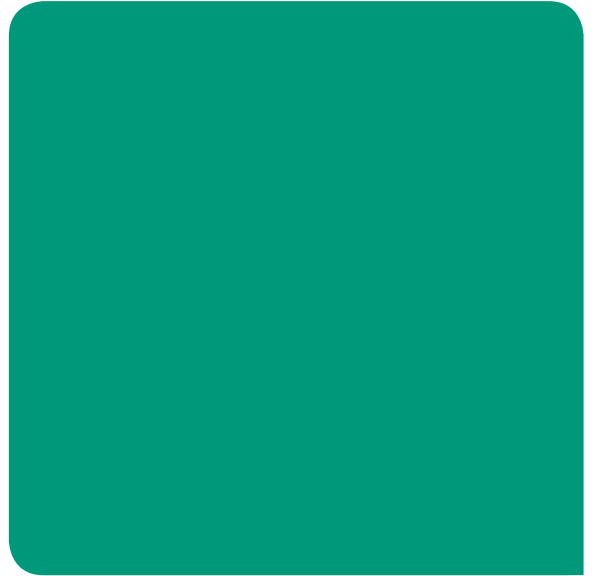


Personalisation, productivity and efficiency



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Executive summary

Introduction

This brief report examines the potential for personalisation, particularly the mechanism of self-directed support and personal budgets, to result in cost-efficiencies and improved productivity as well as improved care and support, resulting in better outcomes for people's lives. It provides an overview of some emerging evidence on efficiency from the implementation of personalisation so far, to inform the next stage of delivery which is outlined in *A vision for adult social care: Capable communities and active citizens* (DH, 2010a).

Methods and limitations

Because the work needed to be timely, there were restrictions on the scoping, searching, selection and retrieval methods used. This scope aimed to be broad, to capture significant research, publications, initiatives and organisations.

The evidence used for this overview has not been subject to the Social Care Institute for Excellence's (SCIE) usual research quality assessment and selection processes. However, attention has been paid to the quality and applicability of the research selected for this overview, but these important reliability limitations need to be noted.

Types and quality of evidence identified

Overall it appears that it is too early, and there is not enough robust data available, to make conclusive evidence-based decisions on whether personalisation and specifically self-directed support and personal budgets have delivered efficiency savings and reduced costs.

However, there is some evidence to suggest that self-directed support and personal budgets could lead to improved outcomes in individual cases for the same cost if implemented efficiently and effectively. The emerging evidence identified by the scope for this report suggests areas for potential efficiency savings without compromising effectiveness. There are some useful examples of emerging practice which illustrate the levers there may be to accelerate cost-effectiveness in personalisation.

Efficiency, effectiveness and personalisation: context and definition

For the purposes of this review the term 'efficiency' encompasses issues of cost reduction, cost neutrality and waste reduction ('efficiency gains' are achieved where costs are reduced and outcomes maintained or improved). A service can be described as offering 'value for money' where there is an optimum balance between three factors – relatively low cost, high productivity and successful outcomes.

Cost reduction that is not linked to sustained or improved user (and potentially carer) outcomes cannot be seen as an efficient way to approach personalisation:

It is essential for councils to check that personal budgets are authentic – that they are actually resulting in greater choice and control for individuals. (ADASS and LGA, 2010, p 1)

Business processes

In their 2006 local authority survey of the cost-efficient implementation of direct payments, the Audit Commission concluded that:

In the services we examined we found that, properly introduced and under the right conditions, choice can produce higher-quality and more efficient services. When choice is introduced inefficiently, it can add to costs and reduce value for money. (Audit Commission, 2006, p 2)

With the significant contribution of the Care Services Efficiency Delivery (CSED) programme, which supported the efficient implementation of personalisation, evidence on local authority business processes and efficiency is becoming stronger in the areas of:

- Access management: streamlining processes, providing a single point of access, developing a single dedicated access team across adults services
- Proportionate auditing of direct payments: avoiding disproportionate approaches to financial risk management, introducing 'lighter touch' processes which allow qualified frontline practitioners to spend more time working with the person using the service and fewer resources spent on bureaucracy
- Improved use of IT systems: using integrated IT systems for assessment and personal budget processes, web-based commissioning and use of e-commerce.

It seems that the personalisation agenda is stimulating review and change in business processes. This appears to have reliable potential to generate efficiency savings and improve productivity.

Impact on costs in the market

There is increasing evidence from the independent provider sector and from micro services that local authority commissioning practice is not yet facilitating the type of market development and diversification needed for personal budgets to be used effectively and efficiently.

Some evidence suggests that if people have choice and control over their care and support, most commonly through the use of personal budgets and direct payments, then this can potentially result in efficiencies such as waste and overhead cost reduction, improved value for money and better outcomes for both service users and carers. Outcome-based, user-directed, flexible approaches to commissioning services, rather than rigid 'time and task' delivery models, could result in greater efficiency. Electronic monitoring and scheduling of home care can support this.

External support planning and brokerage

Access to external support planning and brokerage is important for implementing personal budgets and direct payments for people who may not be confident or have support from carers, family and friends. User-led organisations are an important part of the support infrastructure as they can also offer peer support.

Some research shows that it may be more efficient to have specially trained staff managing the administrative aspects of care and support planning to free up qualified frontline practitioners to work with the people most in need of support.

Building community capacity

The self-directed support approach was designed to recognise and support a person's informal support networks such as family and friends, neighbours and volunteers. Evidence is beginning to show that people who hold personal budgets are using them to increase participation and activity in their communities. Greater involvement with and access to community networks and support is being shown as having a preventative effect, and the idea of pooling personal budgets to fund community-based support enterprise is being explored.

The co-production model of care and support recognises people who use services and carers as having assets and expertise that should be valued. There have been tentative suggestions that initiatives (such as KeyRing Living Support Networks and Local Area Coordination) have the potential to be cost-effective and release individual and community resources, if implemented appropriately.

Clearer evidence is appearing about the economic benefits of certain approaches to building community capacity, such as time banks, befriending and community navigators for people with debt or benefits difficulties.

CSED indicate several instances in which Support Related Housing for people with different support needs can result in efficiencies, if commissioned on an integrated service model between housing, health and social care. The Support Related Housing model is noted as being consistent with the aims of personalisation.

Changes in traditional day centre approaches for people with learning disabilities towards smaller community hubs providing personalised activities and learning opportunities are reported as delivering efficiency savings. Evaluation findings indicate that Shared Lives schemes could offer value for money by delivering high quality person-centred support at a relatively low price.

Preventing admissions

More broadly, the use of personalised approaches to integrated adult social care and support can result in crisis prevention, thus avoiding admission to hospital or residential care, particularly for older people. The way people use personal budgets can be preventative, particularly in mental health, thereby reducing health crises or

hospital admissions which result in savings to health. However, cost savings to health are not necessarily registered by, or shared with, social care.

Other strategic approaches

Recent surveys have shown that local authorities that were further along the process of personal budget implementation recognised the fact that savings could come from wider strategic and efficient integrated working, focusing on prevention and early intervention. The evidence that investment in prevention can generate savings is probably clearer than that presently associated with personal budgets and self-directed support.

Studies are showing the potential of telecare, reablement, assistive technology and adaptations and equipment to result in cost-effectiveness, to promote independent living and better outcomes for service users and carers.

Cost and efficiency evidence from direct payments

Most of the evidence on personalisation, efficiency and effectiveness comes from the various surveys and studies on direct payments, which were introduced in 1997. The initial and ongoing policy assumption was that direct payments should be at least cost-neutral, if not yield cost savings, when compared with traditional services.

However, 'despite these initial positive findings on outcomes and an increasing amount of literature on DP [direct payments], to date there have been few studies which have examined in any detail the costs associated with implementing and administering the schemes and the financial returns and other benefits that result' (Stainton et al, 2009).

To the extent that they have been reported, there appears to be a wide variation in implementation costs. Ongoing costs and variables also include what is covered by direct payments (start-up, contingency or support costs), which will impact on what can be spent directly on care and support.

There is evidence to suggest that, if direct payments are administered effectively and efficiently, they have the potential to achieve greater efficiency, while giving service users greater control over their care and support. The potential for efficiency gains through increased choice and control can only begin to be realised if the changes are supported by improved information, market development and choice in care and support provision.

CSED's evaluation of direct payments showed that they should be implemented as the core component of support delivery. They should be measured or judged by outcome for service users, as well as by cost: simplistic comparisons with cost and time are not appropriate.

