

self-directed support

Part II

Resource Implications of SDS: Management Considerations



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Ministerial Foreword



We are at a critical point on our journey to making self-directed support (SDS) a reality for everyone. We are five years into our 10 year self-directed support strategy and the Social Care (Self-directed Support) (Scotland) Act 2013 has been in place for a year.

Our vision is of a flourishing, optimistic Scotland in which all people have control of their lives, have equal opportunities and are empowered to make choices at home, in work and education and in their community.

I want these opportunities to be open to everyone no matter where they live in Scotland or what social services support is required, be it social care, moving out of the criminal justice system, recovery from addiction or homelessness.

To achieve this ambition will take empowered citizens, creative services, and a workforce that collaborates to support people to achieve their personal outcomes. All of this needs to be supported by flexible, responsive and proportionate systems and processes that support the achievement of outcomes, not account for what can be counted.

Along with health and social care integration, self-directed support is part of a package of public sector reform policies which require a fundamental shift in culture to be achieved. That is why we continue to invest in workforce tools like this **Self-directed Support Financial Framework** Guidance. This financial management guidance and self-evaluation framework promote good practice and will give financial managers the confidence to facilitate creative and collaborative approaches to social care and support.

I would like to thank CIPFA Scotland, Social Work Scotland, COSLA and all representatives of the reference group who contributed for their contribution to this very important work.

A handwritten signature in black ink, appearing to read 'Jamie Hepburn'.

Mr Jamie Hepburn MSP
Minister for Sport, Health Improvement and Mental Health

Acknowledgements

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SECTION 1

Accountability and Roles in SDS Management

ACCOUNTABILITY FOR THE USE OF PUBLIC RESOURCES

1. Public financial management requires accountability for the use of public resources.
2. The implementation of SDS provides the individual supported person with significantly enhanced control over the use of public resources. This implies that the supported person also has responsibility for ensuring that the use of public resources appropriately supports and achieves the personal outcomes that have been agreed between the individual and the authority.
3. As such the social care service and financial management monitoring arrangements should evidence this accountability, whichever option the supported person exercises.
4. The financial management arrangements should be proportionate and appropriate to the risks that the public resources are exposed to. Excessive accountability requirements can discourage innovative service choices, overburden the supported person and not support the achievement of Best Value. Insufficient accountability requirements can result in the ineffective use of public resources and in a failure to achieve the agreed outcomes for a supported person.
5. A risk-based approach to the accountability framework for each supported person should include the application of indicative de minimis criteria. The development of the framework, and the criteria set, should be informed by relevant evidence and suitable professional judgement.
6. Third party organisations such as voluntary organisations, service providers¹, Centres for Inclusive Living² (CIL) or other disabled people support organisations can complement local authority information systems and processes. For example they may have the capacity to produce up to date financial information on behalf of service users with relevant supporting documents.

1 For example: [Scottish Personal Assistant Employers Network](#)

2 There are a number of local 'Centre for Inclusive Living (CIL)' organisations established in Scotland.

SDS MANAGEMENT ASPECTS

7. In considering the continual development of SDS management arrangements this guidance considers key aspects of SDS, with specific focus on the financial management implications arising from:

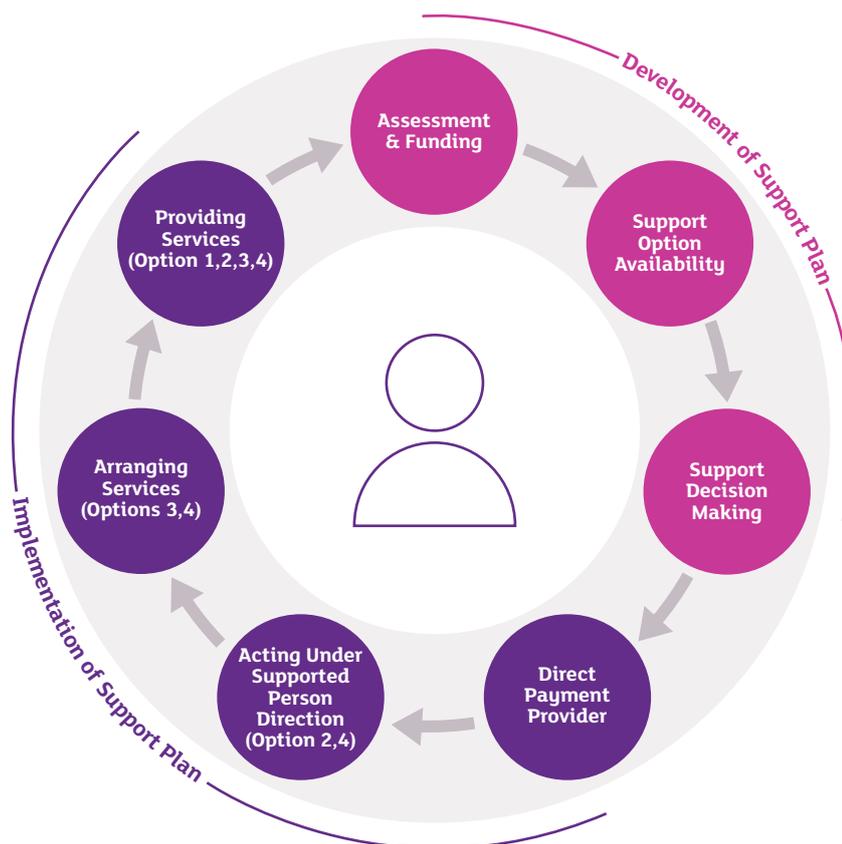


8. These are considered below, with key areas noted. The self-evaluation framework is also structured based on these aspects of SDS management. A table summarising the areas addressed in the self-evaluation framework is provided at the end of the following sections of this guidance.
9. These aspects are evident in a number of roles, outlined below, that arise in SDS implementation.

ROLES IN PROVIDING SELF-DIRECTED SUPPORT

10. The successful implementation of self-directed support and, ultimately, the achievement of outcomes for each supported person requires a variety of activities to be co-ordinated and centred on supported people.
11. These include financial management activities, which may be undertaken by a variety of different staff, including finance staff, social work managers and front line social care professionals. The statutory guidance³ states “*Finance functions should provide the necessary support to the social work function, ensuring effective systems to support social care provision and encouraging choice, control and flexibility for social care users*”.
12. Local authorities and other organisations involved should have clear systems and arrangements between them. Open and regular relationships between stakeholders greatly contribute to effective financial processes and accountability.
13. The responsibilities to supported people should be a central concern for all staff involved in financial management activities.
14. These responsibilities will require various staff to act in different roles. The roles identified for this guidance as supporting a person centred implementation of self-directed support are illustrated in the diagram below.

³ Table 4 “Statutory guidance to accompany the Social Care (Self-directed Support) (Scotland) Act 2013”



15. The table below provides a more detailed description of each role. Some roles, by statute, are the responsibility of solely the local authority, although they may be delegated to other organisations. Other roles may involve responsibilities or actions for the local authority or a third party, such as the NHS, independent support organisations, commercial service providers or charities.

	Role	Summary Description	Responsibilities and Actions for:
A	Assessment and Funding	The initial assessment of the needs and outcomes of the supported person; the determination of the relevant amount for the supported person and the funding of the relevant amount.	Local authority
B	Support Option Availability	The promotion of meaningful choice, including an active market in care options.	Local authority or third party
C	Support for Decision Making	Assistance for the supported person in selecting their support option.	Local authority or third party
D	Direct Payment Provider [Option 1 or 4]	Making appropriate and proportionate arrangements for the payment and monitoring of direct payments made to the supported person.	Local authority

	Role	Summary Description	Responsibilities and Actions for:
E	Acting Under Supported Person Direction [Option 2 or 4]	The appropriate and proportionate management of the relevant amount on behalf of the supported person, at the direction of the supported person in accordance with the achievement of personal outcomes.	Local authority or third party
F	Service Arrangement [Option 3 or 4]	The determination by the authority, in consultation with the supported person, of the services that should be provided for the supported person.	Local authority or third party
G	Service Provision [Option 1, 2, 3 or 4]	The provision of services to the supported person. This may occur under option 1, 2, 3 or 4.	Local authority or third party

SECTION 2

Supported Person Participation

PERSON CENTRED APPROACH

16. SDS values and principles require a person centred approach to the planning and provision of care services. The financial management implications of this include not only the resource requirements explicit in ensuring that this is achieved, but also the need for a person centred financial management approach
17. The supported person should be provided with the relevant and appropriate information needed to support their involvement and decision making throughout their personal pathway. Where a proxy is empowered to make decisions on behalf of the supported person, for example where the supported person lacks capacity, they should also be equally informed.⁴
18. Costing and forecasting information at an individual supported person level will therefore be needed. In particular a direct correlation or linkage between the use of resources and the achievement of outcomes can be expected to be evident at the individual supported person level.
19. This level of costing and forecasting may lead to changes in systems, procedures and staff responsibilities. In particular information should be available and collated on all the resources planned for and used by a supported person exercising Option 4, to provide the supported person, social care staff and relevant participants with a clear understanding of the resources involved.

⁴ See paragraphs 7.27-7.28 of *Statutory Guidance to accompany the Social Care (Self-directed Support) (Scotland) Act 2013*, Scottish Government (2014)

TABLE: EXAMPLES OF SUPPORTED PERSON PARTICIPATION

20. The self-evaluation framework included with this guidance provides details of the participation and involvement that a supported person can expect in relation to each role. The tables below provide a summary of examples of the involvement expected, along with brief notes of possible actions.

