

# ESRC

**ESRC** Seminar Series

Mapping the public policy landscape

Impact of personal budgets on third sector providers of social care





## Foreword

The public policy seminar '*The impact of personal budgets on third sector providers of social care*', held in February 2009 is the first seminar jointly organised by the Economic and Social Research Council (ESRC) and the Association of Chief Executives of Voluntary Organisations (ACEVO). This collaboration provides a really exciting opportunity to bring academic researchers and third sector professionals together to discuss issues of key practical relevance to the third sector. This first joint seminar aroused a huge amount of interest and highly informed debate among an audience and speakers with vast combined experience of the challenges and opportunities presented by third sector delivery of a range of social care services. We look forward to capitalising further on our collaboration with ACEVO in future events.

To date, our ESRC public policy seminars have succeeded in bringing the best independent social science concepts and evidence to potential users in Government, politics, the media and the private and voluntary sectors. By providing access to leading experts and the latest research evidence, these seminars give insight into the potential impact of new government policy and the possible responses.

Government policymakers are committed to expanding the use of personal budgets in social care. The joint ESRC/ACEVO seminar aimed to explore the likely impact that this policy will have on the third sector and this publication aims to contribute to greater understanding of this theme. In it, contributors to the seminar highlight the latest evidence drawn from personal budget pilot schemes, draw on their own experience working in the third sector and express some of their views on the potential pitfalls and opportunities posed by the introduction of personal budgets.

The expansion of personal budgets in social care will no doubt significantly affect third sector providers in both anticipated and unanticipated ways. We hope the seminar and this publication will make a valuable contribution to this highly topical issue and focus attention on the questions that third sector providers of social care should ask themselves and the steps they now need to consider.

A handwritten signature in black ink, reading 'Ian Diamond'. The signature is stylized with a large, flowing 'I' and a long, sweeping underline.

Professor Ian Diamond AcSS  
Chief Executive  
Economic and Social Research Council

## Introduction

This publication is a write-up of the public policy seminar '*Impact of personal budgets on third sector providers of social care*'.

The Government is committed to expanding the use of personal budgets – in the NHS, in relation to services to help people get back to work, for disabled children and for disabled and older people. The aim of personal budgets is to enable people to exercise choice and control over the help they need. However, choice is only a reality if the services and types of support that people choose are available. Hence, what are the implications of the trend towards personalisation for those who provide services – both the organisations and the front line staff who deliver services?

Held on 24 February 2009, the seminar aimed to explore the likely impacts of the introduction of personal budgets on third sector organisations. Organised by the Economic and Social Research Council (ESRC) and the Association of Chief Executives of Voluntary Organisations (ACEVO), the seminar included speakers drawn from the academic research community and practitioners from third sector organisations.

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# Impact of personal budgets on third sector providers of social care

## Contributors

**PROFESSOR DAVID CHALLIS** is Professor of Community Care Research and Director of the Personal Social Services Research Unit (PSSRU) at the University of Manchester. David's academic interests lie in care management in old age and mental health services and also in the health and social care interface. Currently he is responsible for national studies of care coordination; evaluation of assessment procedures; and research into individual budgets (IBs) and more self directed support in England. Other work includes performance measurement in older people's services, hospital discharge, and the evaluation of old age mental health services. He has been an adviser on services for older people to the Commonwealth Government of Australia, Canadian Province of Ontario, Government of Japan, Government of Hong Kong, the US State Government of Wisconsin, Department of Health in England and National Assembly for Wales.

**PROFESSOR CAROLINE GLENDINNING** is Professor of Social Policy in the Social Policy Research Unit (SPRU), University of York and a member of the Academy of Learned Societies in the Social Sciences. Recently Caroline was elected as chair of the Social Policy Association. She is Research Director of the Adults, Older People and Carers Team in SPRU, and heads the Unit's Department of Health-funded programme of work on Choice and Independence Across the Lifecourse. Caroline's recent research has included comparative studies of informal care and of long-term care reform. She was heavily involved in the national evaluation of the Individual Budget Pilot projects and in a linked study of the impact of individual budgets on carers; and has also been involved in a study of service providers' responses to personalisation.