Emerging cost evidence from personal budgets

The most reliable study is the two-year Individual Budgets Evaluation Network (IBSEN) study that evaluated the individual budget pilots. It reported that there appears to be a small cost-effectiveness advantage over standard support arrangements for younger physically disabled people and people with mental health problems.

Otherwise, however, there is virtually no reliable evidence on the long-term social care costs and outcomes of personal budgets in England. This situation is compromised by the fact that many local authorities are not yet routinely monitoring personal budget costs and outcomes.

Research is showing that personal budgets – like direct payments – will have initial set-up costs relating to local conditions, local authority readiness and leadership, local population profile and need. Time is also needed to review and re-engineer processes and the recovery of set-up costs may take several years.

Finally, a 2010 Audit Commission survey into the financial management aspects of personal budgets suggested that 'councils should not expect to achieve large cost savings through personal budgets' alone (Audit Commission, 2010, p 21).

Introduction

This report focuses on the potential for personalisation, particularly the mechanism of self-directed support and personal budgets, to result in cost-efficiencies and improved productivity as well as improved care and support, resulting in greater independence and better outcomes for people's lives. It provides an overview of some emerging evidence for efficiency from the implementation of personalisation so far, to inform the next stage of delivery.

Reform of social care and personalisation is part of the coalition agreement, which states that:

- we understand the urgency of reforming the system of social care to provide much more control to individuals and their carers
- we will break down barriers between health and social care funding to incentivise preventative action
- we will extend the greater roll-out of personal budgets to give people and their carers more control and purchasing powers.

A vision for adult social care: Capable communities and active citizens sets out seven key principles for a modern system of social care:

- Prevention
- Personalisation
- Partnership
- Plurality
- Protection
- Productivity
- People.

The part of the vision for 'productivity, quality and innovation' acknowledges that:

... high quality assessment and care management services are central to providing person-centred social care services. But inefficient, unnecessary processes remain. We expect councils to show that they have reduced unnecessary management costs in their assessment and care management and redirected it to funding more care and support. (DH, 2010a, p 32)

The supporting sector partnership agreement, *Think local, act personal*, explains how the social care sector can deliver the vision. The proposed agreement restates the commitment to personal budgets and emphasises the need for efficient delivery:

... Those who are eligible for ongoing council support, will receive this by way of a personal budget, with **direct payments as the preferred delivery model for most**. Successful personalisation of social care will require increasingly efficient delivery, with further attention to important elements of council operating systems, and a strong focus on workforce development. (DH, 2010b, p 4)

Methodology

See the Appendix for a summary of the scoping report, which provides a brief methodological account. The main focus was the efficiency and effectiveness of self-directed support and personal budgets (including direct payments).

Because this work needed to be timely, there were restrictions on the scoping, searching, selection and retrieval methods used. This means that the evidence used for this overview has not been subject to the Social Care Institute for Excellence's (SCIE) usual research quality assessment and selection processes. However, attention has been paid to the quality and applicability of the research selected for this overview, but these important limitations need to be noted.

Key themes addressed

This report aims to explore the following themes and questions:

- **Business processes:** Could self-directed support deliver efficiencies in the business processes in councils?
- **Impact on costs in the market:** Is there evidence that costs increase or decrease when people buy individually? Could individuals buy support at a lower cost than councils – for example, by employing personal assistants or buying at a lower rate from an agency? Is there any evidence that costs increase by losing economies of scale? How do costs compare when support is arranged individually rather than shared across groups or populations?
- **External support planning and brokerage:** When people get support from peers, user-led organisations and providers, could this result in more creative support arrangements, increased take-up of direct payments and reduced reliance on conventional social services?
- **Building community capacity:** Could self-directed support help people to make use of informal support such as family, neighbours, volunteers and live-in support tenants? Could reducing social isolation through building links with local communities also reduce the need for paid support?
- **Preventing admissions:** Could self-directed support in itself help to prevent people's needs escalating and avoid crisis admissions to hospital, residential care, specialist out-of-area placements and other high cost services?
- **Other strategic approaches:** Can other strategic approaches to adult social care personalisation and transformation (such as equipment, adaptations, reablement and better use of housing opportunities) have the potential to reduce the need for intensive support?
- **Cost and efficiency evidence from direct payments and personal budgets:** What can be learned from implementation in England so far?

Types and quality of evidence identified

The overall quality of the evidence on efficiency and personalisation identified in the scope was relatively underdeveloped, fragmented and inconclusive. It is likely that this is due to the fact that national policy has only been widely implemented over the past two years, with some councils having been 'early adopters' (particularly of the In Control model of self-directed support which was piloted in 17 local authorities over the period 2003–07; see Poll et al, 2006; Poll and Duffy, 2008) and others making much slower progress (ADASS and LGA, 2010). However, it is likely that more robust data and evidence will emerge as the longer-term impact of personalisation reforms becomes clearer.

Most of the studies and surveys examining financial and efficiency issues focus on the earlier direct payments model. The scope yielded several significant more recent Care Services Efficiency Delivery (CSED) evaluations. Very few of the identified surveys or case studies on local authorities or the voluntary sector included comparative cost or efficiency savings information on any of the overview themes.

Individual budgets, which were piloted in 13 sites in England between 2006 and 2008, aimed to integrate several funding streams into a single budget so that people could have greater choice and control over the design and purchase of their care and support. The formal evaluation, known as the Individual Budgets Evaluation Network (IBSEN) study, forms the most robust piece of research into the potential for a personal budget to enhance choice and control for people who use adult social care and support. The study also investigated the potential for cost-effectiveness and efficiency.

SCIE scoping and searching found no significant UK empirical or longitudinal studies or evaluations on personalisation and personal budgets published in peer-reviewed journals or as reports additional to the original IBSEN study. Very little quantitative data was available. Published progress reports outlining local authority efficiency savings resulting from the implementation of personalisation were lacking. The majority of evidence on the impact of internal local authority business process and workforce restructure comes from 'early adopters' of personal budgets – mainly sites operating the In Control model. These local authorities are evidencing change and effectiveness (in terms of better outcomes for service users, carers and families) but no robust cost impact evaluations appear to have been published.

Although some research reviews were found during the scope, none of them were systematic reviews. The majority of studies and evaluations were qualitative and focused on service user and carer satisfaction and improved outcomes for self-directed support and personal budgets. The IBSEN study was described as 'randomised', but the method of randomisation was unclear, and may have been compromised by drop-outs from the control group at a later stage (as consent was sought after 'randomisation'). Another limitation of available research was the short period of follow-up (six months, in the case of IBSEN), making it difficult to observe full implementation in some cases, and the sustainability of outcomes and costs in all cases.

The majority of personal budget studies were of local authority pilots with specific local conditions or including particular user groups (such as those in the In Control pilots), so the scope to generalise about any efficiency findings is limited. After our scoping exercise had been concluded, another survey report by the Audit Commission was published, which gives some further information about the financial aspects of personal budgets and the impact of process reform in a sample of local authorities.

Some indication about potential efficiencies and effectiveness is emerging from the voluntary sector, although the evidence is based largely on surveys and case studies. However, the voluntary sector-generated research gives indications about service delivery, commissioning, market development and community capacity building.

There is additional evidence from policy initiatives related to the implementation of personalisation, which indicates how other strategic approaches might affect the overall efficiency and effectiveness of personalisation: the Office for Disability Issues (ODI) Independent Living Strategy and the Department of Health/Personal Social Services Research Unit (PSSRU) Partnership for Older People Projects (POPPs) evaluation are two examples.

Overall it appears that it is too early, and there is not enough robust data available, to make conclusive evidence-based decisions on whether personalisation (specifically self-directed support and personal budgets) has delivered efficiency savings and reduced costs. However, there is some evidence to suggest that self-directed support and personal budgets could lead to improved outcomes for the same cost if implemented efficiently and effectively. The emerging evidence identified by the scope for this report suggests some areas for potential efficiency savings without compromising effectiveness. There are some useful examples of emerging practice which illustrate the levers there may be to accelerate cost-effectiveness in personalisation.

Report findings

Efficiency, effectiveness and personalisation: context and definition

For the purposes of this review the term 'efficiency' encompasses issues of cost reduction, cost neutrality and waste reduction ('efficiency gains' are achieved where costs are reduced and outcomes maintained or improved). A service can be described as offering 'value for money' where there is an optimum balance between three factors – relatively low cost (relative to previous costs), high productivity (evidenced by improved outcomes for individuals, or similar outcomes for more individuals) and successful person-centred outcomes.

