some of these systems are undoubtedly successful some have failed or have appeared to fail. There appear to be two primary risks. The first risk is that **expenditure increases** beyond budget.¹⁹ This happened with the first Independent Living Fund and with the recent Supporting People programme. This risk seems to be greater where open-ended programmes are developed and people are encouraged to seek funding and where the ability to redefine the rationing of the budget are minimal. It is worth noting that Local Authorities have largely avoided this problem in developing Direct Payment systems.
14. The second significant risk is where there is the appearance of **funds being misused**. For example the Individual Learning Account (ILA) programme was launched nationally in September 2000. The Secretary of State announced on 24 October 2001 that the programme was being suspended from 7 December 2001 due to evidence of abuse by a small minority of providers. After further serious allegations of potential fraud and theft involving ILAs, it was decided on 23 November 2001 to shut down the programme immediately. Again it is also worth noting that Direct Payments is noticeably low in abuse and it may be that systems that move, in a controlled fashion, resources into the hands of those who have the least reason to abuse the resources could be the safest way of managing resources.
15. One further risk for Individual Budgets is likely to surround the issue of funding flexibility. Funding flexibility makes the Individual Budget effective, ensuring that resources can be targeted at the forms of support that are most effective. However there will be a temptation for policy-makers to insure themselves against the risk of funding misuse or increased demand for resources by trying to impose process constraints on how the person who needs support can use their funds (effectively weakening the effectiveness of the Individual Budget). It will be important, as Individual Budgets become more commonplace, to design checks within the system to ensure that such flexibility is not unduly eroded.

Strategic Direction for Individual Budgets

16. The concept of a Conditional Resource Enhancement is useful insofar as it provides a broader context within which to examine the Individual Budget tool. But it also raises interesting questions about the strategic direction for Individual Budgets. It is probably too early to be clear but at least three possibilities exist:

- Individual Budgets may only be a transitional measure, allowing resources to shift from the state to the individual without completely disrupting social expectations about the state's duty to guarantee welfare for people who are perceived to be entitled to support by the general public. On this account the CRE is a transitional state and Individual Budgets will become a form of income adjustment.
- It may be that the dynamic interaction or co-production, now possible between professionals and the users of Individual Budgets, is the optimal state for improving well-being and personal outcomes for the people who currently use Social Care.²⁰ On this account the CRE is the end-state and the extension of Individual Budgets will signify a significant new phase in the development of the welfare state.
- Against this it is also possible that the development of Individual Budgets may lead to attempts to shift more private income or benefits into the framework of the CRE. This is a very different strategic direction, reducing the level of resources over which the individual has autonomous control.

17. Individual Budgets have been developed in the context of trying to shift control away from Direct Service and towards the individual; but this is not the only possible direction. It is also possible to use CRE's to make resources that were clearly under the control of the individual more conditional. For example, recent reform of Incapacity Benefit and the creation of Employment & Support Allowance shows that the direction of travel for CREs is ambiguous: it can increase or reduce the relative level of control that the individual has over the relevant resources.

18. For the purposes of this report it should be noted that the authors have taken the view that for people who currently use Social Care services there are no obvious benefits from shifting any of the disability-related benefits into the scope of the Individual Budget. These benefits (£22 billion) serve a much wider population (over 4 million) than that served by the Social Care system (over 1 million) and they support people who are already relatively poor. It is hard to identify a positive rationale for pulling these resources into the control of Local Authorities and reducing the income of the disabled people who claim them.

19. It is possible that it is still too early for any clear policy direction to be set by policy-makers at this time; but the extent to which the policy direction is unclear will lead to resistance from people who need support. Individual Budgets can be used a tool for increasing the power and control of people who need support; but in the wrong policy-context they could be used to shift power and control away from people or to reduce the personal income or assets of those who need support.

3. Funding Integration & Individual Budgets

1. So far we have described Individual Budgets both as they have arisen within the history of Social Care and within the broader context of welfare reform. We have suggested that they possess the potential to increase the effectiveness of Social Care by shifting to a model of co-production where the person who needs support plays a more powerful role in shaping the support they need to achieve outcomes they value.
2. In practice this history means that the primary responsibility for creating and managing Individual Budgets has been with Local Authorities, who have the lead responsibility for organising and commissioning Social Care. However this reform has ignited the possibility of further reforms; in particular there has clearly been great interest from within government to explore how the Individual Budget could also be used as a tool for integrating other streams of income that share a sufficient similarity in purpose to be integrated into the same system. Some of these funding streams are already under the control of Local Authorities - but some are not.
3. Integration seems to be attractive because diverse funding streams can be pooled within the Social Care budget and managed through the system of Self-Directed Support. In principle this should increase the resources that individuals can direct themselves and reduce the costs within the parallel administrative systems. Furthermore, in principle, integration seem to be a very straightforward process:
 - Diverse funding streams are transferred into the control of the Local Authority
 - The rules of the Self-Directed Support system replace the rules that constrained the diverse funding streams
 - The previous administrative systems are closed down and their resources are redeployed more effectively elsewhere
4. However the practical reality of funding integration is complex and these benefits are hard to bring about unless the right conditions are in place. In particular, to date, all such efforts at funding integration have taken place in the context of a degree of uncertainty about the extent to which Individual Budgets will be developed and extended. But, if the framework of Individual Budgets is not already present, any effort to bring about integration will necessarily be highly tentative. The Individual Budget Pilot Programme provides a critical insight into these challenges.

Individual Budget Pilot Programme

5. This report has been developed while the Individual Budget Pilot Programme was in development and the research from that report is likely to provide a much more detailed picture of the reality of how funding integration works in practice. However it is impossible to do justice to the broader questions raised by this report without some review of the Individual Budget Pilot Programme as this has been where most of substantial efforts on funding integration have been focused.
6. Currently Local Authorities spend approximately £19 billion on Social Care services for children and adults in England. The government's Individual Budget Pilot Programme identified the following funding streams as potential elements of a broader new system:

- **Supporting People (SP)** - £1.69 billion on housing-related support
- **Independent Living Fund (ILF)** - £0.22 billion on personal care
- **Disabled Facilities Grant (DFG)** - £0.121 billion on housing adaptations
- **Access to Work (AtW)** - £0.06 billion on adaptations in the workplace
- **Integrated Community Equipment Service (ICES)** - £0.052 billion on equipment

7. It is worth noting that, in the context of Individual Budgets, most of these funding streams are dwarfed by the size of the Social Care budget that is already controlled by Local Authorities (see Figure 6). Moreover the Social Care budget can, relative to all of the other funding streams, be used very flexibly - while the smaller funding streams are much less flexible.

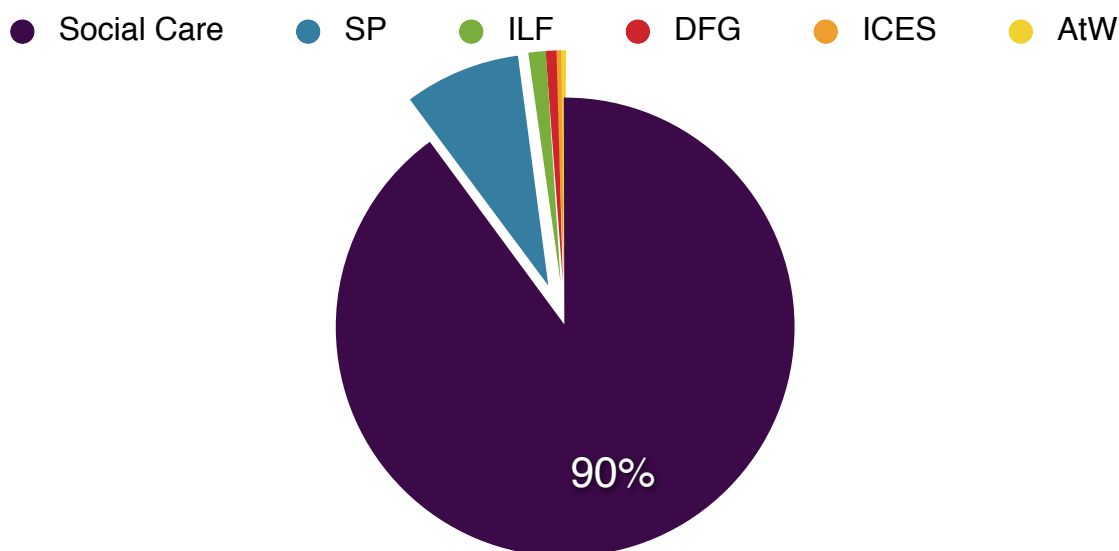


Figure 6 Volume of Funding Streams within the Individual Budget Pilot Programme

8. It is also worth noting that there is great variability to the extent to which the scope of these funding streams overlap with the scope of Social Care funding. At one extreme is the ILF whose rules determine that every ILF recipient must also be a recipient of Social Care funding (this necessarily provides a 100% overlap). At the other extreme is Access to Work where resources are only targeted at people in work; however a combination of factors mean that most of the Social Care population is unlikely to be entitled to receive Access to Work.²¹

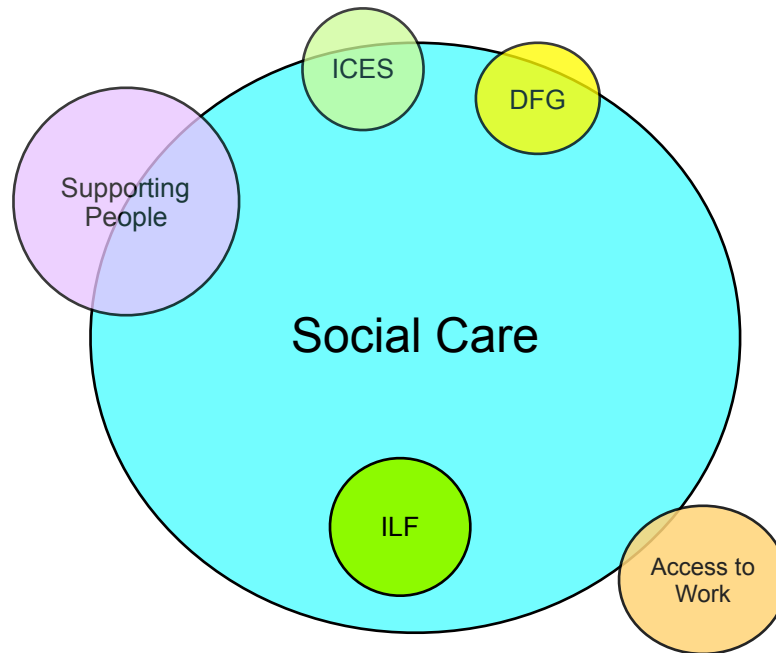


Figure 7 Positioning of Funding streams within the Individual Budget Pilot Programme

9. Much of the more detailed analysis of progress in funding integration, both within the Individual Budget Pilot Programme and beyond, has been included within Appendix 1. In the rest of this section we will draw upon some of our early findings in order to clarify the theoretical framework that should inform further policy debate on integration.