**CRAIG DEARDEN-PHILLIPS**, is Chief Executive of Speaking Up – a charity he founded to help people with disabilities find their own voice and claim control over their lives. What began as a small-scale local charity has now progressed and grown into a national organisation with an annual turnover of £3 million, helping 7,000 individuals each year. His unique communicative style has proved popular in his recent book *'Your Chance to Change the World – the No Fibbing Guide to Entrepreneurship'*.

**LESLEY ANNE MURPHY** is chair of the ACEVO Health and Social Care Special Interest Group and has over twenty years' experience at board level in the private, public and third sectors. She has a Masters in Business Administration, and Post Graduate qualifications in cross sector partnership and marketing. In addition to these qualifications she is an accredited coach with the International Coaches Federation and works with individuals and organisations supporting them to improved performance. Lesley is specifically interested in the opportunities to bring increased performance to the public and third sectors. Lesley is currently working with a hospice charity and concurrently writing an End of Life Strategy for a primary care trust.

**STEVEN ROSE** is Chief Executive of Choice Support, a leading national organisation developing person-centred services with people who have learning disabilities, with the individual placed at the heart of the organisation's services. Steven has steered Choice Support's growth and development from an organisation with a £1 million turnover and just 11 employees to one with a current turnover exceeding £35 million and employing over 1500 staff, providing services to around 650 people. Choice Support has recently reorganised and repositioned itself to be at the forefront in responding to the 'personalisation' agenda. Steven has emphasised the need for third sector organisations to respond positively to the Government's self directed support agenda. He is also editor of *Community Connecting* magazine, a publication promoting personalisation in social care.



## Policy implications

Policymakers and service commissioners need to:

- recognise that the unit costs of services may increase as bulk purchase (block contracts) and economies of scale are removed as individuals move to purchasing care services directly. They may need to work with providers to ensure that these costs are not passed onto service users.
- ensure that providers are not destabilised and that people who want to continue receiving conventional local authority-purchased services are not disadvantaged or experience a reduction in choice due to the non-availability of their preferred service option.
- give thought to communicating to providers the aggregate/collective preferences of personal budget users so that providers can obtain intelligence about the new markets and the ways in which their services need to adapt/respond.

The priority for third sector providers is to:

- ensure that they engage in early dialogues with local authorities and other commissioning bodies to establish communication about change, what they can offer, and the potential risks that they (and hence service users) may be facing.



# Presentation one: Research findings on the impact of personal budgets

By Professor David Challis

Professor Challis outlines the background to Government policy on personal budgets and highlights some key lessons from an evaluation, conducted on behalf of the Department of Health, of the Individual Budgets Pilot programme.

## What are personal budgets?

Personal budgets, initially piloted as individual budgets (IBs), are an attempt to give people who use social care services including older people, disabled adults and adults with mental health problems, a greater say in the assessment of their needs and more choice and control over how their needs are met. IBs aim to bring together the resources from several funding streams for which an individual is eligible. These resources can then be used flexibly according to the individual's priorities and desired outcomes.

## Policy background

IBs are central to the Government's ambitions for 'modernising' social care in England. They were first proposed in the Cabinet Office Strategy Unit report, *'Improving the Life Chances of Disabled People'* (Cabinet Office, 2005), and the proposal was repeated in the UK strategy for an ageing population (HMG, 2005). In the same year the Green Paper on adult social care, *'Independence, Well-being and Choice'* (DH, 2005), also called for the piloting of IBs so that older and disabled people could have more **choice and control** over how their support needs are met:

"People could have individual support to identify the services they wish to use, which might be outside the range of services traditionally offered by social care.... For those who choose not to take a direct payment of cash, [individual] budgets would give many of the benefits of choice to the person using the services, without them having the worry of actually managing the money themselves"

(DH, 2005:34)



## Policy into action

In July 2005, the Department of Health invited local authorities with responsibility for adult social care to bid to pilot IBs. These pilots were set up in 13 English local authorities running from November 2005 to December 2007. The impacts of IBs are potentially profound. Hence, the Department of Health commissioned an independent evaluation of the IB pilots – the Individual Budgets Evaluation or IBSEN – led by researchers from the Universities of York, Kent, Manchester, London School of Economics and Kings College London. The report of the evaluation was published in autumn 2008 (Glendinning et al., 2008).

This evaluation aimed to:

- examine whether IBs offer a better way of supporting older people and adults with social care needs rather than conventional methods of funding, commissioning and service delivery,
- examine the relative merits of different IB models for different groups of people using services,
- explore the impacts of IBs on the workforce involved,
- examine the factors facilitating or constraining implementation of the policy including changes in assessment practices, resource allocation processes, support planning arrangements, service provision and multiple funding streams.

