



National Audit Office

**REPORT BY THE
COMPTROLLER AND
AUDITOR GENERAL**

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Department of Health, and Local Authority Adult Social Services

Oversight of user choice and provider
competition in care markets

Key facts

340,000

Number of personal budget holders

£1.5bn

Money allocated for personal budgets

£6.3bn

Estimated annual spend by those funding their own care

£23bn

Estimated size of care sector in the UK, including direct commissioning by local authorities

1 million

Number of eligible users receiving publicly funded care in England.

30 per cent

Projected increase in the population of those aged 65 and over by 2021.

**63 per cent:
37 per cent**

Estimated current split of public to private funding for care.

£520 million

Social Care (Transformation) Reform Grant to support increased user choice (3-year grant over 2008-09 to 2010-11).

£1 billion

Projected taxpayer's liability by 2035 for those who fund their own care running out of money and falling back on the state.

£23,250

Private capital threshold for residential care.

£28,000

Typical average annual care home fees.

63 per cent

Percentage of users reporting improved mental well-being from having a personal budget.

Summary

1 The term ‘social care’ covers a huge range of services from residential care homes and ‘meals-on-wheels’ to drop-in centres for disabled people and adult placement services. Social care supports people of all ages with certain physical, cognitive or age-related conditions in carrying out personal care or domestic routines, and supports people in building social relationships and participating fully in society.

2 The Department of Health is responsible for setting the overall policy framework for social care in England, and local authorities have statutory duties to provide or fund social care for those eligible for means-tested support. Total spending on social care services in the UK is approximately £23 billion annually, with approximately 63 per cent being publicly funded and 37 per cent privately funded.

3 Local authorities have traditionally provided or commissioned publicly-funded care services directly, on behalf of users. However, since the early 1990s successive governments have sought to improve outcomes for users by introducing market type mechanisms into the delivery of care. Initially, this was by outsourcing care provision to independent and voluntary providers to stimulate competition. Then, from the mid-1990s, publicly-funded users were increasingly given greater choice and control over their own care services (often called the ‘personalisation’ of care).

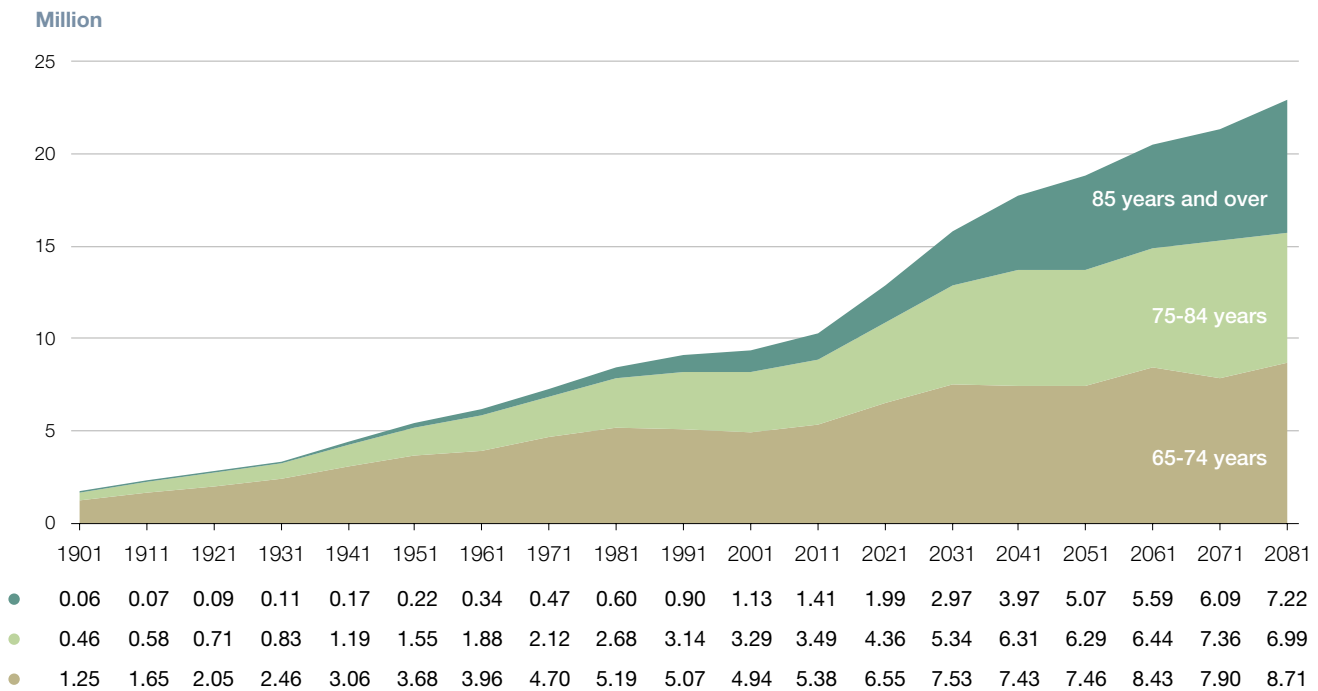
4 By March 2011, out of a total of one million eligible users, around 340,000 people had a personal budget, representing £1.5 billion of the overall spend on care services.¹ Of those, 125,000 received this as a direct cash payment (where the user receives cash to purchase care services of their choosing), and the other 215,000 as a managed budget (which allows the user choice, but where the spending is managed by a third party, either the local authority or a provider). The current Government intends to extend personal budgets, from 35 per cent of all eligible users at March 2011 to all eligible users by April 2013, and to increase the proportion of these budgets taken as direct payments.