Defining the primary system

10. The first challenge for funding integration is to define the **primary system** into which streams of funding are to be integrated. In practice, for Individual Budgets, at this point in their current stage of development, it seems unarguable that the primary funding stream must be the Social Care funding that is deployed by Local Authorities.
11. If we do presume that the Local Authority's Social Care funding is the primary funding stream then there appear to be three scenarios for funding integration:
- **Integrating a sub-set** - If a funding stream serves a subset of the Social Care funding system then the journey to integration would seem to be very straightforward, for the funding stream could be transferred directly to Local Authority. In principle the ILF would seem to be the best candidate for this approach - but until Individual Budgets have been firmly established no such integration is feasible.²²
 - **Integrating a strong overlap** - A large share of the target funding stream is used by the Social Care population and the RAS could be developed to target those who would otherwise not be receiving Social Care funding. ICES and DFG are almost certainly in this category; it is as yet untested whether all of SP could be integrated into Individual Budgets.
 - **Integrating a moderate overlap** - A large share of the funding stream is used by the Social Care population and the relevant share of funding could be incorporated into the Individual Budget system; the residual funding would still be sufficient to

justify a different system targeted on a residual population. This is the alternative scenario for SP - that it would continue to function as it does currently for those people who are not eligible for Social Care.

12. In the light of this analysis it was understandable that the DWP decided to refocus its work on Access to Work. Integration did not appear a meaningful goal; instead there is important work to be done to increase people's awareness of their entitlement to find and keep work.²³

Defining rules for the new system

13. The next stage of the integration process would be to define how the integrated funding streams would operate. This should be straightforward; for the rules and systems of support and control would be defined by the local system of Self-Directed Support. For example, if we take the framework of Individual Budget properties as defined above, we would expect successful funding integration to deliver:²⁴

- **Transparency** - Any assessment process should be unified and information about the Individual Budget and any personal financial contribution should all be provided at the same time.
- **Flexibility** - Funds can be used flexibly, irrespective of the ultimate source.
- **Fairness** - Funds should be adequate, equitable and any means-testing should be reasonable and consistent.
- **Easy to Use** - There must be a universal and flexible framework of support that enables people to manage their budget in the way that suits them best.
- **Outcomes-focus** - There is only one monitoring system, not several competing systems.

14. However, in order to shift diverse streams of funding into one clear framework does require the development of the Individual Budget framework. Without a prior framework, and in the context of uncertainty about the ultimate policy direction, the inevitable uncertainties for local and national leaders will mitigate against the possibility of any full integrated model emerging.

15. Although full integration cannot be achieved within the existing context, the efforts to explore integration do reveal important policy challenges for the future. This report is not the place to review all the challenges of integration in detail. However taking one issue in detail will demonstrate the inherent complexity.

16. The diverse approaches to means-testing within the six IBPP funding streams illustrate this complexity well. At present, for each of the six funding streams considered there is a wholly different approach to means-testing (see Table 7).

Funding stream	Means testing arrangement
Social Care	There are currently two sets of charging rules with different rules if services are community based. National rules are also applied with great variation locally (e.g. not all Local Authorities charge for community services). Certain services are exempt from charging, such as those provided under sec 117 and there are complex arrangements for off-setting the costs of disability-related expenditure.
ICES	ICES is exempt from charging (although Local Authorities can charge for items over £1,000 at their discretion).
ILF	There are consistent national rules that follows a different logic to those that apply for Local Authority charging often with perverse results.
Supporting People	Short-term services are free at the point of access; charges for long-term services are at the administering authority's discretion.
Access to work	Access to Work is not means-tested charge, although employers are expected to contribute.
DFG	There is a national charging system for DFG which applied locally.

Table 7 Differences in Means-Testing

17. Not only are these arrangements highly diverse and hard to reconcile within the current policy framework they are also not organised in a way that is consistent with Self-Directed Support. For the charges that people have to pay are often only calculated on the basis of the services people go on to choose. For example, it is common for personal care provided within a day centre setting to be exempt from charges whilst the same care provided at home would be subject to a charge. If Individual Budgets are to be extended then such service-based charging will increasingly be perceived as:

- **Unfair** - encouraging people to purchase particular forms of support - regardless of efficacy - and reducing the personal income of people who are often the poorest people in the community
- **Impractical** - as people tailor and amend their own support it will be onerous to 'track and tax' the daily decisions of citizens
- **Unnecessary** - if means-testing continues to be a part of the system it could, instead, be fully integrated into the Resource Allocation System and payments could be made 'net' of any personal contribution expected.

18. Means-testing is just one area where the task of integration involves complex policy challenges and clear central direction or stronger local discretion.²⁵ Appendix 1 sets out the detail of these challenges but the following table provides an overview of the challenges that will face policy-makers if integration is to be achieved (see Table 8).

Ideal Property	Integration Challenge	Implication
Transparent - Any assessment process should be unified and the budget and any personal financial contribution should all be provided at the same time.	Many funding streams are rooted in different local and national bodies with distinct funding systems, administrative systems and staffing arrangements	Full integration must involve the clear transfer of funds to the primary agency, most probably the Local Authority.
Flexible - Funds can be used flexibly, irrespective of the ultimate source.	Each funding stream is restricted in what it can be used to pay for.	These rules would need to be minimised and the rules set by the local system of Self-Directed Support.
Fair - Funds should be adequate, equitable and any means-testing should be reasonable and consistent.	For each of the six funding streams there are different approaches to means-testing.	There needs to be a radical overhaul of the policy framework for means-testing and charging.
Easy to Use - There must be a universal and flexible framework of support that enables people to manage their budget in the way that suits them best.	There are competing support systems that are typically tied closely to the relevant funding stream; it is not usually possible for people to get help from one person.	there would need to be a radical review of the existing roles of the professional staff whose roles are currently linked to particular funding streams.
Outcome-focused - There is only one monitoring system, not several competing systems.	One person may currently have a Care Plan (SSD), a Housing Support Plan (SP) and a Care Plan (ILF). Each is currently developed monitored and regulated separately.	Harmonisation of existing monitoring arrangements may require integration of current monitoring and regulatory bodies.

Table 8 Challenges of Funding Integration within IBPP

19. We do not set out these difficulties and challenges in order to suggest that integration is either impossible or undesirable. It is hard to justify the costs and complexities of the diverse funding streams that are currently used to provide resources to people who need support. However, in practice, achieving integration will only take place if:

- National policy-makers determine that a stream of funding is ready for integration
- Control of the relevant funding is transferred directly to the primary funding agency (which in this context is the Local Authority).
- Local and central government take the necessary measures to close down the administrative system for that funding streams.

20. The reasons why many of these diverse funding streams exist is because central government has intended to bring about outcomes that it was not confident Local Authorities would bring about without either incentives or regulation. But the emerging framework of Self-Directed Support does provide a different approach to resolving these perceived difficulties. In a context where local citizens have more power and control over how resources are used it may be possible for central government to have more confidence that local government can be given more discretion in how it deploys or supports people to control those resources.

Integration and Implementation

21. One view that was universally supported by all those contributing to this report was that there was a significant risk that funding integration was actually a distraction from the much more important challenge of extending the use of Individual Budgets for recipients of Social Care. What emerges, under closer examinations is that:
- Achieving funding integration is not essential to the success of Individual Budgets
 - Achieving funding integration will always be a complex task
 - Achieving funding integration in the context of uncertain policy direction and minimal roll-out of Individual Budgets within Social Care is likely to be impossible
22. The funding arrangements for most people using Social Care do not depend on other diverse funding streams. Moreover, where they do depend on other funding streams, it is possible to adapt the Individual Budget so that it is sensitive to this added feature. For example many Local Authorities are now setting Individual Budgets so that people are clear that they must also make a claim against the ILF (where they are eligible). This requires no integration, it simply requires sensitivity to the other sources of funding tasks.
23. Achieving Individual Budgets and the development of a local system of Self-Directed Support is possibly the most complex and demanding management challenge facing Social Service Departments since they were established. It requires a fundamental rethink of their own purpose and role. Every aspect of the organisation and its relationship with other agencies will need to be redesigned to meet the demands of Self-Directed Support. In this context also seeking to integrate diverse funding streams, especially, where they are located in other organisations or in central government itself, is a akin to taking a very difficult problem and purposefully complicating it further.
24. From the perspective of practical implementation it may be much more helpful to focus more attention on helping Local Authorities make the shift to Self-Directed Support **first**. When there is a robust and extensive framework in place for Individual Budgets then the task of integration will begin to appear much simpler.
25. Changing the culture and organisation of Social Care is a complex task requiring strong leadership at both the local and national level. Funding integration does not appear to be either a necessary step to implementation or a priority. Should the government decide to support the development of Individual Budgets they would be well advised to make funding integration a secondary priority.

4. Possibilities for Integration

1. The key lesson from the early work on funding integration suggests that the most important lesson is that funding integration should not be treated as the priority policy objective at this stage of the development of Individual Budgets. However, the talent and energy of local practitioners has provided some success, both within and outside the *Individual Budget Pilot Programme*.
2. Appendix 1 sets out the detailed lessons from a number of funding streams that have been targeted for integration. In the following sections we briefly summarise the key positive opportunities for integration. It is important however, throughout this discussion to distinguish two very different positive opportunities:
 - To **incorporate** funding within Individual Budgets - this approach is only useful insofar as the funding overlaps sufficiently with current Social Care funding
 - To a **parallel** form of Conditional Resource Enhancement - this approach is appropriate where the benefits of personalisation are likely to apply, but the population served is largely different
3. In this section we have drawn upon a more detailed analysis of several funding streams which is set out within Appendix 1. The areas of funding streams that we have reviewed are:
 - Supporting People
 - Independent Living Fund
 - Disabled Facilities Grant and the Integrated Community Equipment Service
 - Employment Funding
 - Education Funding
 - Health Funding
4. But before considering these central funding streams we will consider the funding streams that Local Authorities already control and, in particular, we will examine the possible impact of Individual Budgets on the Special Bus system.

Case Study: Special Buses

5. There are many areas of social services core funding that are currently committed to pre-commissioned block services that could be integrated into Individual Budgets. A good example of this is the current funding currently going into the Special Bus system.²⁶ These systems were developed by most Local Authorities to take people from their homes (or care homes) and to day centres.
6. The cost of these services is not inconsiderable (although reliable national data has been hard to identify). For example Worcestershire's learning disability service, spends 9% of its total budget on the Special Bus system (see Figure 8). There are many other capital and administrative costs required in order to run a Special Bus system.