Examples of Supported Person Participation in Achieving Outcomes		
A	Assessment and Funding	Ability to self-refer for assessment.
		Collaboration and involvement in the assessment process.
		Identification of personal need and outcomes.
		Receipt of information and advice.
B	Support Option Availability	Meaningful available options/choice within the resources available.
		Collaborative and partnership approach to support option identification.
		Identification of other available support or funding.
C	Support for Decision Making	Access to impartial information and advice.
		Empowerment and support, including training.
		Advice on responsibilities and accountability for the use of public resources.
D	Direct Payment Provider [Option 1 or 4]	Management of own financial and procurement arrangements.
		Consultation regarding proportionate financial monitoring arrangements.
		Flexibility in the provision of a direct payment.
		Ability to employ a personal assistant in accordance with the agreed outcomes.
		Timely notification of any contribution / care and support charge payable.
		Ability to request, subject to the agreement of the authority, a direct payment to be made before deduction of a care and support charge (i.e. a 'gross pay' arrangement).
		Flexibility in the use of a direct payment.
		Responsibility for monitoring the use of the direct payment

Examples of Supported Person Participation in Achieving Outcomes		
E	Acting under Supported Person [Option 2 or 4]	Specification of the services desired by the supported person, in accordance with the agreed outcomes, within the limitations of procurement law.
		Specification of the service provider by the supported person, within the limitations of procurement law.
		Receipt of information on expenditure, outstanding commitments and the relevant amount remaining.
		Access to impartial information and advice on alternative budget management arrangements, for example use of an Individual Service Fund held by a third party.
F	Service Arrangement [Option 3 or 4]	Collaborative and partnership approach to services being provided.
		Information on choices available.
		Ability to provide feedback on services received.
G	Service Provision [Option 1, 2, 3 and/or 4]	Ability to provide feedback on services received.
		Involvement and participation in operational service provision decisions.

SDS Management Responsibilities

MANAGEMENT RESPONSIBILITIES IN PROVIDING SELF-DIRECTED SUPPORT

21. The role analysis in this guidance, combined with the legitimate expectations of a supported person to participate in decisions about their support arrangements, provides a basis for the identification of the financial implications of a local authority's SDS management responsibilities.
22. All staff involved should be clear about the financial implications of ensuring that SDS implementation achieves outcomes for each supported person.
23. This guidance does not draw a distinction between 'finance' staff and 'social care' staff in this respect. Different authorities will have different task and responsibility arrangements, and it is the SDS financial implications of these which are the primary focus, regardless of who undertakes them.
24. This principle also applies in respect of different management levels. Authorities will have different management structures and this guidance does not seek to specify the level of staff responsible for a specific task.

RESPONSIBILITIES TO THE LOCAL POPULATION

25. In providing services, including social care, for the local population a local authority will face many competing requests for services. The total funding that a local authority can use in service provision is likely to be restricted, such that not all services that may be considered desirable can be provided. Consequently a local authority is likely to have to make decisions, based on local priorities and outcome agreement targets, about the relative resources that are available for each service.
26. In this situation the following statutory financial responsibilities need to be considered by the authority:
 - The duty of Best Value:⁵ each council has a statutory obligation to secure 'best value' in its use of public monies.
 - The duty to set a balanced budget:⁶ Each council is required to set a level of Council Tax which will meet the expected costs and other items which the authority expects to incur.
27. At present the Scottish Government policy is to ensure that there is no increase in Council Tax. Where an authority agrees to implement this policy the requirement to set a balanced budget will mean that the prioritisation of expenditure within the total funding available will be a key focus.

⁵ See section 1 and 2 of [Local Government in Scotland Act 2003](#)

⁶ See Part II section 93 of [The Local Government Finance Act 1992](#)

28. The combination of these requirements implies that key areas for the authority to determine in providing self-directed support services for the local population as a whole will include:
- the relative priority of services when making funding allocation decisions
 - the optimum use of funding to maximise SDS outcomes for the local population
 - the setting of eligibility thresholds in relation to social care
 - the longer term sustainability of, and outcome achievements arising from, social care expenditure
 - the methodology used to set and allocate the social care budget.

CHANGES IN THE MANAGEMENT OF SOCIAL CARE SERVICES

29. The impact of SDS on, and consequential changes for, the financial management of social care services should not be overlooked.
30. The development of an appropriate SDS management framework, if not already implemented, will require action by authorities, in partnership with supported people, carers, voluntary organisations, advocacy services, and service providers. A multi-disciplinary approach to SDS management can be anticipated, with expertise in human resources, legal, procurement, finance and information technology being required.
31. Example areas for consideration may be IT systems, staff training, process redesign, task reassignment and other aspects. The extent of change will be a matter for each authority to determine, and is likely to be affected by the current economic environment, relative policy priorities of the authority and the achievement of Best Value for the local population.
32. Therefore any changes planned to the management of social care services, to support and ensure the achievement of SDS outcomes, should feed into service and financial strategic plans. Potential collaboration between authorities and other partners may be explored, in which case it is important that each partner's strategic planning is aligned.