Independent living is a stated goal of personalisation, with self-directed support, personal budgets and direct payments being key mechanisms in community-based adult social care and support (Carr, 2010). Investment in support for independent living across all eligible service user groups has been evidenced by the ODI as having a positive economic impact on individual, service and macro levels (Hurstfield et al, 2007).

Service, support and system effectiveness can also be determined by the degree to which people are being supported independently and the extent to which the support enables carers to have a life outside the caring role (DH, 2010a). Cost reduction which is not linked to sustained or improved user (and potentially carer) outcomes cannot be seen as an efficient way to approach personalisation:

Crucial to all this discussion is the improvement in outcomes/quality of life that greater personalisation appears to achieve. At worst, this way of working seems to be able to achieve better outcomes for the same money – and this is a major achievement by itself ... it is important not to lose sight of the additional choice and control inherent in the personalisation agenda. (Glasby et al, 2010, p 50)

This vital point is echoed in the Association of Directors of Adult Social Services (ADASS) and Local Government Association (LGA) paper on outcome-based performance measurement, *Personal budgets – Checking the results*, which states that:

It is essential for councils to check that personal budgets are authentic – that they are actually resulting in greater choice and control for individuals. (ADASS and LGA, 2010, p 1)

Business processes

It seems that the personalisation agenda is stimulating review and change in business processes. This appears to have reliable potential to generate efficiency savings and improve productivity.

In their 2006 local authority survey of the cost-efficient implementation of direct payments, the Audit Commission concluded that:

In the services we examined we found that, properly introduced and under the right conditions, choice can produce higher-quality and more efficient services. When choice is introduced inefficiently, it can add to costs and reduce value for money. (Audit Commission, 2006, p 2)

This finding is being borne out in emerging evidence on the transformation of business processes to implement self-directed support and personal budgets. However, much of the reform work has been supported by the Social Care Transformation Grant, for which there were no audit requirements. An ADASS and LGA survey of local authorities showed that in the first year the Grant was spent on changes to care management, internal process development and dedicated project teams (ADASS and LGA, 2009). The Audit Commission survey suggested that 'some councils did not spend the first year of grant money, as they did not have project teams in place' (Audit Commission, 2010, p 5).

The three-year review of the Total Transformation process in Hartlepool (an In Control 'early adopter' local authority), which is credited with advanced adult social care transformation and integrated self-directed support, indicates that self-directed support may be more efficient than traditional systems because it can target resources more accurately:

... the case is made not that SDS [self-directed support] saves the Authority any money or that it is a means to (on its own) bringing an overcommitted budget into line. Rather the argument is that, if done thoroughly and systematically, SDS is less wasteful than traditional systems, that it targets money more effectively and more directly to those citizens and communities where it can have most effect, and that – when set alongside the improved outcomes – it provides better value for taxpayer's money. (Tyson, 2009, p 17)

A recent Department of Health report looking at emerging practice around improving productivity through adult social care personalisation and transformation concluded that business processes should be simplified:

In the early stages of implementation, self-directed support has often been "bolted on" to existing systems and processes in a way that has created inefficiencies. The mainstreaming of personal budgets now offers an opportunity for a more thorough overhaul, including the introduction of new operating models that address the whole "customer journey" from the point where people first approach councils for help, and make best use of the resources and expertise in the community. (PPF, 2010b)

The CSED programme identified process improvement as vital for efficiency, service quality and staff satisfaction (CSED, 2009a). With the significant contribution of the CSED programme, which supported the efficient implementation of personalisation, evidence on local authority business processes and efficiency is becoming stronger in the areas of:

- access management
- proportionate auditing of direct payments and personal budgets
- improved use of IT systems.

Access management

Efficiency can be improved if potential and existing service users and carers have a single point of access to local authority social care and support service teams, with streamlined processes. The 2007 CSED access management model 'streamlines the process by increasing the functionality offered at point of contact, reducing hand-offs and focusing social work effort in locality teams on complex cases.... Depending on where Councils are in the process of streamlining access, this initiative can realise savings of over £400,000 a year' (CSED, 2007a, p 1).

Further CSED work suggests that if a council moves from having six locality teams, each providing a duty function (costing £812,000), to one dedicated access team (costing £420,000), this could result in savings of £392,000 (CSED, 2009b).

Proportionate auditing of direct payments and personal budgets

Disproportionate auditing of direct payments and personal budgets has shown to result in inefficient use of resources, particularly qualified frontline staff time (Audit Commission, 2010; Rowlett and Deighton, 2009; Stainton et al, 2009; Tyson, 2009). Both Hartlepool and Lincolnshire have evidenced the efficiency impact of introducing a simplified, 'lighter touch' auditing for direct payments and personal budgets, with the Lincolnshire case study giving an indication of cost savings achieved when bureaucracy is reduced.

Lincolnshire employed a corporate risk management approach to support the development of a simplified, flexible approach to direct payments. Inaccurate perception of risk of fraud and misallocation had resulted in 'an unworkable system' which resulted in 'staff resources [being] spent carrying out audits and attempting to resolve the issues raised by them' (Rowlett and Deighton, 2009, p 135). Following a review of the system, the key process changes and improvements were made:

- ... new direct payments team to bring together an improved operational and development capability
- replacing the cumbersome audit process with a lighter touch, proportionate finance check
- reducing the frequency of checks by 95 per cent (down from quarterly checks on 100 per cent of individuals to annual checks on 10 per cent)
- allowing all parties if concerned to request a finance check if concerned
- introducing an annual, simple, bank balance check on 100 per cent of individuals
- creating a tool to calculate amounts of direct payments and generating the required forms populated with the necessary data. (Rowlett and Deighton, 2009, p 135)

As a result of the introduction of the new system resulting from the corporate risk management consultation exercise, the Council reports that in the following financial year:

... cashable savings of £130,000 were made. In addition, over £77,000 non-cashable savings were achieved, calculated from the estimated time saved by care managers not having to waste time following up high volumes of unhelpful audit reports. (Rowlett and Deighton, 2009, p 141)

Hartlepool has successfully embedded self-directed support and also reported greater efficiencies in the administration of direct payments and personal budgets by reducing bureaucracy (Tyson, 2009).

Based on their survey findings on the financial management aspects of personal budgets, the Audit Commission recommend that:

Councils are responsible for securing value for money and ensuring that personal budget holders make the best use of available resources. To assess value for money, councils will need to measure outcomes. There will also need to be proportionate monitoring and mitigation of risk while still allowing the innovation that will lead to the benefits that personal budgets bring. (Audit Commission, 2010, p 42)

Improved use of IT systems

The Regional Improvement and Efficiency Partnerships (RIEPs) indicated that better use of IT systems in local authority transformation could result in efficiencies for procurement (RIEPs, 2010). The importance of effective IT for care management and finance for the efficient implementation of personal budgets is being evidenced (Audit Commission, 2010). The Department of Health made a capital grant of £30 million to local authorities that is being used in many cases to upgrade IT systems to develop more effective infrastructure and efficient processes (PPF Consortium, 2010a).

CSED have identified efficiencies and service improvements 'through separating social work activity from care placement activity and maximising electronic communication for managing the placement of care packages' (CSED, 2009c, p 1). Elsewhere CSED have recommended that efficiencies and service improvements could be achieved by 'maximising electronic communication for managing placement of care packages' (CSED, 2007c, p 1).

The CSED projection about efficiency savings from web-based commissioning has been explored by the North East Improvement and Efficiency Partnership's Social Care eCommerce project. This projected the following overall savings if the 'shop4support' eMarketplace for health and social care and support was introduced in Newcastle:

... the overall Newcastle market will accrue annual administrative benefits and efficiencies of £2.1m (of which £1.7m should be cashable) through the deployment of shop4support or similar eCommerce model compared to a future

scenario. The cashable efficiency equates to 5.9 per cent of the assumed annual commissioning spend and 3.7 per cent of the assumed total annual budget. (North East Improvement and Efficiency Partnership, 2009, p 25)

Impact on costs in the market

There is increasing evidence from the independent provider sector and from micro services that local authority commissioning practice is not yet facilitating the type of market development and diversification needed for personal budgets to be used effectively and efficiently (NAAPS, 2009; Dayson, 2010; IPC, 2010; Macmillan, 2010; VODG and IPC, 2010).