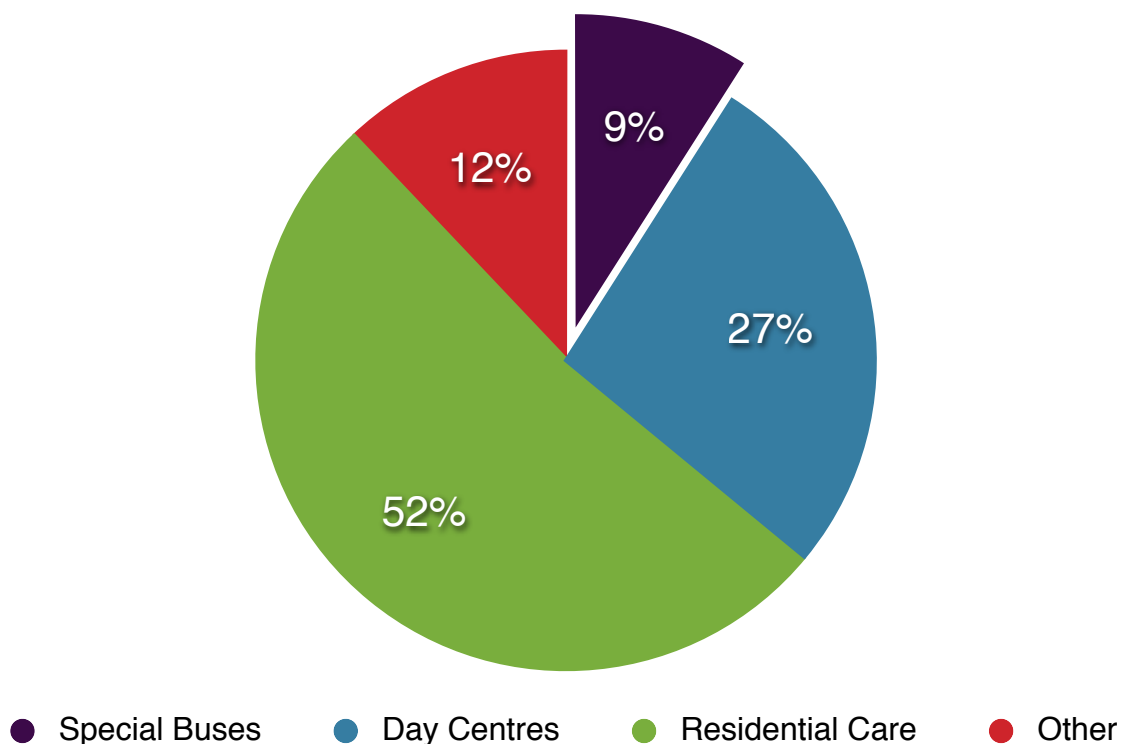


Figure 8 Special Buses within the Worcestershire Learning Disability Expenditure

7. Such a system seems to reflect the older model of Community Care, one that does not reflect the growing understanding that people who need support are entitled to be full and active members of ordinary community life:
- Many people person are already entitled, through the benefit system, to the Disability Living Allowance - Mobility Allowance. Approximately 2.2 million people receive the Mobility Component of Disability Living Allowance receive £4 billion.²⁷
 - Many people have their own transport that they could use for travel. Over 400,000 disabled people have chosen to have their Mobility allowances paid to a Motability Scheme providing them with access to a car, powered wheelchair or scooter.²⁸
 - Increasingly the transport system is being adapted so that people who use wheelchairs can get on board. The Department of Transport has introduced a requirement for all new public transport to be accessible to people who have mobility difficulties, including wheelchair users, so that by 2020 all bus and rail routes are fully accessible. Moreover high levels of environmental adaptation have already occurred, and improvements are ongoing.
 - Many people could learn to make their way to the day centre themselves and learning and practicing such skills is useful for many. Paradoxically many people find themselves bused to a centre where they are then taught how to travel independently.
 - Many people do not want to go to day centres or find that when they arrive at the day centre they might then be bused to a different location for a specific activity - perhaps one nearer their own home.

- Many people do not enjoy spending up to 50% of the working day simply traveling in the bus to and from the day centre itself. However this pattern becomes necessary when people are being collected from relatively disperse locations to one central location.
 - Many people already have the support the need to get them where they want to go. Moreover many forms of ordinary transport (e.g. taxis) effectively provide support as part of their service. Moreover growing numbers of people with Individual Budgets and Direct Payments seem to increasingly develop forms of personalised assistance to travel with them.
 - Most people do not want to coordinate their whole lives around one prescheduled bus, have to leave events before they are finished and get up much earlier than necessary.
 - Most of the Special Bus system replicates services already available to the whole community. The vast majority of specialist transport provision already operates in areas that are covered by public transport and which are already funded to provide subsidised travel to disabled and older people. For example, Transport For London receive a £184 million subsidy to provide subsidised transport to disabled and older people (6.7% of its income). Nationally over 2 million journeys were made under such schemes in the first year of its introduction.²⁹
 - Innovative councils are devising ways to promote access. In the London Borough of Hounslow for example, it was recognised that service users were unhappy with specialist transport and wanted to travel to their appointments using public transport with 1:1 travel buddy support. The council intensively trained and then employed adults with mild learning disabilities to become travel buddies, supporting other disabled people who needed help to navigate the public transport system.
 - Transport organizations themselves are becoming more sophisticated in their understanding of accessibility, providing online route planners and topographical maps designed to be easily understood by passengers, Such developments along with Innovations such as mobile phones and personal satellite navigation audio destination alerts, hold potential for more disabled people to become independent travelers.
 - More flexible public transport is developing. Some developments designed to meet the needs of rural communities lend themselves to meeting the needs of disabled people. These 'demand-responsive services' provide a wide range of different travel opportunities, from scheduled bus services that can detour from their regular route to pick up people who have phoned in advance, to services which have no scheduled stopping points at all. The extension of such schemes would offer a realistic alternative to the vast majority of users of the Special Bus system.
8. Generally the mobility needs of disabled people are highly individual. Not only is the impact of each persons disability on their ability to travel unique, but so too are the times and places to which each person needs to travel. Moreover, if we make use of the model of state interventions that is set out above we can see that increasingly the state is using all the other means at its disposal to improve accessibility:
- Increasing people's personal income

- Increasing resources within CREs (not only Individual Budgets, but Direct Payments, Concessionary passes etc.)
 - Increasing the accessibility of the physical environment
 - Requiring greater accessibility from social and commercial organisations
9. Together these approaches enable an approach to accessibility and transport which can be thoroughly personalised. Within this environment resources that are currently committed to segregated and inflexible forms of provision will begin to appear increasingly inefficient or redundant. Moreover the investment in the Special Bus system effectively reduces the investment that people would make themselves into the mainstream transport system, thereby reducing the pace of modernisation.
10. The Special Bus system was developed at a time when the public transport system was perhaps unable to serve people who needed support well. As the public transport system is modernised the need for a separate Special Bus system disappears. Giving people control of Individual Budgets allows them the chance to buy services provided within that modernised transport system, and is liable to fuel further modernisation.
11. Transport is perhaps the most extreme example of the opportunity that Individual Budgets creates for Local Authorities. Local Authorities will increasingly be able to re-invest the resources that are currently committed to blocks of service that could be more effectively used by people who need support managing their own Individual Budget and which will become increasingly redundant as more people begin to receive Individual Budgets.
12. Conceptually this is the most primitive, but most important, form of funding integration for Local Authorities to consider - the integration of resources that are already directly under their control and which could be better used by people who need support. The primary implementation challenge for Local Authorities will be systematically reviewing their own budgetary and contractual commitments and developing a strategy for shifting control over resources to people who need support, through the system of Self-Directed Support. Clearly the existing Social Care budget will be the primary source of funding for Individual Budgets, however there may be other relevant streams of funding that are marginal to Social Care funding within transport, leisure or education services.

Supporting People

13. Supporting People funding is currently used to provide funding to many people who are also eligible for Social Care funding. It seems to be quite possible to fully integrate at least some portion of the Supporting People budget into a system of Individual Budgets and to ensure that the Resource Allocation System and other features of the Self-Directed Support System are sufficiently holistic that they incorporate the needs Supporting People aims to meet.³⁰
14. There may also be opportunities to extend the idea of Conditional Resource Enhancement to the non-Social Care use of Supporting people funds. However it is probable that this would need a very different strategy and there should be no prior presumption that the Supporting People residual should be swept into the current Individual Budgets system without further testing.

Independent Living Fund (ILF)

15. It has proved very challenging to integrate ILF funding into the current Local Authority run system. The ILF has been designed to be both independent and parallel, hence the very goal of integration undermines the rationale of the ILF's current system. The recent review of the Independent Living Fund set out clearly the challenge for the ILF.³¹ In the medium-term, if Individual Budgets continue to be supported by central government, the current purpose of the ILF will need to be radically reviewed.

DFG & ICES

16. These two funding streams are relatively insignificant in financial terms and it is probably not even helpful to conceive of the challenge in terms of 'integration'. Instead it would be more helpful to think in terms of ensuring that the system of Individual Budgets is flexible enough that it enables citizens to use their money to make significant adaptations or purchase equipment. Using the existing narrow and specialised funding streams with complex entry requirements may have the perverse effect of discouraging citizens from choosing equipment and adaptation even when these are likely to be highly efficient ways of people meeting their own needs.

Employment Services

17. Early efforts to integrate Access to Work into Individual Budgets proved challenging. This very small funding stream is primarily used by people who have already got a job and who are seeking support at work to maintain their employment. Sadly it is rarely the case that people receiving Social Care are in this position. However there are important lessons here for the future of Individual Budgets.

18. Given there are many people receiving Social Care who can work and who would like to work (particularly if their income and systems of support are not undermined by achieving employment) it is important to note that many more people, if Individual Budgets are rolled out, will have personalised support they can take with them into the workplace. Under the current system support is connected to segregated services. (e.g. support at Day Centres - £945 million is spent on day care for people under 65)³² Under a system of Individual Budgets people will be able to take their funding with them and to organise their own support at work, possibly even negotiating with their employer.

19. It is also worth noting that Access to Work is only one minor funding stream for supporting disabled people at work. Programmes such as Workstep and funding for organisations like Remploy are likely to be more fruitful for future personalisation.³³ In the medium-term it would be much more relevant to explore whether some of the major 'sheltered employment' funding streams could be individualised. These would offer more people significant sums that could be used in a more personalised way to better increase the chances of achieving employment.

Education

20. Clearly the Individual Budget reforms have some similarities with the idea of Educational Vouchers which has been much discussed within the UK but has not always attracted political support. For this reason it is probably important to note a number of dissimilarities between Educational Vouchers and Individual Budgets:

- Individual Budgets are more flexible - this ensures that efficiency benefits will be everyone and will not be limited to those best at using the Voucher - hence both improving the condition of those worst off while not worsening equity
- Individual Budgets are targeted at the worst off - means-testing in Social Care means that it is only those who are sufficiently poor who can get to benefit from increased choice and control
- Effective Social Care requires a degree of personalisation in order to be effective that may not be required within education - Social Care is about the support you need for your whole life which must be defined by personal goals, whereas formal education has tended to involve a considerable degree of central authority

21. Having said this much interesting work has been done to explore how LSC funds can be used for young people with disabilities.³⁴ By using Individual Budgets it appears that people can be given greater choice and control over their own lives; it also seems to remove a perverse incentive to send people away from their own communities.

22. More broadly we have also seen people use Individual Budgets to integrate and personalise their support arrangements. This enables people with complex needs to make full use of mainstream resource, including education resources, without having to reorganise support 'at the front gates'.