DETERMINING THE RELEVANT AMOUNT

33. A central financial management aspect of SDS is the need for an authority to determine, for each supported person,⁷ the relevant amount for each option. The relevant amount is defined as:
- “the amount that the local authority considers is a reasonable estimate of the cost of securing the provision of support for the supported person”*
34. Authorities are expected to develop an appropriate method for determining the relevant amount. There is no set specified method that must be used by an authority. Each authority may therefore choose or develop its own approach suitable for its circumstances.

⁷ See Social Care (Self-directed Support) (Scotland) Act 2013 section 4, which includes the definition of “relevant amount”

35. The statutory guidance⁸ indicates that the method should:
- be fair and transparent
 - include the skilled judgement of professionals
 - involve the supported people and care groups in its development
 - inform the supported person of the amount of support available under each Option
 - ensure assessed eligible needs are met
 - be robust and rational
36. Additionally authorities may wish to consider the extent of bureaucracy, value for money and potential burden on the supported person when developing or reviewing the methodology used. Authorities may wish to refer to additional references such as [Simplify the RAS](#).⁹
37. The [Audit Scotland report on SDS](#)¹⁰ noted that there were three existing types of approach generally used in the determination of the relevant amount:

Approach	Description
Resource Allocation System (RAS)	An RAS is usually a points based system. Each point will normally represent a set amount of funding, based on the overall initial corporate budget for support and the initially forecast demand for support.
Equivalency Model	An equivalency model will normally allocate funding based on an estimate of the cost of providing traditional, existing support services for the supported person.
Solution-led Model	A solution-led model allocates the actual cost of the support a person needs, based on their support plan. To retain oversight, higher levels of support may require higher levels of authorisation.

38. As would be expected each approach has different benefits and risks. [The Audit Scotland report](#) sets these out clearly in a table. As an overview:
- an RAS model can be seen to be fair but requires good cost and demand information, with a risk that it may be bureaucratic
 - an equivalency model may be fair between council service users and others, it may not correct existing inequity between different user groups, it may be unsustainable if demand rises and it will require cost information on existing services
 - a solution-led model can be seen as fair as it relates directly to the support plan for a supported person, but there is a potential for overspending the overall budget without strict financial monitoring, and there may be difficulties if a cap on spending needs to be implemented

⁸ See paragraph 7.7 - 7.10 of [“Statutory guidance to accompany the Social Care \(Self-directed Support\) \(Scotland\) Act 2013”](#)

⁹ [Simplify the RAS](#), Simon Duffy, Centre for Welfare Reform, 2011

¹⁰ See paragraph 68 onwards and Exhibit 6 page 33 [Self-directed Support, Audit Scotland, 2014](#)

39. Where an RAS is being developed the following key principles have been suggested as areas for consideration:¹¹
- Application of a points based approach.
 - Equity in terms of the treatment of needs.
 - Transitional arrangements may be considered where a new approach would see a significant change in the support provided.
 - Clarity in terms of the supported people affected or entitled to assessment.
 - The extent to which efficiency assumptions may be relevant.
 - Optimisation of formal and informal support available to the supported person.
 - Taking an overview of the supported person's 'gross needs', not just those the authority itself may support.
 - Clarity on how costs and charges are calculated.
 - The participation of the supported person, and the level of bureaucracy involved.

The Relevant Amount: Confirmation of Calculation

40. For financial management purposes the calculation of the relevant amount must be reasonably robust and reliable. Achieving absolute accuracy is likely to be unrealistic, so some tolerance and recognition that individuals will have different outcomes and needs will be needed.
41. Sufficient predictability is however an inherent requirement for robust financial planning and forecasts since the factors that significantly affect the calculation of the relevant amount need to be understood and reflected in forward financial modelling.
42. Councils should therefore consider undertaking regular verification of the relevant amount calculation, to ensure that the calculated amounts are reliable and the factors affecting actual costs incurred are reflected in the calculation.
43. The following table, based on information from CIPFA's Social Work Finance Advisory Network,¹² outlines a potential approach to developing and verifying an RAS approach.