The voluntary sector is providing some evidence on providing efficient and cost-effective services for people using a personal budget, but there can be commissioning issues and behaviour which make it difficult for local voluntary or community services to enter or maintain their place in the market (NAAPS, 2009; Dayson, 2010; DH, 2010e; VODG and IPC, 2010). Therefore the potential for efficiencies, cost savings and improved outcomes as a result of personalisation may not yet be realised because of current commissioning practice (DH, 2009a). The National Market Development Forum has published a series of briefing papers that discuss these issues (NMDF, 2010).

There is some evidence to suggest that if people have choice and control over their care and support, most commonly through the use of direct payments and personal budgets, then this can result in efficiencies such as waste and overhead cost reduction, improved value for money and better outcomes for both service users and carers (Hurstfield et al, 2007; Glendinning et al, 2008; Bartlett, 2009; Tyson, 2009; OPM, 2010; Wood, 2010). However, it is difficult to separate out the effects of individual client choices from the effects of system overhaul to reduce inefficiencies and bureaucratic process.

The 2006 Audit Commission's report on direct payments and the costs and benefits of choice said that 'the key determinant of any potential savings is the trade-off between the price set by local authorities for direct payments and the additional costs of providing them. The critical variables are the number of clients using direct payments and the average number of hours in direct payment care packages' (Audit Commission, 2006, p 49). The Audit Commission's 2010 survey on personal budgets said that 'councils should not expect to achieve large cost savings from personal budgets, but self directed support may allow savings in individual, high-cost cases where commissioning has previously been poor' (Audit Commission, 2010, p 7).

Recent research findings on direct payments show that more creative and flexible use of funds can result in 'an increase in hours per pound when compared with LA [local authority] or independent agencies' (Stainton et al, 2009, p 169). Further, the research showed that:

Agencies charged 75 per cent of the hourly rate for 30 minutes of care, while in a DP [direct payment] regime there is usually a direct relation between hours worked and payment. The flexibility of DP also generally allows care to be more

closely tailored to fluctuating needs, hence increasing efficiency. (Stainton et al, 2009, p 169)

Similar findings on the cost reduction for home care through direct payments come from an older 2005 Richmond upon Thames case study, which found that:

Based on the local authority's own assessment, its costs were estimated at £12.21 (excluding council administrative costs) for agency home care provision, compared to £10.14 per hour under Direct Payments. Overall Direct Payments were estimated to reduce costs by around 17 per cent of the conventional service costs. Moreover, the local authority's report pointed out that the agency home care fees were set to rise to £12.95 an hour, which would raise the borough's overall savings from Direct Payments to an estimated 23 per cent. (quoted in Hurstfield et al, 2007, p 40)

The efficiency issues associated with traditional 'time and task' models of home care provision can be addressed through the innovative use of personal budgets and greater degrees of user choice and control (Resolution Foundation, 2008). The Confederation of British Industry (CBI) and the LGA have reported that outcome-based, user-directed, flexible approaches to commissioning services, rather than rigid 'time and task' service models, can result on greater efficiency. Using a Lancashire County Council and Care UK pilot as a case example, they report that:

The initial feedback was extremely positive.... Lancashire is now able to buy care in a more efficient way, which gives value for money. As service delivery is no longer time/task based, citizens are getting more direct care time, as spare time after key outcomes have been met is now "banked". This spare time, rather than being lost, can now be used by service users to meet additional personal outcomes or transferred to other service users where a review indicates that the time allocation can be reduced. (CBI and LGA, 2009, p 18)

CSED's evaluation of electronic monitoring and scheduling of home care showed that 'the implementation of an automated system for the monitoring and scheduling of time spent by home care workers providing care to services users' could result in the following efficiencies:

- eradicates laborious manual checking of time sheets by managers
- automates invoices and payments, improving cash flow and reducing provider costs
- gives options to reduce service volumes and costs, or purchase or provide more service for the same cost
- benefits lead to improved reliability and quality of service, with more accountability and flexibility for service users. (adapted from CSED, 2008, p 2)

Further evaluation has shown that electronic monitoring can provide the 'ability for authorities to pay providers on actual care delivered – authorities are achieving 5-8 per cent cashable savings on independent sector homecare spend' (Downing, 2008, p 1).

However, service users' ability to use their personal budgets to purchase better value care and support can be limited by their local social care and support market as well as their personal budget amount. The Office for Public Management's (OPM) survey of personal budget users in Essex showed that 'service users and their relatives tended to feel they had limited purchasing power within the market for social care services because the rates being charged by many companies were higher than their personal budget enabled them to spend' (OPM, 2010, p 5). There have been similar findings for direct payments (Audit Commission, 2006; Davey et al, 2007).

External support planning and brokerage

External support planning and brokerage, particularly that by user-led organisations and centres for independent living, are regarded as a crucial element for the effective implementation of self-directed support and personal budgets (Davey et al, 2007). Access to external support planning and brokerage is important for operationalising personal budgets for people who may not be confident or have support from family and friends (OPM, 2010).

A Welsh study of two Independent Living Support (direct payments plus support from a user-led organisation) schemes showed that for disabled people, a reduction in on-costs to the local authority could be achieved for information sharing, training and ongoing user support (Stainton et al, 2009). Findings from the IBSEN study showed that future efficiencies could possibly be realised 'when people manage their own support planning or go to external agencies this is at least theoretically less demand on care managers' time ... this might therefore provide an opportunity to use existing resources to support a wider group of people or to provide more tailored support in preventative activities or high-risk situations' (Jones and Netten, 2010, p 57).

CSED research shows that councils can achieve efficiencies in the brokerage process – for example, by separating the frontline activity of qualified social workers from office-based administrative care placement activity. They estimated that a brokerage team of non-social work staff to resource care plans and manage contracts could result in savings of up to £291,000 (CSED, 2007b).

Further key points were as follows:

- Specially trained staff are more productive than care managers in managing provider bookings and updates to the care record system and finance. This frees up care managers' time and also results in:
 - > Speedier initiation of care
 - > Increased data accuracy; reduced finance queries.
- There are potential salary savings based on the increased productivity of brokers, and these benefits are enhanced if they are paid on a lower scale than care managers. In addition, brokers can exert downward pressure on prices, avoid charges from delayed discharge and reduce voids (so that each place is offset by income and, over time, the number of block places may even reduce).

- Further savings may come from process/technology improvements (such as web-based commissioning).
- The impact of Direct Payments/Individual Budgets on the care market is likely to be significant, and brokerage can play a key role in managing the changes. (CSED, 2007b, p 1)

Building community capacity

The self-directed support approach was designed to recognise and support a person's informal support networks such as family and friends, neighbours and volunteers (DH, 2010a, 2010b). Evidence is beginning to show that people who hold personal budgets are using them to increase participation and activity in their communities, reducing social isolation through building links with local people, organisations, universal services, education, training and employment, to promote independent living (Bartlett, 2009; Audit Commission, 2010; OPM, 2010; Wood, 2010). The Audit Commission survey on personal budgets found that 'research participants used personal budgets to improve housing, stimulate the local economy, strengthen the role of voluntary organisations and help people into employment' (Audit Commission, 2010, p 17). Greater involvement with and access to community networks and support is being shown as having a preventative effect (Raynes et al, 2006; VODG and IPC, 2010), and the idea of pooling personal budgets to fund community-based support enterprise is being explored (DH, 2009b; Fox, 2010).

Clearer evidence is appearing about the economic benefits of certain approaches to building community capacity (DH, 2010c). A recent study 'calculated the costs of three particular community initiatives – time banks, befriending and community navigators for people with debt or benefits problems – and found that each generated net economic benefits in quite a short time period' (Knapp et al, 2010, p 7).

Co-production

The co-production model of care and support recognises people who use services and carers as having assets and expertise that should be valued (DH, 2010d). Co-production means moving away from 'doing the same thing, only trying to do it more cheaply', towards sustainable public services that 'prevent needs arising and provide better outcomes' (Boyle and Harris, 2010, p 9). There have been tentative suggestions that co-productive initiatives have the potential to be cost-effective and release previously uncaptured resources, if implemented properly (Needham and Carr, 2009):

Independent evaluation of the KeyRing project found that it delivered support cost-effectively. According to Bartnik and Chalmers, multiple evaluations of the Local Area Coordination schemes have shown value for money as well as high levels of satisfaction from the people who use services. The potential for co-production to access assets that were previously uncaptured and may have been underused, means that it may be more cost-effective than traditional approaches to service delivery. However, some authors have cautioned against using co-production simply as a way to deliver services on the cheap. (Needham and Carr, 2009, p 13)

Local Area Coordination

Local Area Coordination was developed in Queensland, Australia, to address the needs of disabled people and their families who live in remote areas, and has been introduced into parts of Scotland (Stalker et al, 2007). Local Area Coordination schemes are designed to increase independence and self-sufficiency/self-esteem through developing and maintaining formal and informal community networks. Through the use of local area coordinators who work across service boundaries, the aim is to support the full participation of older people and people with disabilities in community life by enhancing, developing and coordinating relevant supportive networks and building capacity in the local community (Hudson, 2010).