5 As well as a policy move to increase market mechanisms in the delivery of publicly-funded care, demographic and funding shifts mean that the private care market, currently covering around £6.3 billion of the care sector, is likely to continue to become increasingly prevalent. Demand for care, overall, is projected to increase from 1.3 per cent to 1.9 per cent of gross domestic product by 2050, largely because of the increase in the proportion of the older population (**Figure 1** overleaf).

¹ Association of Directors of Adult Social Services Personal Budgets Survey, March 2011 – *The Results*.

Figure 1
Projected increase in the number of elderly in the UK

United Kingdom 65 years and older population, 1901-2081



Source: Care of Elderly People UK Market Survey 2010-11, Laing & Buisson

6 The introduction of user choice and provider competition into the delivery of publicly-funded social care, has far reaching implications for the roles of the Department of Health, and local authorities, in making sure value for money is achieved. The Department has responsibility for setting the overall policy objectives, the legislative and delivery framework, and taking remedial action where its policy objectives are not being achieved. The local authority role moves from one of delivering services directly or commissioning them to one of overseeing local care markets to ensure that they are delivering the required outcomes. Furthermore, the Government has an interest in the effective operation of private care markets, where self-funders risk falling back on state provision if they run out of money, or if they make poorly informed decisions.

7 This report examines the oversight of user choice and provider competition, where care users receive state funding as a personal budget (including direct payments) or using their own funds (self-funders). It does not look at publicly-funded care where the Local Authority purchases care. Achieving effective user choice and provider competition in both publicly funded (via personal budgets) and private (self-funder) markets rests on two key factors:

- On the demand side, whether users can engage with the market and can purchase services that help them achieve their care outcomes (see Part Two).
- On the supply side, whether there is adequate competition within care markets to make sure providers are responsive to users' requirements, and quality of services is maintained (see Part Three).

This report also evaluates the arrangements in place locally and at the national level for building market oversight capability (Parts Three and Four). It does not examine the value for money of individual institutions' performance, such as individual local authorities or the Care Quality Commission (the body responsible for licensing care providers and regulating the quality of care they deliver), or local authority commissioning where users do not receive a personal budget or a direct payment. The National Audit Office is currently carrying out a separate study on the Care Quality Commission.

Key findings

Increasing user choice

8 The majority of users report a positive impact on their well-being from having personal budgets, although there is a small minority who feel worse off. We also found many examples of users finding innovative ways to use their budgets to achieve care outcomes, for example, by pooling their budgets to pay for a personal assistant to help with care needs. **Figure 2** shows the percentage of users who felt that personal budgets had had a positive effect on various aspects of their well-being. In aggregate, between 3 and 8 per cent of users stated that they were worse off.

Figure 2

The extent to which a personal budget has had a positive impact on well-being

	Percentage
Being supported with dignity and respect	76
People staying as independent as they wanted to be	75
Being in control of their own support	72
Getting the support they need when they need it	72
Having control over the important things in life	68
Relationships with those paid to support them	67
Mental well-being	63
Physical health	59

Source: *The National Personal Budget Survey, June 2011, In Control and Lancaster University*

9 Users find purchasing care difficult. Personal budgets pass more responsibility for identifying and purchasing services to the user. Around 50 to 58 per cent of users found that their local authority had made it ‘easy’ or ‘very easy’ to get service information and advice. Where such services exist, they are highly regarded by users. A growing number of users employ a personal assistant to help them with their care. Thirty-one per cent were finding it difficult to cope with being an employer, and there have been some instances of employment tribunals or county court judgements made against individual users. The Government is now working with the National Association of Adult Placement Schemes to raise awareness and issue advice.

10 We found various examples at local authorities of good practice in implementing personal budgets, but these should be more widely shared. Users reported different levels of engagement from different local authorities. Examples of good practice ranged from authorities working together to build an IT system that puts users in touch with providers, to developing a pre-payment card for users to track their budget spending. Practices were, however, very localised. For example, the proportion of personal budget holders offered help by their local authority in planning support ranged from 38 to 85 per cent.

Managing costs to the taxpayer

11 Personal budgets are aimed at improving control and outcomes for users rather than reducing the cost of care, and the overall impact on cost has not been fully evaluated, although the Department of Health did examine costs in its evaluation of pilot schemes² and this informed the roll-out of personal budgets. However, any unspent funds are reclaimed by local authorities, and 36 per cent of local authorities have cited personal budgets as a factor in achieving better value for money.³ These authorities found that users had better outcomes, made better use of the resources they had, and that care packages were structured more effectively.