11 In 'Personal Budgets: A Rough Financial Guide', CIPFA (Social Work Finance Advisory Network), 2009

12 In 'Personal Budgets: A Rough Financial Guide', CIPFA (Social Work Finance Advisory Network), 2009

Potential RAS Development and Verification Process

1	Identify a representative or random sample of current care packages.
2	Ask care management staff to score each care package using a questionnaire. This could use another authority's Self-Assessment Questionnaire with sufficient depth of weighting as a starting point for this.
3	Cost each care package, allowing for the fact that few people receive 52 weeks care – typically 46 to 48 weeks due to time in hospital or time away with family, etc.
4	Eliminate cost outliers – eg. the top and bottom 'x' percent of care packages.
5	For the remaining packages add the total points and the total costs.
6	From this derive a price per point.
7	Test the 'price per point' using a different or the same sample. Check in every case that a care manager believes that the budget is sufficient and make adjustments to weightings as necessary.
8	When using the approach for real start small.
9	Monitor and compare: for example compare new allocations with existing costs, and monitor where actual relevant amounts incurred are different to indicative amounts
10	Review and adjust points weighting and/or the price per point based on actual experience. For example by taking a fresh sample of new support plans under SDS and considering the options for continuing with a single or variable price per point.

44. The network material noted that many early RAS approaches did not produce a good match to the actual expenditure required to meet needs. Typically the early RAS approaches would overstate the relevant amount for those with less 'need points', and understate the relevant amount for those with higher need points.
45. To overcome this two approaches were normally adopted:
- a. Adjusting the weightings for some Self-Assessment Questionnaire elements.
- or
- b. Using a different (higher) price per point for those with higher 'need points' and a lower price per point for those with lower 'need points'.
46. Each authority should satisfy itself that its calculation of the relevant amount is robust and reliable. Where a 'standard costing' approach is used in the calculation of the relevant amount this should, in particular, be subject to regular updating as costs are likely to change.
47. There is of course scope for authorities to share their experience and lessons learned in the development and verification process, as similar factors may be relevant across authorities. In particular as SDS implementation develops over time there may be common themes and good practice in the calculation process that authorities may agree on.

DETERMINING A CHARGING POLICY FOR SELF-DIRECTED SUPPORT

48. Local authorities are empowered to charge, where the supported person has been assessed as being able to pay, for some services that are provided to meet people's needs. SDS arrangements must take this into account. Charging policies are a matter for the local authority.
49. An authority's charging policy should be informed by compliance with relevant guidance.
50. COSLA guidance¹³ on non-residential care services is normally updated annually. The COSLA guidance uses the term 'care and support charges', rather than 'contributions'. Charges for residential care will normally be expected to adhere to [Scottish Government Guidance](#)¹⁴, usually referred to as 'CRAG'.
51. As indicated in the COSLA Guidance, Scottish Government policy creates exemptions from charging for non-residential care. This includes, for example, free personal care as well as regulations that require waiving of charges for support to carers.
52. The potential shift under SDS implementation, away from charging for specific services towards an aggregate 'ability to pay' based approach, can mean that this becomes a complex area. The COSLA guidance on non-residential charges¹⁵ recognises this fact.
53. Councils are likely to have to be able to analyse the relevant amount for a supported person to distinguish between:
 - the amount relating to chargeable services
 - the amount relating to non-chargeable services.
54. This analysis will be required when determining the supported person's care and support charge. It may also be necessary to analyse the actual cost of support, as incurred, in a similar manner since the COSLA Guidance states "*An additional requirement is that the contribution should not exceed the cost of providing the service(s)*".
55. While self-directed support processes present a variety of challenges for how authorities calculate and set charges, it is important to consider fair and effective charging policies in the context of SDS. The challenges to local authorities can be summarised as follows:
 - **System Changes** – the implementation of SDS has commenced but full realisation of SDS objectives may take time to achieve. The results of this will impact on charging policy and see ongoing development in service re-design and staff development. Good practice should ensure that any changes in previous arrangements take account of the need for transitional arrangements to ease the impact on the supported person.
 - **Outcomes-Based Personal Planning** – service type is the basis for traditional charging systems, however outcome-based assessment and review is not framed around service type. In view of this, a conceptual shift will have to be made in respect of councils' charging policy and procedures and care therefore taken to ensure that the supported person understands the process and the issues involved.

13 The COSLA National Strategy & Guidance: Charges Applying to Non-Residential Social Care Services 2015/16

14 [Revised Guidance On Charging For Residential Accommodation \(CRAG\)](#), as issued by the Scottish Government under CCD 2/2014, April 2014.

15 The COSLA National Strategy and Guidance: Charges Applying to Non-Residential Social Care Services 2015/16, see paragraphs 6.3-6.5