A detailed review of the Australian and Scottish evidence base on Local Area Coordination and neighbourhood development for the North East Improvement and Efficiency Partnership (Hudson, 2010) showed that cost-effectiveness could be potentially achieved through the following:

- influenced the balance of care – lower use of residential care
- secured cost per person at a third less than conventional services by using lower level supports and preventing crises
- prevented people having to move to access services.

However, a cost-benefit analysis of introducing Local Area Coordination in Darlington concluded that the cost-effectiveness of Local Area Coordination approaches may be context-specific and that there may be other locally appropriate ways of achieving similar outcomes:

LAC [Local Area Coordination] delivers positive outcomes for individuals, families, communities and agencies. However, it is not the only service model that can deliver these outcomes and there is a lack of robust evidence from existing LAC services to demonstrate that it is an especially cost-effective way of delivering these outcomes. (Appleton et al, 2010, p 59)

KeyRing Living Support Networks

KeyRing Living Support Networks (initially for people with learning disabilities) have been evidenced as being very cost-effective by CSED:

Living Support Networks (LSNs) are networks of people who need some support to live safe and fulfilling lives in the community. Each LSN aims to stimulate mutual support by members and a volunteer helps each member to realise their full potential by using their talents to the full.

KeyRing is a charity that has facilitated LSNs since 1990. Currently, it supports around 900 people in LSNs in 54 separate local authority areas throughout England and Wales. Initially KeyRing focused on adults with learning disabilities, but since 2006, membership has gradually extended to other client groups. CSED felt LSNs were potentially very cost effective as they:

- Use the time and skills of a volunteer and of the individual members rather than being overly reliant on expensive professional staff.
- Facilitate access to universal services rather than costly specialist day services.
- Encourage members to develop their skills and confidence by encouraging them to do things for themselves rather than be dependent on support. Often this leads to additional (to KeyRing) specialist support being reduced/withdrawn over time. (CSED, 2009e, p 2)

According to cost evaluations, 'KeyRing have calculated that their model can equate to around 25 per cent sustainable savings over alternative models depending on geographical area and if the Network is running at full capacity. For example, CSED studied a network in a market town that had an annual running cost of £38,090. Alternative support would have cost £55,430, a net saving of £17,340 or 31 per cent' (VODG and IPC, 2010, p 21).

Support Related Housing

CSED indicate several instances in which various models of Support Related Housing for people with different support needs can result in efficiencies, if commissioned on an integrated service model between housing, health and social care. The Support Related Housing model is noted as being consistent with the aims of personalisation:

Support Related Housing is central to improving efficiency across the wider housing, health and social care system as it:

- Often costs less and nearly always gets better outcomes than the less flexible traditional residential models.
- Reduces dependency levels and therefore the associated care and support costs in the long-term, at the same time as it enables greater independence.
- Facilitates more personalised services as the support is flexible and can be varied over time as the needs of people change over time. This personalises support and is inherently more efficient as support is right sized, and
- Is associated with lower rates of offending, higher rates of employment, improved mental health and lower levels of health inequality. (CSED, 2009d, p 6)

Further, CSED demonstrated the following cost-efficiencies for different service user groups in these case studies:

Case study name	Case study description	Client group	Efficiency gains identified
1. Hestia	Dispersed supported housing for women with chaotic lives	Women with chaotic lives	Annual savings of £120,000 or an average of £12,000 per person
2. Shore Green	Extra care housing scheme for people with advanced dementia	Older people (dementia)	Comparable care costs, NHS savings and better outcomes
3. Next Step	Layered support to resettle clients with enduring mental illness	Male mental health	Annual savings of £444,000 or an average of £12,000 per person
4. SMaRT	Technology-enabled approach providing 24/7 housing-related support including crisis response	All adult client groups	£300,000 by replacing night staff, £275,000 from floating support costs plus significant hospital and residential care savings
5. Ponders Bridge	'Step Down' scheme for adults in mental health hospital/out-of-area places	Mental health	Annual savings of £222,000 or an average of £18,000 per person
6. Modern Floating Support	Technology-enabled approach that has lowered the unit cost of floating support in Lambeth	All client groups including older people	Lowered the hourly unit cost of floating support by 6 per cent, saving around £61,000 pa
7. Holling-side	A supported housing alternative to residential care	Learning disabled	Annual savings of £75,000 or an average of £12,000 per person
8. St Stephens	'Step Down' scheme for adults in mental health hospital/out-of-area places	Mental health	Annual savings of £176,000 or an average of £22,000 per person
9. Hospital discharge	Service to eliminate housing as a cause of delayed discharges	Older people	Annual savings of £420,000 or an average of £53,000 per person
10. Living Support Networks	Facilitation of a peer support/ self-help network by the KeyRing Charity	All adult client groups	This scheme 'levers' new resources into the system, eg volunteers' time

Source: CSED (2009d, p 5)

MacIntyre

Changes from traditional day centre approaches for people with learning disabilities towards smaller community hubs providing personalised activities and learning opportunities have resulted in reported efficiency savings:

MacIntyre have been able to make efficiency savings of £100,000 a year. These have come from a variety of sources including through personalised contracts so that there are no longer big contracts with one or two suppliers, and by re-defining staffing roles and structures. These savings are then reinvested in the service. Reinvesting money saved from efficiency savings has provided an added incentive to work as efficiently as possible. The commitment and financial investment from both commissioner and provider and a transparent relationship has created a sound environment for transforming service provision. (VODG and IPC, 2010, p 24)

Shared Lives

Improvement and Efficiency South East (IESE) and the National Association of Adult Placement Services (NAAPS) conducted an evaluation of the Shared Lives initiative (this used to be known as Adult Placement) which found that the model could be cost-effective and result in improved outcomes (NAAPS and IESE, 2009). Although it was difficult to do an accurate cost comparison, the findings indicate the Shared Lives schemes could offer value for money by delivering high quality person-centred support at a relatively low price. Greatest savings were found to be for people with learning disabilities in long-term arrangements. In terms of a longer-term five-year return on investment, the projected figures were:

- Where an existing scheme is able to expand to provide ten new long-term placements, it will generate savings per annum per scheme of between £23,400 (if all placements are for older people) and £517,400 (if all placements are for people with learning disabilities).
- To develop a new scheme that could support 85 service users would require investment of £620,000 for staffing over a five year period. Over the same period it could generate savings of up to £12,988,000 by reducing the need for costlier alternatives. (NAAPS and IESE, 2009, p 19)

Preventing admissions

More broadly, the use of personalised and 'low level' community-based approaches to integrated adult social care and support can result in crisis prevention and avoiding admission to hospital or residential care, particularly for older people (Raynes et al, 2006; PSSRU, 2008; DH, 2009b). This can result in improvements to productivity in adult social care. The way people use personal budgets can be preventative, particularly in mental health (Spandler and Vick, 2006; Glendinning et al, 2008), thereby reducing health crises or hospital admissions that can result in savings to health. However, cost savings to health are not necessarily registered by or shared with local authorities (Audit Commission, 2009, 2010; Carr and Robbins, 2009).

The following extract from the 2009 *SCIE Research briefing 20* (Carr and Robbins, 2009) makes some key points on savings gained by health from some of the research up until 2008 (this also includes research on direct payments):

What research is beginning to indicate is that personal budget schemes from social care funding may have the potential to produce savings for health, but that it can be challenging for social care to achieve the flexibility with health funding necessary to meet the support needs of individuals, particularly Continuing Healthcare for those with complex needs. If this is the case action may be needed to ensure that funding structures and budgets reflect this dynamic and central government may have a strategic role to play here.