Researchers held interviews with almost 1000 service users, 153 carers, 91 care managers, 14 adult protection officers, 16 providers, seven commissioning managers and 13 individual budget leads.

## Findings from the IB pilot programme

Over the 13 pilot sites, IBs were typically offered to older people, working age adults with physical, sensory and/or learning disabilities, people with mental health problems and young people in transition to adult services. Among these groups, IB resources were generally used to pay for personal care, domestic help and social, leisure and educational activities.

- IBs were welcomed by users because they gave them more control over their lives. There were variations in outcomes between user groups, but satisfaction was highest among mental health service users and physically disabled people.
- IBs have appeared to be cost-effective in relation to social care outcomes – i.e. they produced better outcomes for the costs incurred, compared with standard care. This was due to their being cost effective for certain groups i.e. mental health service users and physically disabled people rather than for older people.
- Staff involved in piloting IBs encountered many challenges, including devising processes for determining levels of individual IBs and establishing legitimate boundaries for how IBs are used. Particular concerns were voiced about safeguarding vulnerable adults.
- Despite the intention that IBs should include resources from different funding streams, staff experienced numerous legal and accountability barriers to integrating funding streams.



## Key findings for social care providers

### Amount of IB support

There was no significant difference between the costs of IBs and a comparison group receiving conventional social care support. The average weekly cost of an IB was £280 compared to £300 for people receiving conventional care. Major differences occurred, however, in the levels of support received by different groups. For example, the average annual gross cost was £18,610 for those with learning disabilities, £11,150 for those with physical disabilities, £5,530 for those with mental health problems and £7,860 for older people.

### How IBs were used

IB resources were typically used to pay for conventional personal care needs and were often seen as limited for purchase of much else. However, there were some examples of wider spending, for example, cleaning, gardening and decorating services; trips, classes, and gym membership; and alternative therapies and massage. In terms of this wider spending, some front line staff expressed concerns regarding the boundaries of legitimacy and acceptability in the use of social care funds. Staff were also uneasy about the potential harm or risks of financial exploitation arising from users' choices.

### How payments were managed

IBs were frequently offered as a direct payment, and other approaches were much less evident. Indeed, two thirds of people managed their IB as a direct payment (only 56 per cent of older people). One fifth of payments were managed by the local authority, 13 per cent by an agent. One IB was administered through a Trust and four had services organised through a provider. In this project, external agencies played only a very limited role in support arrangements.

### What providers said

As part of the IBSEN evaluation, researchers conducted in-depth interviews with 16 social care providers. Providers said they had experienced clients leaving them to hire personal assistance and some felt that they could lose 5-10 per cent of their business in this way. On the other hand, most were confident about the prospects for new business, reported new opportunities and believed that personal budgets will be good news for quality providers.

Providers suggested that they were now being asked to provide more than conventional personal care (for example, cleaning and trips) and also greater flexibility in terms of short-notice care, choice of carers and the amount of care offered week by week.

Other providers suggested that IBs had brought little change as yet. This was largely, they believed, because it takes time for people to ask for new things, and IB budgets are too modest to permit great change in users' demands. Moreover, many providers believed that they had already been introducing more flexibility in their service provision prior to the arrival of IBs.

### The challenges for providers

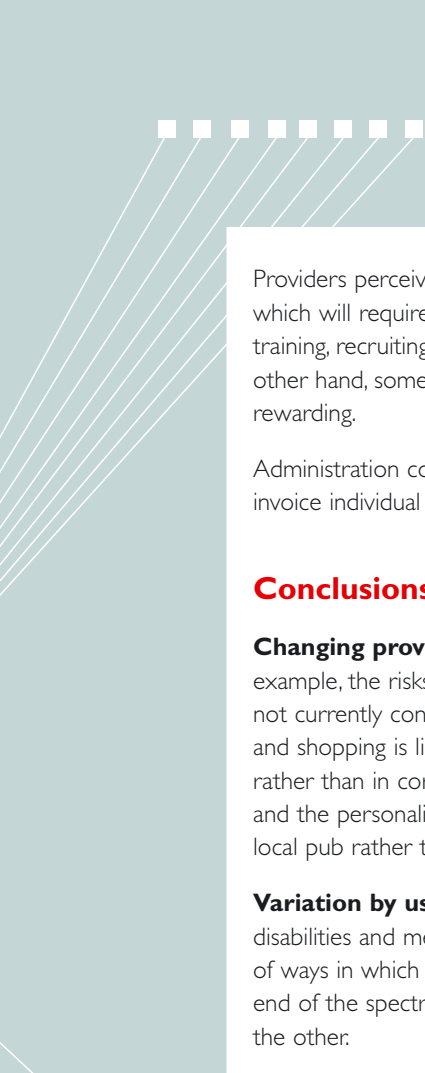
'We have spent year after year after year brainwashing our carers. "Stick to the Care Plan, don't do this, don't go outside this, do this," ... this is a totally different, almost alien way of working.'