23. An interesting possibility is that Individual Budgets offer a way in which decisions about inclusive versus special education could be resolved. If statements for children led to the allocation of budgets that were to support 'Special Educational Need' then families could have more control over whether to use their budgets to use Special or mainstream schools. Given that schools already operate a 'per pupil' funding system this would not even disrupt current funding security for schools.

Health

24. The Department of Health has set out clearly their decision to ensure that the development of Individual Budgets is not to be expanded directly into NHS services:

It has been suggested that we should extend the principle of Individual Budgets and direct payments to the NHS. We do not propose to do so, since believe this would compromise the founding principle of the NHS that care should be free at the point of need. Social Care operates on a different basis and has always included means-testing and the principles of self and co-payment for services. (Our Health, Our Care, Our Say p. 85)

25. In this context it seems likely that innovations in the delivery and organisation of health care may be limited to the development of other forms of CRE which may borrow features from the Individual Budget tool but which still exist within the different rationing framework set by the NHS.³⁵ However some observations can be made.

26. The overlap between people who use Social Care services and those who use the NHS is very significant. A recent study has shown that of those currently using Social Care 42% are also using Community Health services and 18% are using Mental Health services.³⁶ It is therefore likely that the necessary interconnections between these two spheres will continue to lead to tensions and opportunities for innovation.
27. At least one fifth of the NHS budget is spent on services for people who have conditions that are often long term in nature. Of the £62.5 billion net NHS spend in 2005-06, a total of £8.2 billion was used on services for people with mental health problems, £2.4 for people with learning disabilities, £2.0 billion for people with neurological problems and £1.0 billion for "Social Care needs". An unknown but probably large part of this funding is used for long-term care, including NHS continuing health care funding.³⁷
28. One obvious approach to individualising health funding would be to transfer funding from the NHS to Local Authorities where the target group currently served by Specialist NHS provision is perhaps more appropriately served within a Local Authority Social Care system. Much learning disability funding for example is still spent on non medical services, such as campuses and respite facilities.
29. Many local areas have already used Health Act flexibilities to establish pooled budgets. Under such circumstance a Local Authority led Resource Allocation System would appear to offer a functional means of individualising funding, currently held within the NHS. NHS provided services for people with learning disabilities and mental health problems would be obvious areas for consideration.
30. There seems no obvious reason why a similar approach might not also be applied to funds currently held within the NHS for groups who are not served by Local Authority Social Care system, but who have long term conditions leading to on-going needs. Significant work has already been undertaken to empower patients with long term conditions to manage their own needs. The expert patient programme currently offers around 12,000 course places a year. Provision of some form of CRE to graduates of this scheme would seem to offer a practical means of further increasing control and control and choice.
31. Individual Budgets for expert patients would be under the control of the citizen, and spent against a plan which had been agreed with an appropriate medical practitioner. Such budgets might be made in the form of a direct payment, or held as a virtual budget within a Care Trust or Local Authority.³⁸ This would be an example of a parallel CRE rather than an Individual Budget.
32. The current developments within commissioning, including the development of practice-based commissioning and joint commissioning would enable a degree of additional flexibility and creativity within the current system that could be developed to work in partnership with the development of Self-Directed Support.
33. Within the acute sector of the NHS payment by results has led to the establishment of a National Tariff, for treatment that allows money to follow the patient and is based on average NHS costs. Independent treatment centers will increase the diversity and capacity of the independent health care providers available. It is anticipated that within

a few years they will provide more than £1 billion worth of business annually for the private sector, accounting for 500,000 NHS elective operations - around 10%.³⁹

34. A radical and far reaching application of the CRE approach might build on these reforms, and see a system develop where the national tariff for treatment is used as a resource allocation system, to allow patients and general practitioners together to choose from an expanded range of providers for any given procedure.⁴⁰

Housing

35. A further approach, which also be best conceived of as a parallel CRE, but which might have a radical and positive impact on the life chances of people who need support is to extend the Local Housing Allowance reforms so that they extend across all types of housing. Currently these reforms, which effectively create an 'Individual Budget for housing' are restricted to people seeking private sector rentals. A wider system would give people much more choice and control of their housing. This could be of great benefit to people who currently use Social Care as housing is often critical to effective support and a more flexible approach could encourage people to seek environments that make support easier and more efficient.

36. The paradoxical challenge to extending Local Housing Allowances appear to be that social landlords (Councils and Housing Associations) often charge more than private sector landlords. To some extent these higher rents may reflect the higher needs of typical residents. However it would, in principle, be possible to develop a Resource Allocation System that reflects these needs and allocates a higher level of the Local Housing Allowance to such people. [Clearly this reform would need to be synchronised with reform of Supporting People which is the funding specifically set aside for those with extra 'housing-support needs'.

37. In addition allowing people to also use this resource to support mortgage repayments would create a level-playing field for people who are currently dependent upon the state for housing. This would require the modernisation of the current Income Support arrangements for Mortgage Interest Relief.

Conditions for integration

38. It is important to note that funding integration will always be challenging unless there is the necessary clarity and direction from central government. If integration is to be treated as discretionary, an area for trial and experimentation progress will be slow. However some local progress has been made and there are interesting lessons to be drawn from those local leaders who have been able to achieve some degree of integration. The practical conditions for integration appear to be:

- **Formal validation from above** - Often lack of central or management support for integration made the task of integration challenging.
- **High level of local control** - When resources, like Supporting People, are under Local Authority control they can be integrated, but where control lies elsewhere then integration seems to fail.

- **Incentive to integrate** - Where resources, are treated as belonging to a different part of the system then there is no incentive to make integration happen.
- **Aligned local leadership** - Where management systems for different funding streams are aligned under one leader then integration is easier.
- **Clarity of process** - Where the local leadership had one clear template for the final organisation of Self-Directed Support then integration was easier and more coherent.
- **Strong sense of mission** - Where local leaders have a strong sense of purpose and were eager to bring about change integration is easier.
- **No strong restrictions on process** - Where there is little flexibility in how processes can be re-engineered then integration becomes impossible.

39. Unless there is strong central direction successful funding integration will depend upon a conducive local context. Funding integration is unlikely to be successful when different agencies are primarily focused on one particular kind of outcome or one aspect of social change. One key question policy makers will need to address is how best to bring together the concerns and energies of separate agencies to achieve a truly shared effort. Local Area Agreements are beginning to offer a context within which such synergy might be achieved.

40. Individual Budgets bring to these emerging partnerships a mechanism through which the individual citizen can engage in the delivery of the shared community goals that are defined within local area agreements. For example Barnsley Metropolitan Council LAA agreed March 2005 committed local health, Social Care and housing agencies to share objectives within their Local Area Agreement, to improve community safety for older people. Their intention is “to decrease the number of older people requiring hospital admissions as a result of a fall and achieve a reduction in the number of admissions to residential or nursing care as a result of a fall”

41. Individual Budgets could play a significant role in any such strategy because they enable social goals to be achieved in partnership with citizens. Local agencies could agree to develop an approach to resource allocation that targeted funds towards individual Support Plans that include strategies for reducing risks of falling. Furthermore, as Self-Directed Support also expects that Individual Budget recipients to report on the outcomes of their plan, then Individual Budgets may offer the prospect of engaging local citizens in the measurement of such targets. A citizen-centred performance management system, would represent a radical but meaningful way of reconnecting Local Authorities with their local community.

5. Challenges for Individual Budgets

1. The primary purpose of this report has been to review both the progress in, and possibility of, extending the scope of Individual Budgets. However it has been argued that while some progress has been made there is a significant risk that the extensional development of Individual Budgets is in competition with the intentional development of Individual Budgets. The authors have argued that, at this time, the primary focus should be placed on transforming Social Care funding before beginning to widen the scope of Individual Budgets.
2. Given the current model of Self-Directed Support and Individual Budgets the central task for moving to the greater use of Individual Budgets will lie with Local Authorities. However this report will not explore these practical issues in any detail as they are explored elsewhere.⁴¹
3. However in this final section it will be useful to turn to the likely challenges policy questions that will need to be explored and answered in the coming months and years. Five of the key questions that are likely to arise:
 - How will means-testing need to change?
 - What will be the impact on the Health-Social Care boundary?
 - What kind of national framework will be required?
 - What will be the management options for Individual Budgets?
 - What will be the impact at times of transition?
 - What will Individual Budgets mean for care managers and the assessment process?

How will means-testing need to change?

4. We have already discussed the importance of resolving the issue of means-testing in the sections above. It seems unarguable that the current framework for charging will be out-of-date once Individual Budgets are the norm. Instead policy-makers will need to explore how means-testing can be adapted within an environment of Self-Directed Support.
5. Ideally any such review should aim to achieve the following objectives:
 - To minimise the poverty-traps created by the funding of Social Care
 - To minimise any bias in the system that artificially increase the cost of particular services - particularly services that support citizenship and community development (e.g. higher charging for domiciliary care over segregated day care).
 - To minimise the costs associated with charging (In one Local Authority £2.5 million was gathered through charges, costing £1.5 million to collect. In other words for every £100 the Local Authority collected in charging it spent £60 on the task of collecting the money.)
 - And, arguably, to increase synchronicity with the benefit system

6. It is also important to note the enormous efficiency opportunities created by the shift to Self-Directed Support. The RAS and the initial assessment where it is applied can also be used to gather necessary financial information and to provide people, very quickly, with information about their budget and any contribution they are expected to make. The enormous costs of the current charging system could be radically reduced using this model.
7. The Individual Budget methodology would also be consistent with the ideas associated with the recent Wanless Review and efforts to rethink the underlying contract between citizen and state.

What will be the impact on the Social-Health Care boundary?

8. The current boundary between Social Care and Health Care is fundamental to the funding and delivery of services and yet it is arguably hard to define in a way that isn't circular: Health Care being what is provided by professionals who work for the NHS - Social Care being provided by those who don't.
9. It is also somewhat perverse that the means-testing within Social Care is more severe than the means-testing for Health Care (e.g. example - subscribing) given that Social Care has the lower cost base and that good Social Care (and other social factors) is very important in reducing the demand for Health Care. The differing approaches to means-testing probably reflect social priorities and fears rather than any rational economic analysis.
10. For Local Authorities this relationship is also troubling because while it appears that increasing efforts in Social Care to keep people at home and avoid hospital admissions appears to be of value to the NHS the cost of such support is primarily met by Local Authorities.
11. The development of Individual Budgets will fundamentally change the nature of future discussions in this area, because it will enable Local Authorities to identify the different levels of transparent allocation that will apply on a needs-led (rather than service-led basis). This in turn may open up the possibility of a more satisfactory policy framework for defining the boundary between Health & Social Care.

What kind of national framework will be required?

12. One further positive effect of the development of Individual Budget is that it will bring with it a greatly improved level of transparency. Individual Budgets require of the Local Authority that they develop an open and simple means of allocating resources to those people eligible for help. In a system of Individual Budgets there is an open resource allocation system that allows local people to know who should receive what level of support and why.
13. For Local Authorities this presents two fundamental challenges. Firstly how to make available amounts of money that are sufficient for the individual to develop a Support Plan designed to meet agreed outcomes, secondly how to ensure that allocating resources in this way is financially sustainable for the authority as a whole over time.