- **Care and Support Charges** – individuals with the ability to pay may be required to fund a proportion of their overall budget. This is a calculated contribution to the budget cost of meeting their needs and achieving their outcomes and is linked to their personal budget and their ability to pay. There is the potential that this may lack the clarity of arrangements based around service type and volume in which case steps should be taken to ensure that the service user is adequately informed.
 - **Collecting the Care and Support Charge** – Direct payments can be paid in instalments or in a lump sum payment and may be made on a “net” or a “gross” basis, i.e. the charge can be removed prior to the provision of the monthly direct payment or following the provision of the monthly payment. The supported person can request a gross payment arrangement, subject to the agreement of the authority.
 - **Treatment of Free Personal Care and other Non-Chargeable Services** – Managing a system that includes free services creates additional complexity in the administration of SDS. As indicated earlier in this guidance authorities are likely to have to distinguish between ‘chargeable’ and ‘non-chargeable’ support in the determination of the relevant amount and in the monitoring of support. The collection of the care and support charge should only be finalised once the details of the support plan have been taken into consideration.
56. The COSLA Guidance contains a useful and relevant flow chart¹⁶ illustrating the application of charging as part of self-directed support.
57. In determining a charging policy an authority will need to consider a wide variety of factors including:
- the involvement of service users and the local population in co-production of a policy
 - the impact on individual supported persons, with arrangements made to ensure individuals are informed and appropriately consulted
 - an equality impact assessment undertaken on any planned changes
 - the policy priorities and financial position of the authority

FINANCIAL MONITORING OF SDS

Responsibilities for Financial Monitoring

58. Financial monitoring is a core part of corporate governance. For Scottish local authorities this is emphasised by the requirement to appoint a ‘proper officer’ with responsibility for financial administration.¹⁷
59. The proper officer will ensure that financial monitoring arrangements are appropriate for the authority. This will normally include the appointment of finance staff with responsibility for supporting financial monitoring.

¹⁶ See paragraph 6.6 of The COSLA National Strategy & Guidance: Charges Applying to Non-Residential Social Care Services 2015/16

¹⁷ As required by section 95 of the Local Government (Scotland) Act 1973 which states “every local authority shall make arrangements for the proper administration of their financial affairs and shall secure that the proper officer of the authority has responsibility for the administration of those affairs”

60. Responsibility of finance staff for financial monitoring can include:¹⁸
- supporting the application of financial regulations
 - retaining supporting records and documentation
 - compliance with relevant accounting requirements
 - identification and analysis of variances from planned expenditure or income
 - forecasting of expenditure and income
 - identification of significant financial risks
 - support and advice to social care service management and staff.
61. The ongoing implementation of SDS places a focus on person centred service delivery and personal choices or preferences. The use of public resources under SDS, including the determination and use of the relevant amount, will be directly affected by decisions made by social care professionals and supported people. Other stakeholders, such as health professionals, may also be involved in decisions regarding the use of public resources.
62. In this environment finance staff will need to support social care professional staff in managing public resources, achieving Best Value and ensuring that accountability for the use of public resources is maintained. The development of local procedures to provide clarity on the financial management roles and responsibilities of all those involved in SDS would support this.

The Principles of SDS Financial Monitoring

63. Guidance on monitoring direct payments¹⁹ has identified two forms of monitoring:
- Monitoring of service.
 - Monitoring of finances.
64. Financial monitoring is regarded, in this guidance, as the actions which seek to gain evidence that the relevant amount has been used for the intended service purpose. Financial monitoring should be proportionate to enable the service monitoring to focus upon the service outcomes.
65. The following general principles that are applicable to direct payments²⁰ are also applicable to the use of the relevant amount under each of the SDS options:
- The assurance of individual independence and choice by the supported person balanced with evidence of personal responsibility. It is reasonable to ask a supported person to account for their decisions in using the relevant amount to achieve their support plan outcomes.
 - Financial monitoring arrangements should be proportionate to the level of risk involved.
 - Local authorities can set a local de minimis levels regarding the level of evidence required.
 - Flexibility, within clear boundaries, to use the relevant amount creatively in ways which reflect agreed outcomes.

18 This list is partially based on sections PR7, PR8 and PR9 in the [CIPFA FM Model: Assessment of Financial Management in Public Service Organisations](#).