*Provider, homecare agency, IBSEN evaluation*

'The administration costs will be terrible... chasing a hundred different invoices for payment... a nightmare from their point of view.'

*Commissioning manager, IBSEN evaluation*





Providers perceived that the introduction of IBs will result in more unpredictable demand for their services which will require even greater flexibility of provision. Hence, the key challenges will arise from rostering, training, recruiting and retaining staff – some of whom may leave to become personal assistants. On the other hand, some new recruits may be attracted as care work becomes more flexible and perhaps more rewarding.

Administration costs may also increase and non-payment could become a greater issue as providers have to invoice individual clients directly.

## Conclusions and implications

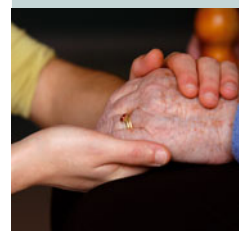
**Changing provision:** Certain types of social care provision may be affected by the move to IBs. For example, the risks to day care may be greater than the risks to home care provision. Demand for services not currently contracted by local authorities such as cleaning and domestic assistance, gardening, transport and shopping is likely to grow. For some people important changes in support may occur ‘at the margins’ rather than in core services. In other words, for some users the core support they receive may be valued and the personalisation offered by IB may occur at the margins – for example, receiving meals from the local pub rather than meals on wheels.

**Variation by user group:** Different user groups are likely to vary in their response to IBs. Those with disabilities and mental health issues had better outcomes compared to older people. This requires a range of ways in which IBs are deployed and managed to be developed ranging from a direct payment at one end of the spectrum to a budget held and managed by the local authority on behalf of the service user at the other.

**New roles and responsibilities for the third sector:** Researchers suggest that substantial potential exists for provider organisations to take on new roles and responsibilities in terms of case management and support planning, as well as in terms of becoming more adaptable and flexible in the services they offer. For example, providers could assist service users by taking the role of human resources managers for the personal assistants the users appoint.

**Assessment of need and changing responsibilities:** The way in which IBs could operate in the future is not yet clear. It is likely that, as in long term care insurance systems, local authorities would retain responsibilities for such things as eligibility, assessment and resource allocation but the third sector may assume a greater responsibility for support planning. The role that local authorities should play in supporting providers through the change to IBs is as yet unclear and requires further consideration at local level. It could include contracting functions such as support planning and brokerage to them.

**Support planning and brokerage:** There is clear evidence of variation in suitability for different users and user groups of the predominantly ‘direct payment’ model of individual budget offered. Alternative approaches for many individuals could be where the budget is managed and held by a third party, perhaps the local authority or a provider organisation with a case management service, and choice and flexibility for the service user is arranged without the problems of financial accountability and employment responsibilities (Challis et al, 1995, 2002a,b).



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## Presentation two: Domiciliary care agency responses to increased user choice

By Professor Caroline Glendinning

Professor Glendinning highlights some findings into the perceived threats, barriers and opportunities to domiciliary care agency providers arising from the introduction of personalised budgets. These findings are based on a research study led by Dr Kate Baxter; Professor Glendinning, Sue Clarke of the Social Policy Research Unit, University of York and Dr Ian Greener of the University of Durham (Baxter, K., et al, 2008).

### Background

Since 1993, local authorities have been encouraged to purchase care services from the independent sector. A decade or so later, over two-thirds of local authority-funded home care in England is purchased from independent agencies. Since 1997, service users have had the option of receiving their social care in cash direct payments rather than services. However, take-up has been low.