14. When Local Authorities develop their local systems they have found that they can develop a much better understanding of their existing resource distribution. In Control has worked with Local Authorities to analyse their existing spending patterns, and the needs profile of the populations they support. This work has revealed:

- Poor correlation between individual needs and current funding levels (see Figure 9 which sets out the relationship in one Local Authority).
- Variable funding levels between different Social Care groups
- Consistently skewed distribution of resources
- Highly levels of variation in patterns of expenditure between Local Authorities

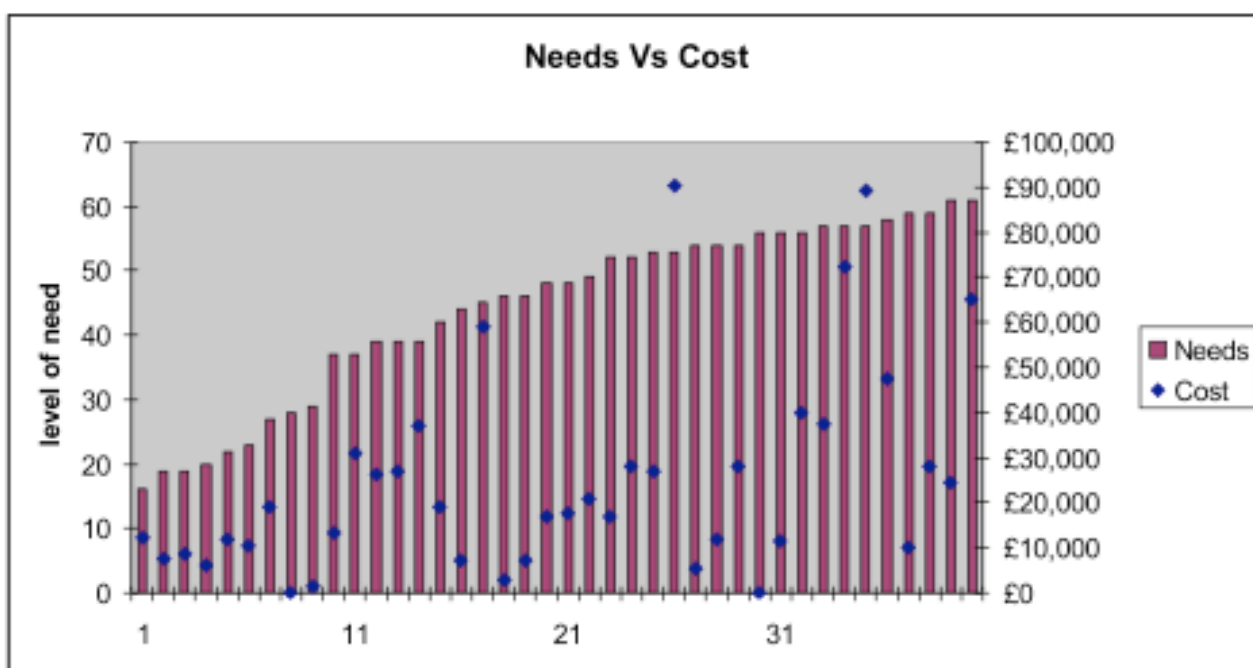


Figure 9 Correlation of Need & Cost

15. It is worth noting that the shift to Individual Budgets will, inevitably, begin to resolve some of the local equity issues - particularly if the relative efficiency of Self-Directed Support continues to hold and Local Authorities can manage the inevitable shifts in resources sensitively. There also appears to be a shift to bringing Resource Allocation Systems together and this will remove or minimise the differences between different groups as a local level.

16. However there will, over time, be increased interest in a national framework. Partly because groups will seek to understand and explain the transparent allocation patterns and partly because individuals will seek a system that makes it easier to move from one Local Authority to another without undue changes in allocation.

17. In fact it may be possible, as the recent review of the ILF set out, to create a national framework for Resource Allocation Systems that begins to improve national equity.

18. Even if this approach is not pursued there will need to be a review of other policy constraints on equity. The existing policy framework for improving equity is currently Fair Access to Care Services. The 'urgency of need' approach that underlies that policy

will become somewhat redundant should authorities adopt Resource Allocation Systems that use 'level of need' criteria in their place.

What will be the management options for Individual Budgets?

19. It is critical to the universal applicability of Individual Budgets that there is a full-range of management options available, in order that the appropriate person or agency can control the Individual Budget. Early work suggests that Individual Budgets need to be managed by one of six possible means (see Figure 10):

- Directly by the person - through a direct payment
- By a representative - through an indirect payment
- By a trust
- By a brokerage agency
- By a service provider - through an Individual Service Fund
- Or by the Local Authority's care manager

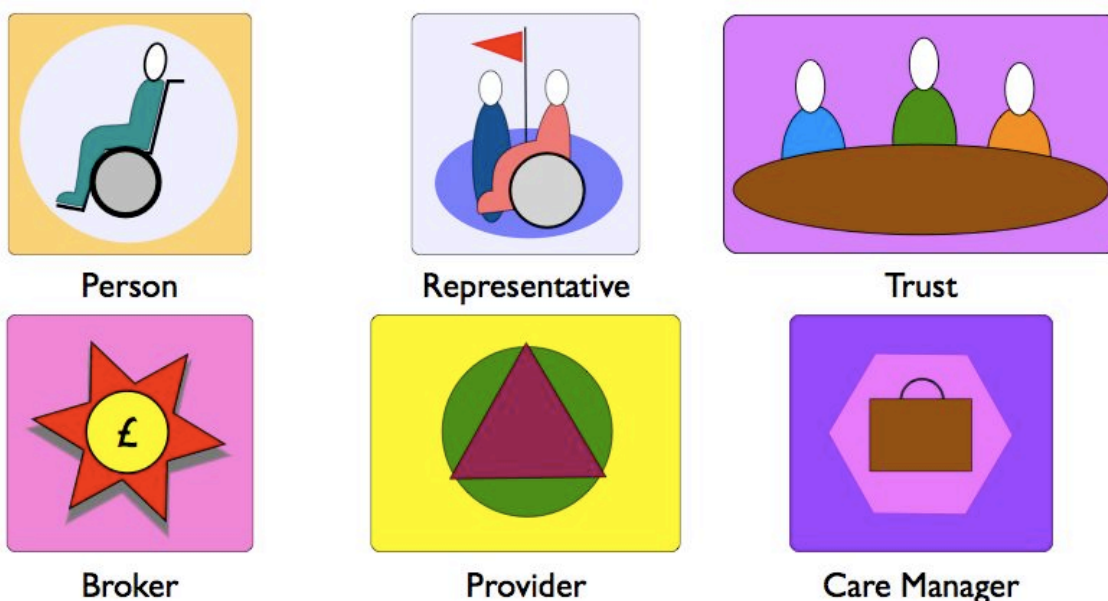


Figure 10 Six possible forms of Individual Budget management

20. Currently many Local Authorities are unclear about their powers and there is often confusion where the legal restrictions that apply to Direct Payments are mistakenly applied to non-Direct Payment arrangements. Positive guidance to clarify the different possible options would be helpful to Local Authorities moving towards Individual Budgets - otherwise Local Authorities will be in the paradoxical position of believing that they cannot empower the person they otherwise believe to be best able to manage the Individual Budget - this would build inefficiency into the new system.

What will be the impact at times of 'transition'?

21. Another positive opportunity created by Individual Budgets is to revisit the boundaries between childhood and adulthood and the between working age and older people. Individual Budgets create the possibility of creating a coherent narrative on the level of resource that people will be entitled to depending upon age and family circumstances (see Figure 11).

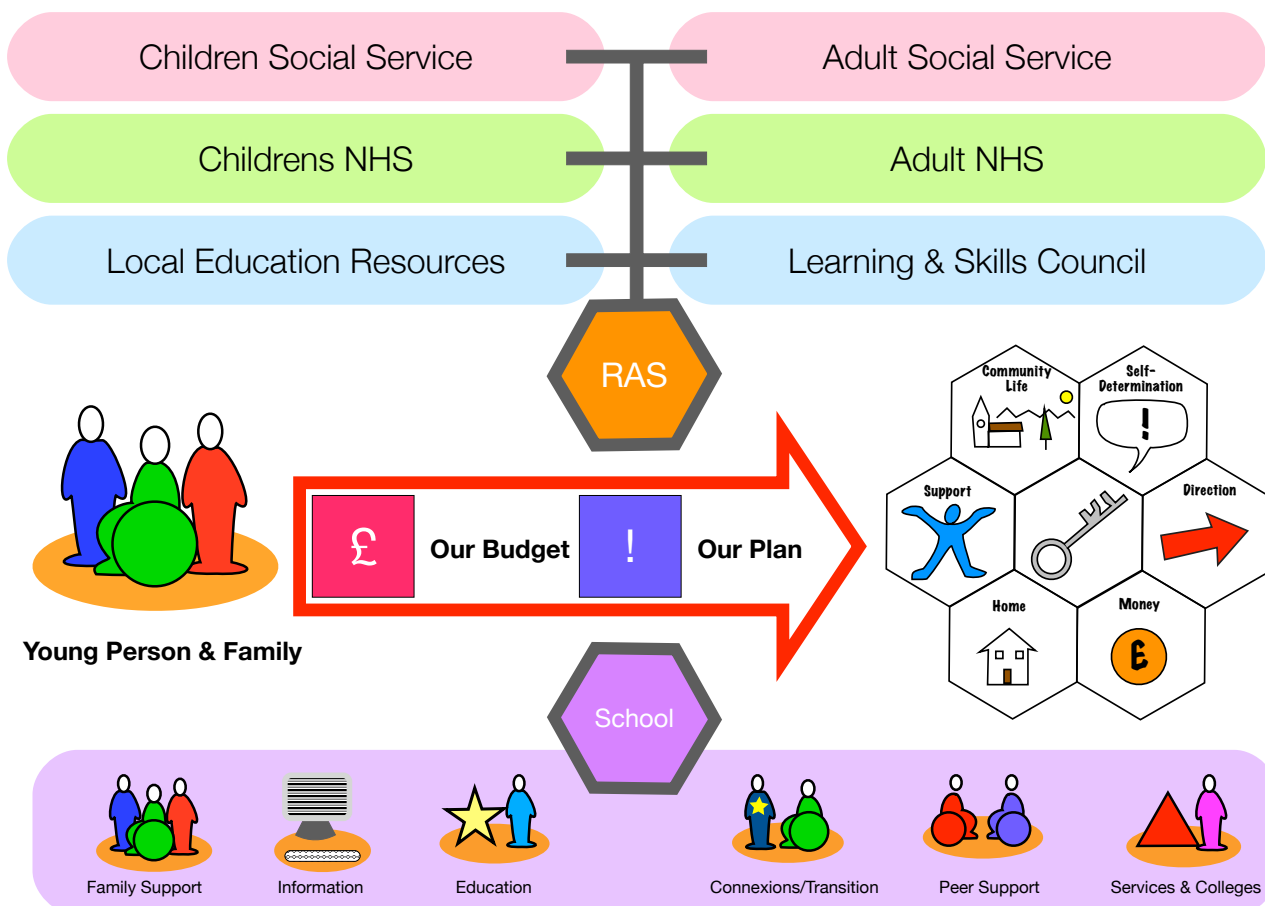


Figure 11 Impact on Self-Directed Support upon the Transition Process

22. Creating such a framework will be useful to all those people who will cross these key thresholds and who, in the current system, live under enormous uncertainty as they are 'handed over' from one system to another. Instead, with a system of transparent allocations, people will know what they are entitled to much earlier - before the point of transition - and so will be able to plan carefully and meaningfully - managing their own transition.