19 Page 9, Self Directed Support: Direct Payments – A Guide for Local Authority Finance Managers, CIPFA, 2009

20 Page 9, Self Directed Support: Direct Payments – A Guide for Local Authority Finance Managers, CIPFA, 2009

Co-ordination of Monitoring Arrangements

66. It is essential and inherent in a person centred approach to SDS implementation that service and financial monitoring are co-ordinated.²¹ Arrangements should therefore be in place to ensure that monitoring information is exchanged internally, that those involved understand the objectives of SDS and that the role of co-ordinated monitoring in the achievement of service outcomes is acknowledged.
67. The role of co-ordinated monitoring is particularly relevant if uncertainties regarding the use of the relevant amount arise. This may include:
- unexplained infrequent or low use of a direct payment
 - unexplained irregular or large payments under a direct payment or in acting under the supported person's direction
 - the accumulation of a significant balance of direct payment funds
 - potential misuse of the relevant amount outwith the agreed support plan
 - unexplained use of any significant part of the relevant amount.
68. In such situations these should be brought to the attention of the relevant social care professional, as they may indicate that a review of the support package arrangements is required to ensure that the supported person's outcomes are achieved. In particular the social care professional may need to consider whether:
- the supported person requires a change in support to help them achieve their personal outcomes
 - the supported person's needs or circumstances have changed so that a review of the relevant amount is indicated.
69. The statutory guidance²² states:
- “The authority should take steps to ensure that the supported person can use their direct payment in any way provided that the support purchased via the payment is in line with the assessment and support plan, meets the supported person's “eligible need” and is within the criminal and civil law.”*
70. Therefore in co-ordinating monitoring it should be recognised that the determination of whether a particular item of expenditure is appropriate for a specific supported person will ultimately be a judgement for the supported person and the social care professional to agree on. Authorities may however utilise guidelines or standard agreements as a basis for identifying expenditure items which are unexpected. Based on this finance staff can appropriately seek clarification on the use of public resources with the social care professional in order to support Best Value and accountability for public resources.²³

21 This is reinforced by of “Statutory guidance to accompany the Social Care (Self-directed Support) (Scotland) Act 2013”, Scottish Government, 2014 which states in paragraph 11.7 “The finance function within the authority should approach the task of monitoring in collaboration with social work and in line with the values and principles set out in this guidance”

22 “Statutory guidance to accompany the Social Care (Self-directed Support) (Scotland) Act 2013”, Scottish Government, 2014 paragraph 8.12

23 This is supported by “Self-directed Support: Practitioner Guidance”, ADSW/ Scottish Government which states (page 30) “The local authority has a responsibility to ensure that public funds are used in line with assessed need”

Risk-Based Financial Monitoring

71. Financial monitoring arrangements should be proportionate. For this guidance this is considered to mean that the extent, or burden, of financial monitoring should be directly related to the risks that the financial monitoring is seeking to manage. What is regarded as ‘proportionate’ will be a matter for the authority and the staff involved to assess.
72. The assessment of financial risk for a supported person is expected to be part of a wider risk assessment, involving discussions between the social care practitioner and the supported person.²⁴ Ideally such discussions will include consideration of the financial risks to the supported person and to the public resources involved.
73. A principles based approach to co-ordinated monitoring for a supported person is expected to include consideration of financial aspects such as:
- the size of the relevant amount or cost of the support package. This will often be a key element in assessing the risk exposure for public resources
 - the risk of administrative difficulty on the part of the supported person
 - the use of public resources to achieve the agreed outcomes
 - the total support available to the supported person
 - the risk of financial abuse of the supported person
 - previous experience of the supported person in managing a direct payment or directing their support. Where the supported person has little or no previous experience of exercising these options the initial frequency of monitoring may be relaxed after a period
 - the risk to the supported person from fraud and corruption
 - the financial risk involved in the choice of provider for care services.
74. Potential evidence of administrative difficulty, which may affect the level of risk involved, could include:

Direct Payment [Option 1]	<ul style="list-style-type: none"> ■ Where a separate bank account is required, an account operating irregularly with credit/debit balances. ■ Where a separate bank account is required, the application of bank charges to the account ■ Inability to provide ready evidence of receipts, where required, bank statements and other financial records and expenditure for which no records are available or where explanations are not provided by the individual.
Supported Person Direction [Option 2]	<ul style="list-style-type: none"> ■ Lack of clear instructions from the supported person regarding the use of the relevant amount. ■ Irregular spending profile (i.e. timing of expenditure) which is not readily linked to the supported person’s assessed needs. ■ Frequent queries or uncertainties regarding the management of the relevant amount.

²⁴ “Self-directed Support: Practitioner Guidance”, ADSW/Scottish Government on page 31 refers to “assessment and detailed discussion with the supported person”

75. Evidence of administrative difficulties may lead the social care practitioner to assess whether further support to improve administrative competence is appropriate.
76. Where a combination of SDS Options 1, 2, and/or 3 are used (i.e. Option 4 is exercised) the assessment of risk should take a holistic view of the supported person's support arrangement and risks.
77. Authorities should ensure that the monitoring arrangements are proportionate. For example changing the de minimis levels for documentary evidence or the frequency of monitoring to balance the burden, for all involved, of monitoring against the risks that the monitoring is intended to address.

Termination and/or Reclaim of Relevant Amount Payments

78. Local authorities need to be clear under what circumstances payments of the relevant amount may be terminated²⁵ or reclaimed, or what other action may ensue if the relevant amount is not used appropriately. This may include the accumulation by the supported person of a significant balance of a direct payment. The potential reclaim of a direct payment may also arise if the recipient dies.
79. Any proposed termination or reclaim of payments should only be carried out with reference to the assessment and whether agreed outcomes are being met. Any such action should be taken with co-ordination between social care and finance staff, in the event that a balance is being accrued for planned expenditure (e.g. respite care). In the event of the recipient's death the circumstances should be considered, taking into consideration the likelihood of recovery and any remaining legal obligations to be covered by the direct payment.²⁶
80. The reclaim of payments will affect the monitoring of expenditure by the authority. Where an authority is reclaiming a payment as at 31 March this should, assuming the authority reasonably expects the reclaim to be completed, be reflected as a reduction in expenditure for the year. Clearly the costs of any alternative support provided before 31 March will be expenditure for the year. Where authorities have a large number of payments they may consider estimating the amount to be reclaimed by the authority. This estimate may be based on historical experience of payment recoveries and/or knowledge of specific circumstances of individual clients.