In December 2007, the Government announced the introduction of personal budgets for everyone eligible for publicly-funded adult social care in England. The capacity of home care agencies to adapt from providing predominantly local authority-commissioned services to much greater purchasing of services by individual personal budget holders is as yet unknown. Hence, researchers at the University of York (funded by the Department for Health) set out to explore the potential impacts on home care agencies and the wider implications for the home care market of these changes.

### The research project

The study aimed to examine the perceived threats, barriers and opportunities for home care agencies of increases in user choice through direct payments, individual budgets and other personalisation mechanisms. The research project had a dual focus: first, to explore potential changes in agencies' relationships with the purchasers of their services and, second, to explore the potential impact on agencies' relationships with the local care workforce.

Researchers aimed to examine, in particular, the possibility that personalisation could result in:

- agencies' loss of large local authority contracts resulting in more individual contracts and clients expressing more individual preferences in delivery of their care,
- greater competition between agencies for individual clients,
- greater competition from clients for care workers due to clients choosing to employ personal assistants,
- new methods of marketing, types of services offered and more flexible contracts with clients.

Research took place in 2007 in four local authorities in England with a diverse range of characteristics (none were IB pilot areas). Researchers interviewed a commissioning manager from each local authority, and the managers of 32 home care agencies. The study identified a remarkable similarity between the contexts in which all the care agencies were operating; this points to the remarkable power of local authorities over the past decade or so in shaping the domiciliary home care market.

- all local authorities in the study had recently introduced contracts with independent home care agencies based on geographical zones. Because travel out of a zone to support individual clients was not considered cost-effective, choice of home care agency for personal budget holders was likely to be restricted to the zone provider;
- all local authorities had little knowledge of the activities of private purchasers of home care in their area,
- all agencies were experiencing financial pressures and some spare capacity combined with increasing competition for care workers, both with each other and with other local employment sectors,
- all agencies had little experience of personalisation with people using direct payments or personal budgets to purchase their care,
- all agencies were finding it easier to deliver flexible support to privately paying clients, without the need to negotiate changes with a local authority care manager; as required for local authority-funded clients. However, flexibility for both local authorities and privately paying clients was restricted by agencies' staffing constraints.





## Findings

### Agencies: the perceived risks of personalisation

#### Financial

Agencies had experienced problems with late or non-payment by direct payment holders. Agencies planned to overcome any similar problems with personal budget holders by requiring direct debits to be set up. Other financial risks were anticipated from people using services intermittently, irregularly or withdrawing at short notice, for example, if a client is admitted to hospital. Some agencies were considering introducing holding fees for personal budget holders while in hospital or respite care so they could regain access to services at their regular hours once discharged.

#### Loss of clients

Agency managers anticipated serious risks to their current client base. Because of their overheads, agencies charged more than self-employed care workers, but local authority direct payments were sometimes too low to allow users to purchase agency care. This was expected to encourage personal budget holders to employ carers privately rather than through agencies.

#### Administrative costs

Agencies expected costs to increase due to additional invoicing and more complex staffing rotas. Smaller providers anticipated that new IT systems would be required to deal with more complex administration.

#### Loss of care workers

Opportunities for care workers to earn more per hour by working privately for budget holders suggested that agencies may lose staff.

#### Staff training

Agencies anticipated a loss of their investment in staff training if staff left to become directly employed personal assistants. However, personal budget users were also expected to want help with a wider range of activities (e.g. shopping, cleaning, dog walking, trips) than the personal care currently purchased by local authority care managers. This would require further investment in retraining existing staff and/or recruiting new staff.

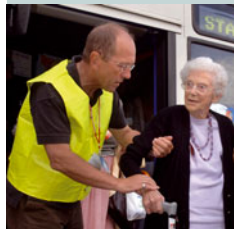
### Agencies: the perceived opportunities of personalisation

#### Increased demand

Some agencies thought that personal budgets would offer more opportunities for families to 'top up' a local authority payment and purchase more services. Some anticipated expansion by supporting individual clients outside their current local authority contracted zones.

#### More independence

Agencies suggested they may be able to operate more independently with less local authority contract monitoring. Also, an increase in the number of private purchasers may make it easier for agencies to resist additional pressures from local authorities with block contracts, which they did not feel comfortable in meeting.



