



## **A new social contract – towards a vision for individual and community progress.**

### **“The Government is facing a major problem”**

Demographics are telling us that the numbers of people who will need care and support into old age are increasing inexorably. Pressures on resources to pay for older and disabled people are increasing. More multiply disabled young people are surviving into adulthood.

At the same time while the current economic (and political) difficulties may be time limited, the growth period of the public sector is surely coming to an end after seven years of unprecedented expansion. Tensions on the public purse are likely to become ever tighter. The clash of impact of these trends cannot be avoided for much longer.

At least three incoherently linked strategies can be discerned:

- in the short term local authorities are being forced to limit access to care in a variety of different ways (including increasing thresholds) to 'ration' limited resources;
- a much delayed Green Paper on funding social care is impatiently awaited to provide solutions, and;
- The personalisation agenda has caught the interest of a wide variety of stakeholders including Government as it seems to offer a magic bullet. Left to their own devices people using individual budgets are perceived as spending less money while still obtaining greater levels of satisfaction from the supports that they themselves design and receive.

## **“The siren call of personalisation”**

The personalisation agenda is incredibly attractive. It seems to offer the potential for increased control and choice by older and disabled people within a finite resource allocation. It also forces local authorities to modernise both their thinking and their services as current modes of assessment, planning, resource allocation and service delivery would become redundant under an expanded personalisation approach. There is much enthusiasm for personalisation and individual budgets - the concept is almost impossible to argue with – but all stakeholders are very nervous about its implications.

Based on the work of the “In Control” project, Government is convinced that people will consume less and, through acting outside the constraints imposed upon Local Authorities, obtain services more cheaply, thus reducing the pressure on already over-stretched budgets. There is increasing, if unspoken, concern amongst the current commissioners of services that this utopian view of consumers acting as responsible stewards of public money is seriously flawed. Under the current social contract, the majority of consumers do not view public funds as their own, but they do feel they have an unspoken right to services; examination of recent press coverage will quickly reveal that consumers demand the application of public resource with little regard for the effect on resources overall. In short, there is no incentive for the consumers of services to spend less than the amount allocated to them through an individual budget. Even if this were not the case, there is a further potential problem which may seriously hamper the twin aims of putting people in control of their support and reducing the pressure on the public purse.

## **“Are individual budgets a chimera?”**

Whilst RAS schemes are mostly based on the assumption that individuals will be able to negotiate better prices than those a local authority might expect to pay, this optimistic view has yet to be tested on a large scale. Local authorities have consistently used their purchasing power to drive prices down which, in combination with the raising of thresholds for access to support, has produced sufficient savings to enable social services departments to continue to deliver their statutory obligations. As prices approach an irreducible minimum, the scope for individuals to influence and shape the market will inevitably vanish. Consumers are likely to face a situation in which they cannot purchase sufficient support to meet their needs within the budget allocated to them, leading to increased levels of dissatisfaction and a resulting overall rejection of the concept of the individual budget. If a council will spend more money on your behalf than

it will give you to purchase the same level of support, there is no incentive to take the risk.

The small numbers of people who have already bought into individual budgets, and have produced the successes which are highlighted by “In Control”, have found innovative ways of spending public funds, mostly outside the traditional market for services. However, these were highly motivated individuals and families who do not represent the majority of people for whom services are currently purchased. As the personalisation agenda widens, the vast majority of people eligible for support are unlikely to have either the motivation or the support networks that would encourage them to access better support more cheaply.

### **“Developing communities and an end to the prevailing social contract”**

Not unusually, but of course completely separately, other branches of Government are pursuing linked agendas. Principally, DCLG’s recently published Communities in Control White Paper (August 2008) on community participation, engagement and empowerment is seen as a key mechanism for re-energising communities and local democracy. This policy has been welcomed with much more explicit caution and scepticism. Is a Government with a reputation for overbearing centralised control and management by targets really seeking to liberate local people?

In a period of growing economic tension it might be worthwhile stepping back slightly to examine the context in which the personalisation and community participation agendas are being played out. The prevailing social contract of the last twenty years is coming to an end. Until now an unspoken assumption has run as follows: in return for the ‘freedom’ offered by society for entrepreneurs, business and the financial sector to operate within minimum regulation (and maximum personal benefit), sufficient growth and tax driven services are produced to satisfy the bulk of the ordinary population. They in turn have experienced (through rising house prices and relatively painless ever extending credit for most) general levels of satisfaction. This balance has allowed the Government to apply the benefits of increasing revenue to more vulnerable people in society through policies such as Tax Credits and better and ‘modernised’ (but still restricted) social and health care.

As long as the economy is growing this contract could be largely be sustained. In periods of no growth or when the demands on services become so great (driven by demographics), it no longer works. In a credit

crunch, the general population feels threatened, uncomfortable and very vulnerable. Continuing the careful and mostly hidden redistribution that has taken place in the last ten years will no longer be possible.

In the newly emerging scenario, it is difficult to see how both the personalisation and community renewal agendas can survive and grow unscathed. The former will become increasingly squeezed as it becomes apparent that any greater efficiencies and increased levels of individual satisfaction are swamped by the scale of demand and an increasing scarcity of resources. For the latter the investment available to stimulate community participation (£70 million) is nowhere near enough at the moment as it is.

However, opportunities do exist to mitigate the potential impact of an economic downturn while at the same time allowing both the personalisation and community participation agendas to flourish.