The IBSEN study, the In Control evaluation and the Commission for Social Care Inspection have revealed that there were significant challenges in aligning and integrating funding streams within existing regulatory frameworks. Particular barriers were identified for NHS funding. This is found to impact especially on people with mental health problems and may also have implications for older people. In Control reported that “a disparity of funding levels [between health and social care] ... prevented three people [with learning disabilities living in a hospital setting] from moving into the community”. (Carr and Robbins, 2009, p 15)

Partnerships for Older People Projects (POPPs)

A major piece of research that demonstrated some cost savings and improved productivity as part of a broader approach to transformation and personalisation was the two-year National Evaluation of POPPs. This provides evidence about how integrated person-centred services can promote the independence and health of older people as well as prevent or delay the need for hospital admission, higher intensity or institutional care. The focus was on a wide range of local projects, from low level voluntary sector community-based services to formal hospital discharge schemes in 29 local authorities:

- The reduction in hospital emergency bed days resulted in considerable savings, to the extent that for every extra £1 spent on the POPP services, there has been approximately a £1.20 additional benefit in savings on emergency bed days.
- Overnight hospital stays were reduced by 47 per cent and use of A&E [Accident and Emergency] by 29 per cent. Reductions were also seen in physiotherapy/occupational therapy and clinic and outpatient appointments with a total cost reduction of £2,166 per person.
- One operational example concerns those projects focused on improving well-being through the provision of practical help, small housing repairs, gardening, limited assistive technology or shopping [all of which could be purchased using a personal budget]. For an extra spend of £5,000 per person – £96.15 per week – there is a 98 per cent probability that such projects are cost effective compared with “usual care”. (PSSRU, 2008, pp 1, 7)

The POPPs research recommendations include a health and social care financial system reform so that cashable savings from prevention and early intervention can be realised:

... their cost effectiveness cannot be fully realised unless cashable savings can be released and re-invested in such projects ... some degree of financial systems reform is likely to be necessary to support the decommissioning of services in one part of health and local government alongside the re-investment of resources elsewhere. (PSSRU, 2008, p 10)

This is consistent with recommendations about the cost-effectiveness and efficiency gains from joint financing and resource sharing between health and social care from elsewhere (Audit Commission, 2009; DH, 2010a).

Other strategic approaches

The Audit Commission report on financial aspects of personal budgets showed that local authorities that were further along the process of personal budget implementation recognised the fact that savings could come from wider strategic and efficient integrated working:

Councils responding to our research do not expect personal budgets to contribute to their plans for cost savings. Councils with developed forecasts expect savings to come from other areas of Putting People First, such as prevention, early intervention and enablement, rather than from personal budgets. They agree with the Department of Health view that personal budgets will be cost neutral. (Audit Commission, 2010, p 15)

Studies are showing the potential of telecare, reablement, assistive technology and adaptations and equipment to result in cost-effectiveness, to promote independent living and better outcomes for service users and carers (Heywood and Turner, 2007; Beech and Roberts, 2008; DH, 2009b; VODG and IPC, 2010), although the aim of cost saving needs to be balanced with quality and determined by user outcomes (Glendinning et al, 2006). As discussed above, the POPPs evaluation demonstrated the potential savings gained from an integrated, preventative approach to health and independent living for older people that included the use of assistive technology and reablement (PSSRU, 2008).

Telecare

CSED's evaluation of implementing an integrated telecare model to achieve efficiencies concluded that it could deliver benefits in terms of cost and outcomes if integrated across the whole of a council's adult care system. The CSED report (2009f) gives the following best practice examples that show cost savings:

North Yorkshire County Council [NYCC]

- NYCC has introduced telecare support for everybody needing Adult and Community Services support, as part of the range of mainstream personalised solutions designed to suit each individual's circumstances.
- In Sept 2008, analysis of 132 new users of telecare highlighted an average efficiency of £3,600 per person per year, a 38 per cent reduction in care costs.
- In the first year of the programme, NYCC saved over £1 million that would otherwise have been spent on domiciliary or residential care.
- In August 2009, NYCC had 12,265 telecare users.

Essex County Council

- Essex County Council has allocated £4m to telecare equipment and support in its budget for 2009-2010.
- The council offers new users aged 85 and older a completely free telecare service for one year, covering installation, equipment and a careline connection.
- The service is being made available to these older residents without reference to other eligibility criteria, and a full evaluation of its impact is planned.
- Initial indications show for every £1 spent on telecare, £3.82 has been saved on traditional care. (CSED, 2009f, p 2)

Home care reablement

A 2007 CSED and SPRU retrospective longitudinal study of home care reablement for older people provides some emerging data concerning the efficiency and effectiveness of this type of support (CSED and SPRU, 2007). The findings showed that in three of the four schemes:

- 53 per cent–68 per cent left reablement, requiring no immediate home care package
- 36 per cent–48 per cent continued to require no home care package two years after reablement
- in the fourth service, that operated on a selective basis, the results were significantly higher.

Of those who required a home care package within the two years after reablement:

- 34 per cent–54 per cent had maintained or reduced their home care package two years after reablement
- in the fourth service, that operated on a selective basis, the results were higher.

Of those aged under 65 years who required a home care package within two years after reablement:

- in three of the four schemes the number who had reduced their package was higher after 24 months than after three months
- this was even more noticeable in two of the schemes for those aged over 85.

Adaptations and equipment

An evidence review commissioned by the ODI on implications for health and social care budgets of investment in housing adaptations, improvements and equipment showed that savings could be made in several ways: saving the cost of residential care; reducing the cost of home care; saving through prevention of waste; and saving through better outcomes for the same expenditure (Heywood and Turner, 2007):

- For a seriously disabled wheelchair user, the cost of residential care is £700-£800 a week – £400,000 in 10 years. The provision of adaptation and equipment that enables someone to move out of a residential placement produces direct savings, normally within the first year. Home modifications can also help to prevent or defer entry into residential care for older people. One year's delay will save £26,000 per person, less the cost of the adaptation (average £6,000).
- A social services authority, by spending £37,000 on equipment, was able to achieve savings of £4,900 per week in respect of residential care for 10 people. The outlay was recouped in less than eight weeks.
- Adaptations that remove or reduce the need for daily visits pay for themselves in a time span ranging from a few months to three years and then produce annual savings. In the cases reviewed, annual savings varied from £1,200 to £29,000 a year.
- Delay was leading to more costly options. One person received 4.5 additional home care hours a week for 32 weeks at total cost of £1,440, when a door-widening adaptation costing £300 was delayed for seven months for lack of funding.
- One local authority spent £89,000 in one year on adaptations for applicants who, because of long delays, died before they could obtain any real benefit from them.
- The average cost of a disabled facilities grant (£6,000) pays for a stair-lift and level-access shower, a common package for older applicants. These items will last at least five years. The same expenditure would be enough to purchase the average home care package (6.5 hours per week) for just one year and three months. (adapted from Heywood and Turner, 2007)

Cost and efficiency evidence from direct payments

Most of the evidence on personalisation, efficiency and effectiveness comes from the various surveys and studies on direct payments, introduced in 1997. The University of Birmingham Health Services Management Centre (HSMC)/Institute of Applied Social Studies (IASS) research and policy review, *The case for social care reform – The wider economic and social benefits* (Glasby et al, 2010), reports that the initial and ongoing policy assumption was that direct payments should be at least cost-neutral, if not yield cost savings, when compared with traditional services. Early research into cost-efficiency concluded that direct payments for working-age physically disabled people

could be 30 per cent–40 per cent cheaper than services directly provided by the local authority (Zarb and Hadash, 1994).

However, 'despite these initial positive findings on outcomes and an increasing amount of literature on DP [direct payments], to date there have been few studies which have examined in any detail the costs associated with implementing and administering the schemes and the financial returns and other benefits that result' (Stainton et al, 2009).