## Agencies: embracing opportunities and tackling risks

**Advertising:** Agency managers recognised the need to advertise the wide-ranging nature of their services and their potential flexibility in meeting users' demands. However, few had any experience of advertising. Moreover, they recognised that their current practice of using the same publicity material for all potential clients would be problematic, as some services that could be offered to personal budget holders would not be available to those clients who continued to receive local authority-purchased services.

**New types of services:** Agencies recognised the opportunity to offer new types of services such as re-ablement (helping restore people's abilities to live independently), rapid response and 24-hour support. Agencies also saw the potential to offer new support services for personal budget holders such as personal assistant recruitment, human resources support and payroll administration.

**Workforce:** One third of agencies had experienced staff leaving to work for direct payment users; however, care workers had often returned to agency employment at a later date. To discourage staff from leaving to work privately for personal budget holders, agencies commonly included a clause in clients' contracts requiring payment of a 'finder's fee' if the client recruited an agency worker to work privately as a personal assistant.

Care worker contracts increasingly required staff to repay induction and training costs if they leave an agency within a year of joining. Other incentives to retain staff included mentoring and supervision programmes, guaranteed hours of work and opportunities for varied work with different clients. Some agencies had started recruiting abroad.

## Conclusions

- Many features of the independent home care agency market have been shaped by local authorities' roles as the main purchasers of services. Some of these features are likely to present barriers to agencies wishing to offer flexible individualised services to personal budget holders; for example, the recent introduction of zone-based contracts may restrict personal budget holders' choice of agency. On the other hand, the stability offered by large local authority contracts has allowed agencies to invest in training and career opportunities for an otherwise low paid and low status workforce. Local authorities will need to consider carefully how the potential barriers created by their current monopoly purchasing position can be reduced, while at the same time retaining the benefits.
- Choice for personal budget holders may be restricted if agencies are unable to advertise to them or advertise only the limited range of services currently purchased by local authority care managers. These constraints could be overcome if local authorities actively offer information to potential personal budget holders about the range of local agencies and the services they can provide.
- The combined effects of training requirements for agency care workers and the high cost of agency care relative to some direct payment levels could mean that agencies find staff recruitment and retention even harder than at present. However, staffing problems could be alleviated if new people wishing to undertake more general social support and companion work that do not require training could be attracted to join the existing pool of trained care workers.
- Given agencies' lack of experience of direct payments to date, local authorities will need to engage in dialogue with providers about personal budgets and the changing nature of the market for home care services. There is an argument for some form of local authority transitional support to help agencies to act quickly and develop new forms of support when needed.

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## Views from the third sector

**Craig Dearden-Phillips**, Chief Executive of Speaking Up – a charity he founded to help people with disabilities find their own voice and claim control over their lives – outlines some of his concerns regarding the willingness of local authorities to work more closely with third sector organisations.



“At the seminar, I spoke about our experience of attempting to get a new support service to people using personal budgets off the ground in a shire county in the Eastern Region, something which we started thinking about in 2007.

For me the experience has been frustrating. Local authorities seem to be investing most of the Social Care Reform Grant into their own initiatives and, so far, there has been little tangible support for third sector organisations to come in on the story. I'm not actually fully convinced that local authorities want to see third sector organisations in this space. As social care providers

yes, they are OK with that. But working closely with users to shape their budgets or as brokers? No. I'm not convinced that they have the will to fund this happening outside of the local authority. I hope I'm proven wrong.

Following the seminar I think I now appreciate more fully the role that service providers will play in acting as brokers, despite a degree of conflict of interest. I also now think that any solution we develop at Speaking Up may need to have a provision-option built into it.

The seminar also brought to mind that in order to really get momentum into what we are doing within Speaking Up – and our process has been relatively slow – we need to obtain development capital quite soon. One way to do this is to partner with a large care services provider and this is something to which I think we now need to give proper consideration.

Overall I believe that by 2019, personal budgets will be the norm for most people whether these are held as a cash payment or, at the other end of the scale, within the local authority. The third sector will be providing more than it does now.

**SpeakingUp**  
voice | action | change



**Steven Rose**, Chief Executive of Choice Support, a leading national organisation developing person-centred services with people with learning disabilities, highlights key implications of individual budgets for the third sector:



"Individual budgets and, moreover, the whole 'Personalisation Agenda' represent an enormous opportunity for those third sector organisations prepared to seize an opportunity and take some risks. Personally, however, I fear that many have not recognised this opportunity or fully understand the extent to which the world we operate in is changing.