What will Individual Budgets mean for care managers and the assessment process?

23. The most pressing and immediate impact of Individual Budgets on the Social Care profession will be on the care management function and upon the social workers and other professions who carry out that function.

24. This is not the occasion to explore this issue in detail but the profound impact on care management should not be under-estimated. Effectively Self-Directed Support will require:

- Changes in the delivery of every aspect of the care management function
- Re-prioritising care management energy on specific people who need more support
- Changes to the national and local systems for monitoring care management performance

25. It will be important that national work on the Common Assessment Framework and Single Assessment Process is sensitive to the changing context in many Local Authorities.

Concluding comments

26. There are many further policy challenges than cannot be easily captured within the scope of this report. In practice it appears that the move to Self-Directed Support can happen without new legislation and policy, but that there will be increasing tensions as the new operating system tries to work within a national policy framework that reflects an older paradigm.

27. The fundamental power and value of Individual Budgets is the way that it can help shift power and control over resources to the right person in a way that is sensitive to both the complexity of need and the need for judgement about who is the best person or agencies to be in control.

28. Today it seems that growing numbers of Local Authorities are implementing Individual Budgets as part of systems of Self-Directed Support. This is happening even within a cautious policy environment and indicates not only the enthusiasm of some Local Authorities but also a growing sense that the current Social Care system cannot be sustained in its current form.

Appendix 1 Examples of Funding Integration

Introduction

1. This appendix examines each of the streams of funding where we have identified that there is practical work underway to achieve funding integration; or where there is a positive possibility worth further examination. The authors felt that it was important to distinguish this more detailed analysis from the summary in Section Four above because the complexity of the issues that emerge can be overwhelming. Much of this complexity is an artifice of the complex policy context and the changing nature of the welfare state. This complexity can be reduced if clear decisions are made to rationalise and simplify how resources are managed - but there are many vested-interests connected with different streams of funding and this makes rational policy-making more challenging.
2. In our research we have identified many areas where integration has been a goal, but never a realistic practical possibility. The existing restrictions from central policy and legislation require local practitioners to work to a more modest framework. Within this appendix we distinguish three different levels (see Figure 13):
 - **Full Integration** - Full Integration takes place when the relevant stream of funding is incorporated within the existing Social Care funding pot. This form of integration does not mean that the distinct funding stream is necessarily entirely lost; once integrated within the Social Care funding pot there may need to be changes to the nature of the Resource Allocation System and the regulatory structures imposed, but any such changes must be integrated and seamless for the person who needs support.
 - **Partial Integration** - Partial Integration takes place when the relevant funding stream remains distinct but the Resource Allocation System sets the whole amount agreed and an agreed system of rules between the Local Authority determines what portion of the whole (percentage or tariff) can be claimed back from the other funding system. Again, such an approach is consistent with Individual Budgets, as the experience of the person who needs support is that the whole amount of funding is 'theirs' and the rules for its use are integrated and set once.
 - **Synchronisation** - If integration is not possible then it may be possible to improve the synchronisation between the Individual Budget and the other funding streams. For example there may be an agreement to use only one monitoring system. In this scenario however the individual will experience the claim for other funding as still very much an additional task, with additional duties and burdens: hence it is best to consider this not as a form of integration, rather as a way of achieving greater synchronisation.

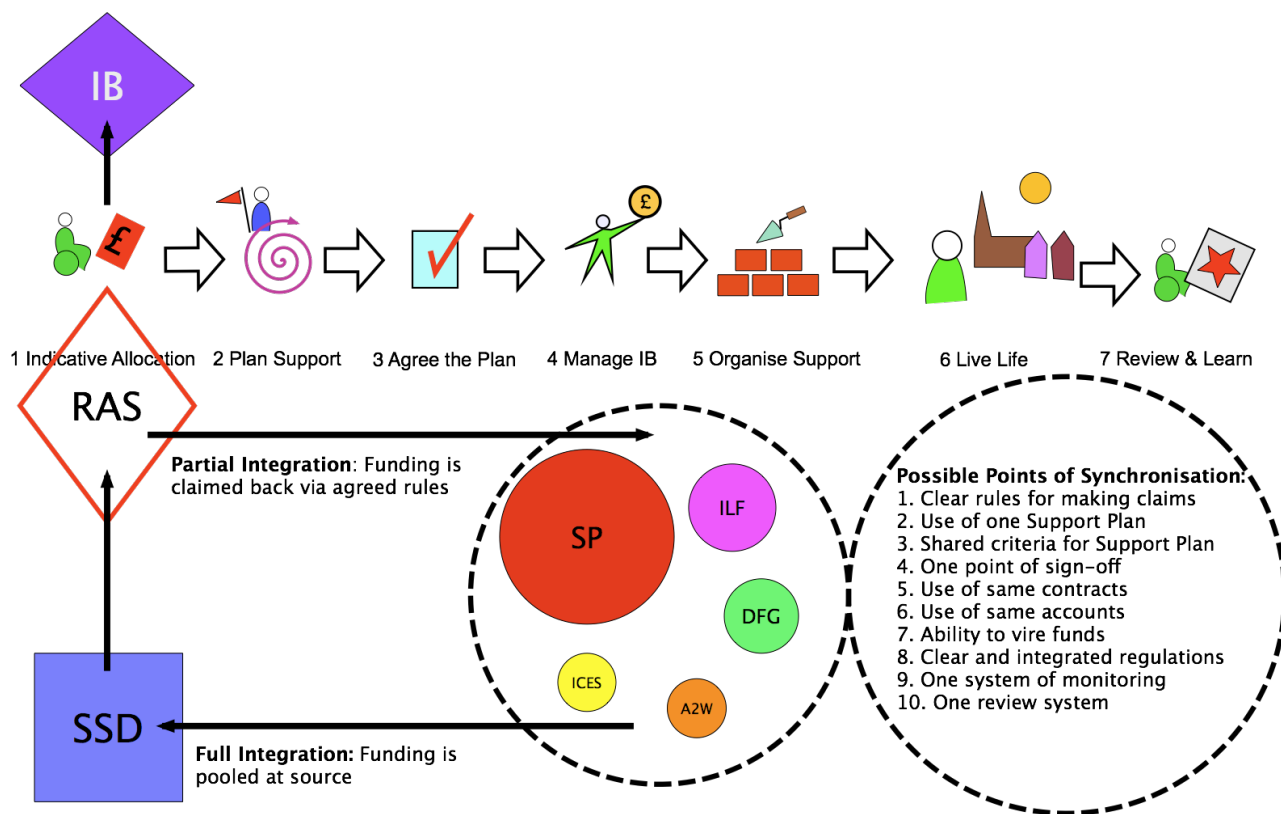


Figure 13 Three modes of funding integration

Supporting People

- Supporting People funding is intended to provide housing related support to prevent problems that can often lead to hospitalisation, institutional care or homelessness and to help the smooth transition to independent living for those leaving an institutionalised environment. The fund has a very wide set of client groups stretching beyond the client groups generally served by Social Care funding, and reaches out to many different vulnerable members of society.
- The money is administered by Unitary Authorities or Counties (in two tier areas). The programme is delivered locally by 150 Administering Authorities, over 6,000 providers of housing related support, and an estimated 37,000 individual contracts. The Administering Authorities contract with providers and partner organisations for the provision of Supporting People services. Arrangement for access to these services vary.
- Fully integrating Supporting People money into Individual Budgets at a Local Authority level could see funding transfer from Supporting People to Social Services. This money, being merged with Core Community Care funding, would then be individualised and allocated to Individual Budgets from one transferred pot. This arrangement appears to have a number of benefits as it would:
 - Provide a single point of access

- Encourage flexible use of resources, around individual needs
 - Do away with the peculiarities of multiple regulatory requirements, (housing related support plans being maintained and monitored separately from Social Care plans)
 - Provide benefits of having only one support plan and one way of measuring its effectiveness.
 - The allocation of funding could be much more sensitively tuned to the level of need
 - Funding currently tied up in building-based services might more readily be released to free individuals in those services to move on
6. In order to achieve this level of integration the following changes would be required:
- The development of a Resource Allocation System able to identify 'housing related support needs' and equate these to a reasonable allocation of funding for the individual
 - High level trust and good partnership working in local areas
 - Gradual change to the way existing contracts are configured, and monitored
 - New forms of more flexible provision from existing service providers
7. This option also offers a clear opportunity to extend Individual Budgets beyond the normal limits of Social Care funding (to include the other groups served by Supporting People).

Partial Integration of Supporting People Funding

8. The partial integration of Supporting People funding would see money allocated to Individual Budgets against an agreed set of criteria relating to a set tariff. Local Authorities would make up-front allocations and then 'claim back' Supporting People funding.
9. This arrangement would be relatively simple to implement and many areas already have banded levels at which some jointly funded services are funded. These could readily be adapted to inform a simple 'claim back' mechanism. However this option falls short of achieving full integration, with all the associated benefits, whilst also being a more complex arrangement.

Synchronising Supporting People Funding

10. A synchronised process would see the RAS triggering an application for Supporting People Funding. If this was accompanied by a shift toward allocating Supporting People money directly to individuals, some benefits may appear.
11. Such an arrangement would be relatively straightforward to implement locally, 'floating support' could be seen as working in this way currently. Funding would be targeted to individuals rather than services and it would be possible to identify a SP resource allocation openly and quickly. Such an arrangement would likely see a range of more

flexible support options emerge over time. Further work could also be done to improve the synchronisation of Supporting People with the Individual Budget:

- Use a tariff system so that people can know what they are entitled to from Supporting People up-front
- Use only the Support Plan as the evidence that housing related support is being delivered
- Build the existing Supporting People QAF into the Criteria for a Good Support Plan
- Provide only one contact point for administration of the IB and SP funds

Progress to date

12. A number of Local Authorities had achieved full integration of some of their Supporting People grant by early 2007. Oldham achieved this by adapting their RAS and adding a section to their Self Assessment Questionnaire, to cover those needs that related to maintaining a tenancy. The nature of the reporting requirements has meant the questionnaire has become more complex. The level of funding transferred was agreed to be equal to the amount of supporting people funding being spent on 'in house services' in the borough, roughly 30% of the overall grant.