The University of Birmingham review notes that more recent research suggests:

Direct payments enable a more effective use of scarce resources – but with opinion divided as to whether this actually reduces overall costs, or merely achieves better outcomes for the same amount of money (see Glasby and Littlechild, 2009, for more detailed discussion). In evidence submitted to the Wanless Review on the funding of older people's services, for example, Poole's (2006) analysis of direct payments and older people cites local evidence of potential savings, with one case study local authority reducing costs by around 17 per cent of direct service costs (p 11). Elsewhere, the Audit Commission (2006) has suggested that introducing choice can lead to higher quality services, increased control and greater user satisfaction, but that there is a trade-off to be made between start-up costs and any longer-term efficiency gains. (Glasby et al, 2010, p 48)

The recent study of two Welsh local authorities that jointly funded an Independent Living Support scheme (direct payments and a local user-led organisation to assist people using direct payments, mostly serving people with physical disabilities who were under the age of 65) concluded that:

This study ... can provide strong support for the emerging consensus in the literature that DP [direct payments], if implemented effectively, need not be any more costly than traditional services, and may over time prove to be less costly. (Stainton et al, 2009, p 170)

In summary, supported by the Independent Living Scheme, the DP [direct payments] schemes studied represent a substantial improvement over traditional arrangements from a cost and resource utilisation perspective. There is strong evidence to suggest that greater opportunity cost savings can be anticipated if schemes become more fully integrated into practice and procedures, when certain policy and procedural issues are addressed. (Stainton et al, 2009, p 171)

Overall, direct comparisons showed the 'DP [direct payment] was clearly less costly than in-house services ... the comparison with independent sector rates suggests that DP was roughly equivalent in cost to average independent sector rates' (Stainton et al, 2009, p 168).

However, the study also identified some important variables and procedural issues that influenced the capacity of the direct payments option to achieve additional cost savings and value for money based on improved user outcomes:

- Efficiency is greatly reduced and costs increased if people are required to use traditional services while waiting for direct payments to be set up
- if properly embedded and funded, the user-led organisation can reduce administrative and 'on-costs' (such as support package management, information and training for service users)
- proportionate auditing, with some record keeping administered by user-led organisations, supports increased efficiency
- a user's more flexible and creative use of funds and increased control over support can result in less staff time and resource wastage
- initial set-up needs to be intense, with care manager input reducing over time
- efficiencies are likely to be gained once direct payments are embedded and care managers have experience and skills
- tailored packages for individuals mean staff working allocated hours, thereby reducing waste.

The 2007 PSSRU UK direct payments survey gives some indications of efficiency and effectiveness of direct payments for different service user groups and different support packages (Davey et al, 2007). It supports the other research here, which shows that user-led organisations or centres for independent living are an essential part of the infrastructure to support the efficient and effective use of direct payments (Davey et al, 2007; Priestley et al, 2007). The findings indicate a wide variation in implementation and ongoing costs. Based on the percentage of community care budget spent on direct payments for each group compared with the percentage of users on direct payments, the survey showed that direct payments were cheaper for learning disability, slightly more expensive for physical and sensory disability and mixed for older people (no conclusive data was available for people with mental health problems). However, cost variables also depended on what was included in the direct payment (that is, start-up, contingency or support costs), which will have an impact on what a direct payments user can spend directly on support services.

The Audit Commission's 2006 *Choosing well* survey of direct payments deployment in 11 local authorities identified the following points for potential savings:

- In a cost-benefit analysis, these asserted costs and benefits would be compared. There would be good before-and-after management information that modelled how volume of business and planned efficiency gains would vary according to the volume of business and other factors.
- One local authority said that the difference in cost units between face-to-face contact, telephone contact and web-based contact was 40:15:1, but was unable to produce data to support the claim.
- The overall conclusion from the evidence of these three services is that costs and benefits are always present if greater choice is to be introduced, and these should be thoroughly assessed, but that local authorities lack the means of quantifying them. Greater choice can bring benefits to users in the form of higher-quality service. Local authorities will incur costs when providing more choice, although there is scope to reduce these, particularly through collaboration.

- Local authorities must determine that the benefits obtained through choice outweigh or justify the additional costs. (Audit Commission, 2006, p 53)

Finally, CSED's briefing on the cost-effective implementation of direct payments which is based on local authority experience shows that, to achieve cost-effectiveness and value for money:

- DPs [Direct payments] must be embraced as a core component of delivering support – not as an exception or incremental process – so that savings from traditional provision may be realised
- There will be initial costs associated with setting up or commissioning an effective DP Support Service (DPSS) and training staff in DP processes
- Once fully operational, DPs should be cost neutral. There may even be savings associated with no longer having to undertake the three-way reconciliation of purchase orders, timesheets and invoices and generate variable payments to providers. Instead, the Council will simply send a regular monthly payment to the customer.
- It is important to focus on cost control during the progressive move to a DP environment. This means:
 - > taking resources out of the traditional care provision process as the volumes decrease
 - > ensuring that any outsourced services (eg DPSS, payroll) are cost-effective
 - > considering a "light touch" audit and review of DP customers.

DPs should be measured by outcome as well as cost: simplistic comparisons of the price of an hour's delivered care are not appropriate. (adapted from CSED, 2007c, p 1)

Emerging cost evidence from personal budgets

A recent Audit Commission report on the financial management aspects of personal budgets, based on a survey carried out in 2009–10 with eight councils that are considered to be making good implementation progress, reports that:

- We asked all research participants whether they expected personal budgets to lead to cash savings. Some forecast small savings but none expected savings to be significant. Councils hoped to be able to allocate resources more equitably across care groups but there was no consensus about whether assessment and care management would be more or less costly. Where councils forecast and achieved small savings, they reinvested them into other areas of social care transformation, such as prevention and early intervention services.
- Research participants felt there may be cost savings in future years if personal budgets lead to better outcomes for personal budget holders, for instance, delaying a condition worsening. However, the savings associated with this would be difficult to identify or quantify, and might also be savings to the NHS rather than councils.
- Some research participants were able to give examples of reducing high-cost care packages. Better commissioning could have achieved the same savings.

In practice, it was the introduction of personal budgets that challenged previous arrangements and costs.

- The overall value for money implications of personal budgets cannot be assessed as the information required does not exist. (Audit Commission, 2010, p 31)

These findings indicate that local authorities are not yet measuring efficiency savings as a result of the introduction of personal budgets. However, lessons from Hartlepool's adult social care transformation indicate that this is vital for successful personal budget implementation:

... the monitoring of outcomes and costs is a crucial aspect of transformation programmes, to build local support and satisfy multiple stakeholders. (Tyson, 2009, p 17)

Implementation and projected efficiency savings

Despite the relatively short duration of the study, the detailed analysis on cost-effectiveness in the IBSEN evaluation of individual budgets indicated the following findings, including distinct findings for different user groups:

Given the short follow-up for people allocated to the IB [individual budgets] group and the delays in actual implementation – at the time of interview, some people did not have their support plans in place and for many others they had only been set up relatively recently – the findings are broadly encouraging for the new arrangements:

- Across all user groups combined there is some evidence that IBs are more cost effective in achieving overall social care outcomes, but no advantage in relation to psychological well-being.
- For people with learning disabilities, there is a cost-effectiveness advantage in terms of social care outcomes but only really when we exclude people without support plans in place from the analysis. In other words, the potential is there to achieve cost-effectiveness, but implementation delays in the pilot sites meant that we did not observe this during the evaluation period. When looking at the psychological well being outcome, standard care arrangements look slightly more cost-effective than IBs.
- Cost-effectiveness evidence in support of IBs is strongest for mental health service users, on both the outcome measures examined here.
- For older people, there is no sign of a cost-effectiveness advantage for either IBs or standard support arrangements using the social care outcomes measure. Using the GHQ [General Health Questionnaire] outcome measure, standard arrangements look marginally more cost-effective.
- There appear to be a small cost-effectiveness advantage for IB over standard support arrangements for younger physically disabled people using either of the outcome measures. (Glendinning et al, 2008, p 111)

The following extracts from the 2009 *SCIE Research briefing 20* (Carr and Robbins, 2009) give an overview of some of the research on personal budget schemes up until 2008:

There is virtually no reliable evidence on the long-term social care cost implications for individual budget schemes for the UK. Equally there is no firm evidence on the actual cost effectiveness of individual budget schemes apart from indications that they appear to cost less when compared with the monetary value of traditional packages. Policy is based on the assumption that individual budgets should be at least cost-neutral and some authors have speculated that the long-term effect could mean savings for public services in general, especially health. A study comparing costs of care packages before and after a personal budget in 10 local authorities estimated that “personal budgets ... cost about 10 per cent less than comparable traditional services and generate substantial improvements in outcomes”, but this investigation did not account for the wider costs of starting up and delivering individual budgets. Savings are thought to come from a reduction in administrative or organisational costs and to some extent from employment costs.