In order to resolve the conflict between the need to save taxpayers' money and to give people more control over the support that they receive, there needs to be robust incentive for people to seek alternative ways of meeting their own needs and for those around them, be it family or local communities, to provide both direct and indirect support. The issue is: how does one provide an incentive that achieves three purposes:

- Enables people to obtain the services that they both need and want
- Engages others in helping people find innovative and more cost effective support
- Delivers savings for local authorities and taxpayers

### **“Is there a bright side? Can vulnerable people be community assets?”**

Imagine a situation in which Government is given the opportunity to develop the future of both of these policies together and in harmony. In reality both personalisation and participation do have an obvious connection. It just requires a leap in thinking.

If people have their needs assessed and the funds allocated to them to plan and procure their own services (with whatever supports that are required but still with few limitations on what they can actually do with 'their' money) the assumption is that they will be able to do so both effectively and to their own satisfaction. Local authorities may find the whole process difficult and challenging, but as we have said, this is a good thing. They need to change fundamentally too.

Assume also however, and this is the key idea, that individuals are told that they will be able to keep, personally, some of the 'savings' that they make – the difference between the sum of money that they are allocated and that which they actually spend on themselves. Local authorities would also be allowed to retain some of this 'surplus' for their own use. Most importantly local communities would receive the third portion of the savings to be spent as they see fit.

Take an example. Say that a person with an individual budget ('individual service fund') is assessed and told that the resources available to them will be £10k. If they actually spend only £8.2k on their service package then £1.8k would be left. On the basis of a third to each, the individual would retain £600, the local authority would be refunded £600 and the local community (the community in which the vulnerable person receiving the budget lives) would be given £600. The local community would be empowered to spend its '£600' on anything it so desires – as long as the decision to do so was taken collectively and fairly.

Local people could spend their money on things that would positively enhance their interests and meet their collective needs. This could, putting it together with similar monies received from other surpluses from individual budget holders in their local area, 'purchase' a community policeman, or traffic calming measures or an extra refuse collection or a young person's facility to give local youth a place of their own to keep them off the street. In fact they could spend their money, just like the individual budget holder, on anything they liked.

The magic of this possibility is clear. Instead of addressing vulnerable people living amongst them as problems they would widely be seen as community assets. After all, vulnerable people would be seen as a source of local benefit for all. It is even possible to imagine that local communities would do as much as they possibly could to support their vulnerable older and disabled co-residents because in doing so more money could be 'saved' - a third of which would revert to the community itself. This, surely, lies at the heart of the community empowerment and individualisation agendas - local people incentivised to help their vulnerable neighbours and value their presence.

On a broader front, potentially this approach could 'save' up to £3bn per annum from the social care budget of which a third would be redistributed to local communities. Another way of looking at this would be to ask how better society could spend up to 20% of the social care budget that might be redistributed or re-allocated in this way.

Unlike the 'community fund' in the White Paper, this funding would be annual and recurring. Instead of parish level local communities having budgets of not much more than £10,000 they could work to levels up to ten times this amount. Local authorities would also achieve a payback which would be very meaningful and would incentivise them to help the process as well. The greatest difficulty is imagining that individuals would be able to keep some of their 'surpluses' for their own purposes. But in many cases older people have paid taxes for many years –contributing to others – and at their time of greatest needs a redistributive payback takes place. More simply, our benefits system does not ask individuals to return any unspent amounts at the end of the month. Frugal users can save, however unlikely it may seem, from their benefits as well. The overall principle just requires a mind shift from using public money to support dependency to instead support community and personal enablement.

Using these ideas, everybody wins. The personalisation agenda is enhanced and incentivised. Local people will value their vulnerable neighbours and will be encouraged to help them as they will see the benefits of their help in improved, locally determined choices about their own local services. Local authorities will benefit and become enablers and supporters and Government will benefit because everyone has an interest to behave 'economically' and perhaps the public social care budget will be spent much more effectively. Not only all of this, but in addition a new social contract becomes established – communities use public resources for mutual benefit and efficiency is rewarded by and to all.

### **“But there must be problems with this approach?”**

There are many potential problems with this alternative strategy. How do we make sure that assessments of resources required are not squeezed so much that the allocation to individuals for their budgets are so little that no savings can be made through community involvement? How do we deal with local authority charging policies? All of these issues can be addressed. Assessments will have to be fair. Local authorities will have to give up some of their current control and become real enablers. The personalisation and transforming social care agendas are however aiming at this same direction. Combining these with a community empowerment incentive mechanism is likely to enhance rather than dilute these approaches.

### **“Surely, now must be the time”**

The current economic downturn emphasises the need to tackle these issues now. If the squeeze on public services takes place as the demographic challenges become ever more apparent, then modernisation will disappear and be replaced with ever more explicit rationing – overwhelming the progress that has been made in social care in the last ten years. Blending together the elements of change drawn from the personalisation and the community empowerment agendas gives us a chance to retain some of the current momentum, enhance both of their prospects for success as radical policies and really stimulate collective and community benefits at the same time.

No doubt combining personalisation with community empowerment through a mutual incentive mechanism will be controversial, but in a time of growing economic crisis, so often when vulnerable people suffer the greatest, it would be very satisfying to recognise that they would lie at the heart of a potential solution. Using limited public money more effectively so that all benefit is a worthwhile ambition.