Independent Living Fund (ILF)

13. The ILF exists to help severely disabled people across the UK to live independent lives, provide financial assistance, under the terms of the Trust Deeds. The Fund operates under Trust Deeds and the guidance of seven Trustees, and under the auspices of the Department of Work and Pensions. The fund's flexibility is restricted considerably by the current ILF Trust Deeds and Conditions of Grant in Aid (COGA).⁴²

14. It provides funding to support independent living for working age disabled people who are also on the higher rate of Disabled Living Allowance (care component). The fund has further eligibility criteria, some of these concern the 'service history of the individual', former long stay hospital residents are ineligible. Applicants must also receive the right level of service from their Local Authority, and can be excluded by too higher or too low a level of Local Authority provision. Individuals receive cash payments following applications to the ILF, which must be supported by the LA. Levels of ILF uptake vary greatly across Local Authority areas.

Full Integration of ILF Funding

15. Fully integrating ILF funding into Local Authority Individual Budgets would potentially see a complete transfer of existing ILF money to Local Authorities. This would see the transfer on average of somewhere in the region of £1.3 Million to each LA. It is not readily evident on what basis such a transfer might reasonably happen, given the current spread in level of uptake across the country (see Figure 14).

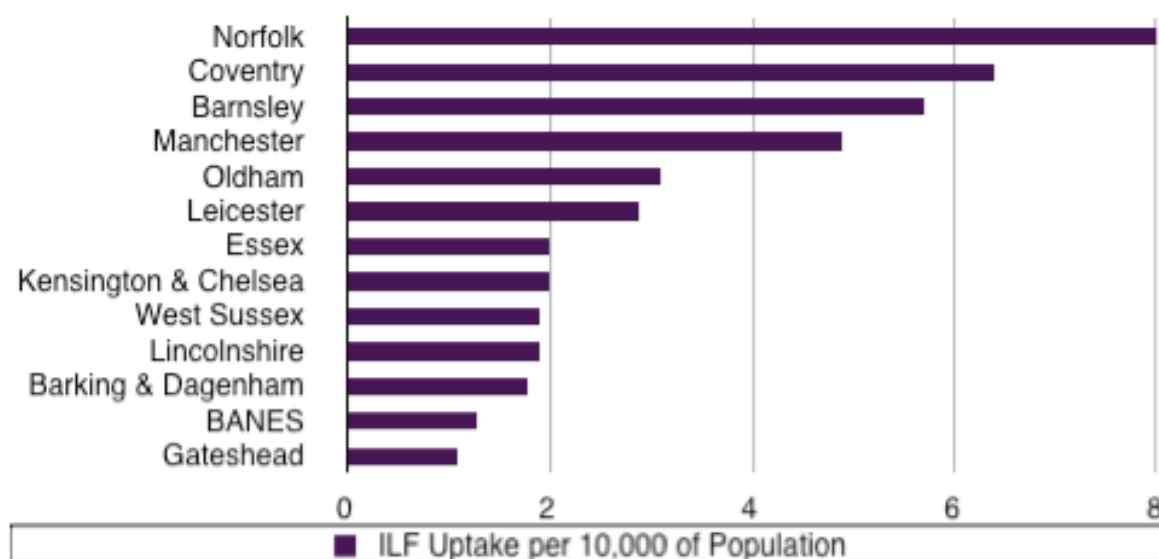


Figure 14 Distribution of ILF take-up in 13 IBPP sites

16. If funding were transferred based on current uptake, there would be clear winners and losers. Transferring funding on a basis of population per area would equally see winners and losers against the current spending pattern.
17. At present Local Authorities who are good at supporting people to access ILF are rewarded (as each claim has the effect of protecting LA budgets) and it is unclear that these authorities would welcome full integration without an attractive settlement.
18. Despite this, there are some arguments to suggest this is a good option, as such an arrangement would do away with the current parallel process and provide more streamlined access for disabled people. The anomalies in the two charging systems of Local Authorities and the ILF could also easily be done away with.⁴³

Partial Integration of Independent Living Fund

19. An option of partial Integration of the ILF might see the development of one 'Gross Resource Allocation System', which generated quickly and simply one gross amount to be available to the Individual Budget. Local Authorities would 'claim back' from the ILF funding they had put into Individual Budgets under agreed circumstances.
20. This approach offers an opportunity to streamline the system for disabled people, making access easier. It also offers the opportunity to present the rules regarding what funding is available in a clear and simple way. However the current Trust Deeds and Conditions of Grant in Aid, would appear to significantly reduce options for producing a simple Gross Resource Allocation System that might operate in a way that allowed any meaningful flexibility in the use of the Individual Budget.

Synchronising

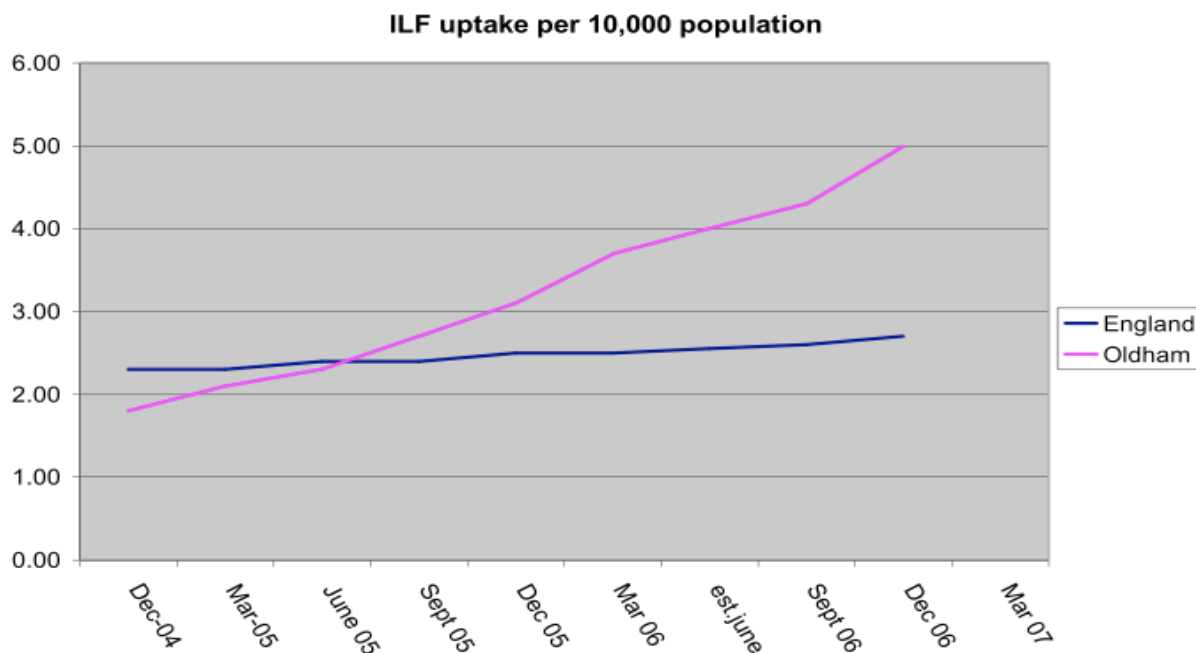
21. There are opportunities in the short-run to synchronise some of ILF’s practices with an Individual Budget and In Control and the ILF have been working on the In Control & ILF Protocol in order to achieve some limited synchronisation.

Progress to date

22. The restrictions within ILF Trust Deeds, leading to unalterable process and strict caveats being applied to the use of money has meant that most Local Authority areas have attempted only to synchronise the funding streams. Operational staff within ILF and Local Authorities have collaborated to identify possible options for synchronisation but with very limited success. Local Authorities and the ILF have explored but as yet been unable to agree:

- Transfer of assessment responsibility
- Alignment of charging
- Expanding the usage of ILF money outside of existing caveats
- Inclusion of non-personal care costs within the LA qualifying contribution
- Inclusion of contribution in kind,
- Delegating funding approval powers to ILFA’s
- Aligning annual uplift to LA levels

23. Despite this simply by awareness raising awareness of ILF eligibility it is appears that disabled people may benefit from ILF as part of their Individual Budget. In Oldham where the Self-Assessment Questionnaire alerts people to ILF entitlement ILF uptake has continued to increased dramatically.



Disabled Facilities Grant

24. The Disabled Facilities Grant provide money towards the cost of providing adaptations and facilities to enable disabled people to continue to live in their own home. The grants are given by local councils under Part I of the Housing Grants, Construction and Regeneration Act 1996. An applicant must either be the owner of the dwelling or be a tenant (not necessarily the person who needs support). The person must intend to reside in the property throughout the grant condition period, this is currently set at 5 years.
25. To access grants landlords or disabled people arrange for an Occupational Therapist (OT), employed by Local Authority Social Services, to assess what adaptations are needed. The Social Services OT confirms to Local Authority department with responsibility for Housing that changes are 'necessary and appropriate' to meet the disabled person's needs. Adaptations must be reasonable and practicable. For adults help is offered as a means-tested grant, up to £25,000. [In two tier areas the Housing and Social Service assessment and funding responsibilities sit in separate councils.]

Full Integration of Disabled Facilities Grant

26. Capital grants have the potential to offer excellent value for money, build home ownership, as well as supporting environmental support solutions (options that are not overly reliant upon on-going staffing). For these reasons it would seem that grant-making should feature strongly as part of an Individual Budget system, and potentially be viewed as 'the first response', before recurrent funding is considered.
27. Full integration of DFG would require the development of a grants programme that sat alongside the system for making recurring allocations. Such one-off allocations are, if viewed over time, a low-risk, low-cost and high-reward option. As such they should feature more heavily than they currently do. To be most effective the programme would:
- Interface well with the existing Resource Allocation System
 - Be wide-ranging in the amounts allocated having capacity to offer small and larger grants, (the current ceiling may be too low)
 - Be as flexible as possible, to include any kind of non-recurrent spend that will reduce the likely long-term recurring cost (a deposit on a mortgage, moving expenses etc.)
 - Have the lowest transaction costs; the fewest number of forms and visits.
 - Avoid complex rules about maintenance requirements, possibly building maintenance into the Individual Budget
 - Be more flexible in the phasing of their timing (at present payments are often delayed in ways that prove very challenging to individuals and families)

Progress in Practice

28. The Communities and Local Government (CLG) has introduced some further flexibility to DFG allowing money to be spent on some associated costs such as removal expenses, and has widened eligibility to include council tenants. Alignment has been encouraged by allowing means-testing to fit with fairer charging rules. However remaining restrictions in grant conditions have meant that little progress has been made even to synchronise DFG. Both Essex and Gateshead are exploring ways they may integrate DFG meaningfully, including the use of the Local Area Agreements.
29. Interestingly where Local Authorities have allowed greatly increased flexibility over how money is spent, individuals themselves have chosen to spend part of their budget on adaptations to property. In other words the Individual Budget approach may effectively make some diverse funding streams redundant, rather than requiring integration.