Although it found cost-effectiveness evidence in support of individual budgets for people with mental health problems, the IBSEN study also indicated a number of inconclusive findings on cost:

- The average cost of care coordinator support for the IB [individual budgets] group was higher than that for the comparison group. However, it is not clear what the long-term implications are for overall IB costs.
- IBs produce higher overall social care outcomes given the costs incurred, but no advantage in relation to psychological well being.
- Little difference was found between the average cost of an IB and the costs of conventional social care support, although there were variations between groups. (Carr and Robbins, 2009, pp 14-16)

The University of Birmingham HSMC/IASS research and policy review (Glasby et al, 2010) indicated the following findings on the potential of personal budgets to deliver economic and social benefits:

Since the advent of personal budgets, the emerging evidence suggests that this way of working may also be more cost-effective than the traditional system, largely because it helps to unleash the creativity of people who have previously been passive recipients of services. In early In Control pilots, authorities saved a minimum of 12 per cent (see Poll et al, 2006). In the second phase of In Control (2005-2007), detailed costings for 104 people who had previously used traditional social care prior to receiving a personal budget revealed a reduction in average costs by 9 per cent (Hatton et al, 2008, p 47). These people came from across 10 different local authorities, and included a range of different adult service user groups. More recently, the national IBSEN evaluation found that individual budgets are at least cost neutral, costing slightly less than direct services (but not necessarily in a statistically significant manner – see Glendinning et al, 2008). More recent local examples from In Control suggest

a range of potential savings (for example, around 16-19 per cent in places such as Worcestershire and Northamptonshire, albeit with very small numbers of people). (Glasby et al, 2010, p 48)

Research is showing that direct payments and personal budgets will have initial set-up and implementation costs relating to local conditions, local authority readiness, local population profile and need. Indicative implementation costs were explored in local authority case studies as part of the IBSEN pilot. As an overall average for set-up, 'when excluding all expenses that might be at least in part associated with the pilot process, in the first year, the estimated mean cost was £270,000' (Jones and Netten, 2010, p 51). Set-up costs varied depending on size, location and type of authority. Tentative second year costs, including project lead, senior leadership, training, dual administration and administrative support, were estimated to be between £140,000 and £170,000.

The study sites reported that it would take one to two years to introduce personal budgets, and the 'authorities reporting the lowest costs were more likely to have identified the use of existing staff time, with relatively low levels of expenditure for commissioning additional inputs from elsewhere' (Jones and Netten, 2010, p 54). The development of the resource allocation system was seen as a particular cost and the sites identified set-up project management team; development of systems; workforce development; development of support planning and brokerage; and market management as implementation aspect requiring additional resources.

Finally, the Audit Commission survey into the financial management aspects of personal budgets suggested that 'councils should not expect to achieve large cost savings through personal budgets' alone (Audit Commission, 2010, p 21).

Efficiency, choice and control

Research into direct payments has shown that, if administered effectively and efficiently, direct payments have the potential to achieve greater efficiency when service users have greater control over their care and support (CSED, 2007c; Duffy and Waters, 2008; Stainton et al, 2009; Glasby et al, 2010). The Audit Commission survey report on the financial management aspects of personal budgets gives an example of how personal budget holders may have cheaper packages, but if the local authority does not change commissioning practice, individual level savings could be lost at the wider level:

... council commissioning decisions have affected the price of some of the services offered by the council. Personal budget holders will be able to reduce the cost of their own packages by making their own decisions about which services to buy. However, this does not necessarily reflect a saving for the council overall. It may simply result in spare capacity in an apparently expensive service for which the council continues to pay. (Audit Commission, 2010, p 23)

Additionally, the potential for efficiency gains through increased choice and control can only begin to be realised if there is information, market development and choice

in care and support provision: 'We must ensure that (personalisation) is not seen as simply a different way to move money around the system' (Fox, 2010, p 1).

There are some indications from local authorities where personal budgets have been established for two years or more that budget holders across all eligible groups (including older people and people with mental health problems) are beginning to spend their money in new ways that are less restricted by traditional service-based concepts or care and support. The initial findings of a three-year study being conducted in Essex suggested that, given the right support and information, personal budget holders were potentially able to have greater leverage as individual customers able to negotiate levels of tailoring, flexibility and ultimately, quality, than the local authority purchasing block services (OPM, 2010).

Conclusion

In general it appears that it is too early, and there is not enough robust data available, to make conclusive evidence-based decisions on whether or how personalisation (specifically self-directed support, personal budgets and direct payments) has delivered efficiency savings, reduced costs and improved productivity in adult social care. Longer-term research and evaluation needs to be undertaken in this area.

Despite this, there is some evidence to suggest that self-directed support and personal budgets could lead to improved outcomes in individual cases for the same cost if implemented efficiently and effectively. So 'it is essential for councils to check that personal budgets are authentic – that they are actually resulting in greater choice and control for individuals' (ADASS and LGA, 2010, p 1). Local authorities need to monitor the costs and outcomes of personal budgets.

There is increasing evidence from the independent (voluntary and private) provider sector and from micro services that local authority commissioning practice needs to change in order to foster efficiency and productivity. It appears that adult social care commissioning is not yet facilitating the type of market development, diversification and community capacity building needed for personal budgets to be used productively and efficiently.

The strategic use of personalised approaches to integrated health and adult social care and support can promote both primary and secondary prevention. The evidence that investment in prevention can generate savings is probably clearer than that presently associated with personal budgets and self-directed support.

Most notably, it appears that the personalisation agenda is stimulating review and change in business processes, administrative and management systems. The evidence so far shows that this appears to have reliable potential to generate efficiency savings and improve productivity in certain areas.

Useful online resources

Association of Directors of Adults Social Services (ADASS): www.adass.org.uk

Audit Commission: www.audit-commission.gov.uk

Care Services Efficiency Delivery (CSED): www.csed.dh.gov.uk

The Chartered Institute of Public Finance and Accountancy (CIPFA): <http://cipfa.org.uk>

Demos: www.demos.co.uk

Department of Health: www.dh.gov.uk

Health Services Management Centre (HSMC), University of Birmingham: www.hsmc.bham.ac.uk/

In Control: www.in-control.org.uk

Institute of Public Care (IPC), Oxford Brookes University: <http://ipc.brookes.ac.uk/>

The King's Fund: www.kingsfund.org.uk

Local Government Association (LGA): www.lga.gov.uk

Local Government Improvement and Development: www.idea.gov.uk

National Association of Adult Placement Services (NAAPS): www.naaps.co.uk

Office for Public Management (OPM): www.opm.co.uk

Personal Social Services Research Unit (PSSRU): www.pssru.ac.uk

Putting People First: www.puttingpeoplefirst.org.uk

Social Care Institute for Excellence (SCIE): www.scie.org.uk

Voluntary Organisations Disability Group (VODG): www.vodg.org.uk

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Appendix: Scoping methods summary

Summary of brief

The specific topics we looked for when searching were:

- cost savings, value for money and efficiency gains as a result of personalisation, particularly personal budgets and direct payments
- how local authorities have streamlined business processes, devolved resources to the front line and diversified the local social care and support market
- of particular interest was how business processes have been transformed and if investment to save strategies and strategic local commissioning rather than service cuts have impacted positively
- how health and social care are working together (particularly in mental health) to save money.

Summary of methodology

To find evidence on these topics, an information specialist and the report author carried out background searching on a wide range of sources, including previous work at the Social Care Institute for Excellence (SCIE), databases of published research, general web searches, organisations' websites, reading lists and consulting experts.

This search aimed to be broad, to capture significant research, publications, initiatives and organisations. It was not designed to be exhaustive, however, and did not constitute a full systematic search.

Summary of search strategy

In more detail, the sources drawn on were:

- nine databases of published research (Social Care Online, Social Policy and Practice Database, EconLit, Social Services Abstracts, System for Information on Grey Literature in Europe, NHS Evidence, AgeInfo, Applied Social Sciences Information and Abstracts)
- more than 70 organisations' websites (eg Care Quality Commission, Department of Health, local authorities, academic centres such as the Personal Social Services Research Unit (PSSRU), trade unions, third sector organisations and media sources)
- online searching via Google
- previous background searching at SCIE on four closely related topics within personalisation
- three reading lists (from the Centre for Policy on Ageing and The King's Fund)
- two topic experts.

After scanning the output from these sources for relevance to the topic, the result was 114 relevant items.

Personalisation, productivity and efficiency

This report examines the potential for personalisation, particularly the mechanism of self-directed support and personal budgets, to result in cost efficiencies and improved productivity as well as improved care and support, resulting in better outcomes for people's lives. It provides an overview of some emerging evidence on efficiency from the implementation of personalisation so far.

This publication is available in an alternative format on request.

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