The writing was already 'on the wall'; new technology and demography were set to be the drivers of revolutionising every aspect of everything we do. Now with the 'credit crunch' upon us we have to face up to even more change. The third sector is ill prepared.

We lack the clear customer focus of many of our commercial counterparts. We certainly lack a clear financial focus. Poorly run charities seldom go out of business; we enjoy what some would see as an unfair advantage over commercial organisations in our exemption from paying 20 per cent corporation tax on our profits (sorry, I forgot profit is a dirty word); and each year millions of pounds of taxpayers money or money donated by the public is stashed away in charities reserves never to see the light of day again. This is money that would have been better directed towards solving the funding crisis in social care that the very same charities and their representative bodies complain about. There are too many charities and there is too much replication. There is no longer a justification for paying the infrastructure costs of hundreds of organisations working in the social care sector when a few dozen could do the job far more cost effectively.

Individual budgets have the potential to change all of this. When the consumer of services is in control they will not accept the same level of mediocrity that many local authority commissioners seem to thrive on. There are a number of things that organisations need to tackle. Accounting systems need to be redesigned to account on an individual basis, marketing material needs to be reoriented to be directed at individuals, organisations will have to reduce their prices. Initially some business may be lost and organisations with a focus on a single client group need to accept a level of drift towards other client groups. Those that address these issues and don't attempt to swim against the tide will be the successful organisations of the future. The power of consumerism is set to prevail."



## In summary

### **Stephen Bubb**, Chief Executive, ACEVO

The introduction of individual budgets in social care represents a challenge and an opportunity for the third sector:

For years the basic complaint of third sector organisations providing public services has been that we are good at engaging with service users, but bad at engaging with public sector commissioners. Service users trust us and like us, commissioners distrust us and misunderstand us. Where we get the chance, we can deliver high-quality services that service users want. But more often than not, commissioners design contracts that practically exclude the third sector, or tie third sector organisations down in a straightjacket of required outputs and processes, backed up with excessive, bureaucratic monitoring, or that are preceded by a forest-worth of Pre-Qualification Questions (PQQs) and Invitations to Tender (ITTs).

Individual budgets could break that mould. Crudely speaking, we are good with clients but bad with commissioners. Crudely speaking, with individual budgets the first quality matters, and the second does not. Crudely speaking, individual budgets could dismantle one of the greatest barriers to third sector provision of public services – the fact that the relationship that really matters is the one between commissioner and provider; and that in the third sector's case it is often not a happy one.

So individual budgets are a significant opportunity for the third sector:

But they will also challenge third sector providers. Firstly, many third sector chief executives will be worried about the impact individual budgets could have on their beneficiaries. Secondly, they will require real and potentially difficult changes in the way providers operate.

ACEVO's job is now to support third sector leaders to adapt to individual budgets, to rise to the challenges and to grasp the opportunities. This publication and the seminar on which it is based explores these opportunities and challenges in more detail. It is a very welcome step on an extremely important journey.





## Further information

The two presentations by Professor David Challis and Professor Caroline Glendinning at the ESRC/ACEVO *Impact of personal budgets on third sector providers of social care* seminar, held in London on 24 February 2009, are available on the ESRC Society Today website at: [www.esrcsocietytoday.ac.uk](http://www.esrcsocietytoday.ac.uk)

### **Professor David Challis**

david.j.challis@manchester.ac.uk  
[www.pssru.ac.uk](http://www.pssru.ac.uk)

### **Professor Caroline Glendinning**

cg20@york.ac.uk  
[www.york.ac.uk/spru](http://www.york.ac.uk/spru)

### **Craig Dearden-Phillips**

Craig.Dearden-Phillips@speakingup.org  
[www.speakingup.org](http://www.speakingup.org)

### **Lesley Anne Murphy**

lesleymurphy@clara.co.uk

### **Steven Rose**

Steven.Rose@choicesupport.org.uk  
[www.choicesupport.org.uk](http://www.choicesupport.org.uk)



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Economic and Social Research Council  
Polaris House  
North Star Avenue  
Swindon SN2 1UJ

Telephone: 01793 413000  
Fax: 01793 413001  
[www.esrcsocietytoday.ac.uk](http://www.esrcsocietytoday.ac.uk)