ICES

30. Integrated Community Equipment Services brought an end to the practice of separate Health and Social Care equipment stores and are intended to 'support and encourage the development and integration of person-centred equipment services for the enhancement of health, well being and independence'. However some anomalies relating to the 'Health Social Care Split' remain, for example, it is possible to take a Direct Payment for equipment seen to be used for personal care but not if that same equipment is viewed as meeting a health care need.
31. The funding is currently used to operate 137 stores. The area served by each store being determined locally and not necessarily coterminous with PCT or LA areas. Degrees of integration vary; most operate through Section 31 agreements which generally cover overheads but do not always cover equipment costs. To date it has not been possible to derive any meaningful data on the amount of money spent on ICES, or the numbers of people receiving equipment.
32. Equipment is available to anyone living in the community and in need regardless of age, and is accessed via a number of routes, via District Nurses, Local Authority OT or Social Work assessment, some areas operate a limited mediated self-assessment. Access to equipment via a Social Services route may be restricted through FACS eligibility. No charge is made for any equipment. Some areas where stores are not fully integrated operate a transfer of charge from health to Social Services for equipment that is used for longer periods, this is generally a seamless transfer for the person.

Progress in Practice

33. There is no ring fence around ICES money and it is effectively consumed within Social Care funding. It is in effect already fully integrated. Nevertheless some Local Authorities have explored including triggers in their RAS that indicate a need for equipment. This is probably an unnecessarily complex approach that adds unhelpful screening. Oldham have determined that money already being spent on equipment has a positive preventative effect and access to equipment should be encouraged rather

than limited. To do this they have actively encouraged people with Individual Budgets to spend their money flexibly and to invest in equipment. To support this a local resource centre situated in the retail centre of the Borough has developed a shop front access to equipment from the ICES store, advice on equipment and tele-care is available and an on-line catalogue is being developed.

Access to Work

34. Access to Work provides advice and practical support to disabled people in, or about to start, paid employment to help overcome work related obstacles resulting from disability. It encourages employers to recruit and retain disabled people by offering practical help. Access to Work meets only the additional employment costs resulting from disability. Access to Work is delivered by Job Centre Plus, part of Department for Work and Pensions.
35. In 2004-05 Access to Work had over 32,000 beneficiaries with a spend of around £60 million. Through the use of individual grants Access to Work fully or part fund a range of equipment and support arrangements including special aids and equipment, adaptations to premises, travel to work, support workers and communication support at interview.
36. The overarching policy objective for Local Authorities and DWP around Individual Budgets and Access to Work are clearly closely aligned around citizenship and social inclusion. With its focus on employment, Local Authorities would wish to support disabled people to gain Access to Work funding, however, the relatively high eligibility threshold (being in, or about to start, paid employment) would indicate that it is not aligned well with the other funding streams.
37. Even in a Local Authority area with a 'moderate' Fair Access to Care Service threshold, only a very small percentage of people eligible for core Social Care funding would presently also meet the access to work threshold. This being the case it is questionable how meaningful it is to try and include Access to Work money in an Individual Budget that includes a significant proportion of Social Care core funding.
38. As a result, little or no meaningful progress was made towards integration. While the Department for Work and Pensions considered a proposal that would have involved a transfer of funding from Job Centre Plus to Local Authorities, in the end it was decided not to pursue this because of the difficulties of deciding on the appropriate level of funding which may have led to unequal treatment of service users and place Local Authorities in a position where they would have been exposed to serious financial risks. While synchronisation of Access to Work has been pursued, the Department of Work and Pensions are testing a wider attempt to increase awareness of employment opportunities and assistance beyond Access to Work in the pilot sites which is being separately evaluated. There may be far more extensive opportunities for the DWP to develop CREs from within their other funding programmes.⁴⁴

Learning & Skills Council Funds

39. The Learning & Skills Council (LSC) is responsible for planning and funding education and training for all adults in England other than those in universities with an annual budget for 2006-07 of £10.4 billion. In Cambridgeshire the Learning & Skills Council have worked closely with local sector colleges, using the existing funding formula for residential FE colleges to offer individual learning accounts. These allow young people with learning and or physical disabilities who previously would have had to leave the area for education to attend college locally. Presently the local college manages the Individual Budget on behalf of the young person to deliver individualised learning opportunities and support. For some young people this support has included funding from Social Care in the form of direct payments.
40. The Eastern Region LSC has worked with, Paradigm and in Control to develop a RAS using the five Every Child Matters outcomes. This process is forming a central part of a review being carried out about post 16 LDD and schools SEN funding led by the Learning and Skills Network. The Learning and Skills Council are committed to launching new funding guidance in April 2008.
41. There are two alternatives being explored at present; first that there is a national 'fund' established which is composed of Department of Health and DfES funding along with LSC funding, this fund then being managed by a regional LSC and being allocated to individuals. The second alternative is the 'sharing out' of the regional LDD fund to Local Authorities where it is allocated directly alongside other Local Authority streams of funding.

NHS funding

42. As described above the relationship between Health and Social Care funding is complex and the overlap considerable.⁴⁵ This includes NHS Continuing Health Care (CHC) funding. Tentative steps are now being taken to explore how some of this money may be personalised. There are also many individual examples of cases where the NHS have agreed to work with local citizens and the Local Authority to co-fund an appropriate package of support.⁴⁶
43. For example, in Barnsley the Local Authority and the PCT have developed an agreed protocol which aligns the application process for Continuing Health Care funding with the Resource Allocation System. The protocol offers a seamless process to the individual where the Local Authority offer an indicative allocation and any CHC funding is identified after planning and reclaimed by the Local Authority. The protocol has been agreed and was recently applied for the first time.
44. Internationally there are many interesting examples of applying Individual Budget principles.⁴⁷ One interesting example is provided by the New Zealand midwifery service. In New Zealand independent midwives are a real choice for women who are pregnant.⁴⁸ They are able to choose from the following groups to identify their Lead Maternity Carer:
- Independent or self employed midwife

- Hospital employed midwife
- GP LMC
- Obstetrician LMC

45. The New Zealand system does not have any direct exchange of money between the Independent midwife and the woman. Instead the independent midwife claims the money back from the government based on the services they had delivered. The files of the independent midwife are audited twice per annum in order to ensure probity.

Local Housing Allowances

46. Local Housing Allowances are the outcome of a reform process with Housing Benefit which has many similarities with the move to Individual Budgets: people are given a capped housing allowance which meets their needs (defined by family structure) and which reflect local market rents. Most people get direct control over that funding and are free to either top it up or to make savings within it. (A minority of people also may have their allowance managed directly by the landlord if they often fall in arrears or are perceived as being unduly vulnerable.) There are obvious similarities to the use of Individual Budgets:

- People have more control and more incentive to get best use of their own money
- Allowances are defined in terms of need, not set by services

47. Interestingly this reform at the moment has been limited to the 800,000 people who currently need HB but who get housing from the private rented sector. But there are some interesting questions here about future direction which may be of interest to people who get 'Social Care' support or who have special housing needs.

48. Currently, even though most people are owner occupiers 'social housing' is seen as the business of 'registered social landlords' (RSL) who although they are putatively non-profit-making actually operate at costs higher than those in the private sector and who receive subsidies through the HB system (that pays RSLs at a higher levels) and by other means. In essence this subsidy 'traps' people within a small part of the market, limiting mobility, asset growth and the ability to meet housing need in the most personalised way. One interesting possibility would be to see whether this funding could become a portable entitlement for the person - this would enable people more effectively to both explore other forms of renting and to fund mortgages. This latter possibility could play a valuable role in liberating people from poverty and enabling people to build homes that really meet their needs.

49. It would also be interesting to explore the relationship between this reform and the Supporting People reforms. While the development of Supporting People was meant to separate housing related support from the subsidies to housing providers it seems that that the existing rent levels (subsidised by HB) simply reinforce maintain this confusion and effectively put money that should be in the hands of disabled people into the hands of RSLs. It would be interesting to explore this issue against the emerging framework of Individual Budgets.

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Appendix 3 Contributors

Our thanks go to everyone who contributed to the report both at the think-tanks and by their contributions to the Open Source document.

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Notes

¹ See Duffy (2004)

² See www.individualbudgets.csip.org.uk

³ See Poll et al. (2006)

⁴ See Duffy & Sanderson (2005)

⁵ See in Control (2005)

⁶ See Glasby & Littlechild (2002)

⁷ The Board & Lodging entitlement was created in 1980 but there was no similar entitlement to support in the community was created and from 1979 to 1990 the numbers using this entitlement to enter residential care jumped from 12,000 to 199,000. Note that this is hardly much smaller than the numbers in residential care today (267,000); the impression therefore is that the very existence of the residential care market as a dominant form of service provision is primarily a function of central government's policy-making. See Lunt et al. (1996)

⁸ See CSCI (2006a)

⁹ See Cabinet Office (2006)

¹⁰ See CSCI (2006a)

¹¹ See Henwood & Hudson (2007)

¹² See Duffy (1996)

¹³ See Poll et al. (2006)

¹⁴ It is important to note that, unlike Direct Payments, Individual Budgets can be used to purchase Residential Care. It is therefore even more striking that even though people were given this option people did not choose to take this option.

¹⁵ See Duffy (2005)

¹⁶ See Duffy (2006)

¹⁷ This whole analysis has drawn heavily from the recent work of Jonathan Wolff on disadvantage, inequality and different forms of redress. However the model described and the precise terminology have been adapted for the purposes of this report. See Wolff

¹⁸ For more detail see below p. 53

¹⁹ This is also born out by international experience. The recent overview of international systems of Self-Directed Support revealed that while all approaches seemed to improve quality some systems failed to put in place the necessary means for rationing resources. Clearly recent innovations in England and the development of the Resource Allocation System technology represent an attempt to ensure that such failing are not repeated. See Robbins

²⁰ Gillinson et al. (2005)

²¹ There are several reasons why the Social Care population is unlikely to be entitled to Access to Work: most people are over 65 of the remainder many are willing and able to work but the nature of the current benefit system creates severe disincentives to work. In addition the current culture of Social Care tends not promote employment as an important objective.

- ²² See Henwood & Hudson (2007)
- ²³ For more detail see below p. 51
- ²⁴ See analysis above p. 11
- ²⁵ See Mason (2007)
- ²⁶ The is argument is a development from the case study developed by Duffy within the Economics of Self-Directed Support. See Duffy (2007)
- ²⁷ It is important to remember that the DLA is only claimed by people whose disability develops before they are 65. See Shaw & Sibieta (2005)
- ²⁸ See Shaw & Sibieta (2005)
- ²⁹ See Department for Transport (2004)
- ³⁰ See below p. 44
- ³¹ See Henwood & Hudson (2007)
- ³² See CSCI (2006a)
- ³³ Remploy receive a £119 million subsidy and helped 4,285 people into employment - that is a per capita figure of over £27,000. See Remploy (2006)
- ³⁴ See Rowland-Crosby & Murray (2006)
- ³⁵ See Alakson (2007)
- ³⁶ See Keene & Li (2005)
- ³⁷ See www.dh.gov.uk
- ³⁸ See Alakson (2007)
- ³⁹ See Timmins (2006)
- ⁴⁰ One international example of such a reform is given below, see p. 52
- ⁴¹ See Tyson (2007)
- ⁴² See Henwood & Hudson (2007)
- ⁴³ This was the conclusion of the recent review. See Henwood & Hudson (2007)
- ⁴⁴ See above p. 31
- ⁴⁵ See above p. 33
- ⁴⁶ See www.in-control.org.uk
- ⁴⁷ See Alakson (2007)
- ⁴⁸ See Hanson, Thompson & Jones (2007)