12 Local authorities are responsible for self-funders once they run out of money, but 60 per cent of local authorities do not know how many self-funders there are in their area, and few offer formal support to help prevent them falling back on state funding. We estimate that the total cost to the taxpayer could rise to £1 billion annually by 2035. At a typical annual cost of £28,000 for residential care, it is better for users, and potentially the taxpayer, if users can stay in their own homes and buy domiciliary care for as long as possible. However, 69 per cent of those paying for their own care do not feel well informed about the financial implications of long-term care.

² The IBSEN Evaluation of the Individual Budgets Pilot Programme, October 2008, which found that it was likely that individual budgets would be at least cost-neutral.

³ *Improving value for money in adult social care*, Audit Commission, June 2011, P. 26.

Developing and overseeing user choice and provider competition

13 The Department has recognised that delivering care through user choice and provider competition brings different risks to those associated with delivering or commissioning care directly. The Department provided £520 million to help local authorities manage the changes required by increasing personalisation. The 'Putting People First' Consortium (the Association of Directors of Adult Social Services, the Local Government Association and the Department of Health) created milestones to track the progress of local authorities introducing user choice and competition. Most local authorities reported that they had met the five milestones by April 2011, and 83 per cent reported they had achieved the April 2011 milestone that at least 30 per cent of eligible users should have a personal budget, though 25 (17 per cent) did not. The Department has few formal levers over and above legislation, policy advice and the outcomes framework to influence those authorities that are struggling to implement the Department's preferred delivery method although it is working closely with the sector's 'Think Local Act Personal' partnership, and with the sector-led improvement agencies.

14 Quality of service is regulated at the national level by the Care Quality Commission, but responsibility for monitoring whether care markets are operating effectively is devolved to the local level. Care markets are very varied, ranging from small micro- to large national providers which cross local authority boundaries. The Office of Fair Trading found recently that providers felt there was a lack of clear strategic direction from local authorities, and a lack of commissioning and procurement skills – which was leading to market inefficiencies and difficulties in planning. There are no formal arrangements for monitoring, and if necessary intervening in, markets that cross local authority boundaries.

15 The recent financial problems faced by Southern Cross illustrate the need for Government to develop a system to address serious provider failure. Provider failure is a normal feature of a market. Local authorities have statutory duties in providing care, and would normally step in if a provider exits the local market and is not taken over or replaced by another provider, to ensure continuity of provision. In certain sectors of the economy where service providers are dominant, or where service users are particularly vulnerable, national sector regulators have systems in place to minimise the impact of provider failure on the user. There are no equivalent arrangements in the care sector.

Conclusion on value for money

16 Evaluations suggest that, to date, most social care users have gained improved well-being and control from using personal budgets, and some local authorities report they have led to efficiency improvements. The Government intends to extend personal budgets to all eligible users of social care by 2013. For this to deliver value for money, sufficient oversight arrangements must be in place to ensure that care markets operate effectively. Currently, however, there are wide variations between local authorities in the amount of engagement and support offered to personal budget users. In addition, some self-funders do not feel well informed. Market oversight at the local level is very varied, and there are no formal arrangements to monitor markets at the national and regional levels. These shortcomings must be addressed if value for money is to be secured in the future.

Recommendations

17 This report is an early evaluation of market delivery in care. The recommendations are therefore framed at a high level, and are intended to inform Government thinking as it develops proposals for the forthcoming White Paper on the future of social care, and responds to the Dilnot Commission's July 2011 report on the funding of social care.

Improving support for users

- a** **Users report very different levels of support across local authorities, and best practice in implementing personal budgets is not as widely shared as it needs to be.** The Department needs to make sure that best practice is shared more widely between local authorities, for example, by using forums such as the Think Local, Act Personal (TLAP) partnership, or the Social Care Institute for Excellence (which is also a member of TLAP) to identify and disseminate any best practice identified.

Managing costs to the taxpayer

- b** **Self-funders need to make well informed decisions to avoid falling back on state funding, but they often feel unsupported.** Local authorities should examine the needs of the different care users in their area, and put in place relevant support or signposting to suitable independent advisers. In particular there is a need for good quality financial advice for self-funders, which will help them to delay or avoid falling on means-tested state support. Early evidence suggests that users find support services very useful, in which case, the Department should find ways to encourage local authorities to increase the availability of these services.

Improving market oversight

- c** In November 2010, the Department set out its approach to the market in social care in its **Vision for Adult Social Care and now needs to translate this into a working strategy**. The Department should determine where market oversight of regional and national issues is not sufficient, and whether any more central oversight is necessary. The Government is considering whether Monitor should play such a role, as outlined in the Vision for Adult Social Care last year.
- d** **The recent financial problems faced by Southern Cross care homes show that Government needs further arrangements at a national and local level to protect users from provider failure**. The level of intervention should reflect an assessment of risk and draw on best practice from other regulated areas. For example, if a provider becomes dominant in a particular area, or nationally, there may be a need for regulatory action over and above relying on competition law.