Acting Under Supported Person Direction [Option 2]: VAT and Accounting

81. Under Option 2 the supported person directs how the relevant amount is to be used to support the achievement of their outcomes. This will require the organisation or person acting under the supported person's direction to consider whether they are acting as 'principal', in their own right, or acting as 'agent' on behalf of the supported person. This consideration can affect VAT and accounting requirements.

25 See "Statutory guidance to accompany the Social Care (Self-directed Support) (Scotland) Act 2013", Scottish Government, 2014 page 49 and paragraphs 11.27-11.36. The statutory guidance gives example situations for payment termination including: supported person inability to manage the direct payment, the supported person's needs not being met and concern over misspent funds. Paragraph 14.33 is clear that a direct payment is not to be used for illegal purposes.

26 See "Statutory guidance to accompany the Social Care (Self-directed Support) (Scotland) Act 2013", Scottish Government, 2014 paragraph 11.38

82. Normally local authorities can recover VAT on the goods and services they purchase to provide public services. Local authorities may therefore be able to recover VAT incurred under supported person direction (Option 2) arrangements. Reference to [VAT Notice 749 Local Authorities and Similar Bodies](#)²⁷ may be relevant, especially sections 7.3-7.4 and section 5.8.5.
83. Third parties acting as Individual Service Fund (ISF) managers may not have the ability to recover VAT on some activities for the supported person. Therefore if a supported person requests a third party to act as an ISF holder (Option 2) the supported person may have to bear some VAT. It should be noted however that in many cases care and support services under SDS may be VAT exempt under the terms of [VAT Notice 701/2: Welfare](#)²⁸. A similar situation exists under Option 1 [Direct Payment] whereby the supported person is responsible for VAT payable if this is incurred in using the direct payment.
84. In terms of accounting treatment by local authorities LASAAC has issued guidance²⁹ indicating that expenditure by the authority on behalf of the client should be treated as local authority expenditure not as agency for the client. This treatment supports the view that the authority is discharging its statutory responsibilities in relation to social care.
85. This approach to local authority expenditure may be different to that for third parties managing a supported person's ISF. In such a case the third party may treat the ISF as client funds and the expenditure transactions as agency in nature.

MANAGING IN HOUSE SERVICE PROVISION AND CONTRACTUAL COMMITMENTS

86. As SDS develops the demand for authority in house service provision, and services provided under existing contractual arrangements, is expected to change. Demand volume for in house or contracted services may increase or decrease. The nature of services requested may also change.
87. The financial implications of these changes may be significant for the authority. The [Audit Scotland report on SDS](#)³⁰ stated *“Councils will find it challenging to manage this change because some people may still want to use these existing services but there may be so few people using a service that it may not remain financially viable”*.
88. Changing the resources required for in house provision or for contractually committed services, whether this is de-committing from or increasing existing capacity, will affect forward financial planning by the authority. This will involve identification of the key points or events at which a decision on service continuance, reduction or expansion may be possible.
89. For example the end of a building lease, or a rent review break clause, may allow the authority to decide whether that resource is still required or whether maintenance, or even expansion, of service provision is indicated. Other examples may be the ending of existing contracts, the reduction of service user numbers below a specific level or the existence of excess demand for existing services. The provision of day care facilities may be a particular area of challenge, for example where the expectations of existing service users need to be considered.

²⁷ VAT Notice 749 Local Authorities and Similar Bodies

²⁸ VAT Notice 701/2: Welfare

²⁹ LASAAC [Local Authority Scotland Accounts Advisory Committee], [Bulletin 1/2014 Self-directed Support](#)

³⁰ Paragraph 19 [Self-directed Support, Audit Scotland, 2014](#)

90. Identifying relevant triggers or events will help to establish a timetable and clear criteria for decision making on how or when to transform existing service delivery. Authorities should monitor the level of demand and the resources required for authority provided and contracted services to ensure that the use of public resources continues to provide Best Value.

CROSS BOUNDARY FUNDING ARRANGEMENTS

91. In some situations the place of “ordinary residence” of an individual may be in one authority, but services may be delivered or provided by another authority. In this situation the Scottish Government policy, as noted in the [COSLA Ordinary Residence Guidance](#)³¹ is that “*the local authority in which a person is ordinarily resident is financially responsible for the community care services for that person*”. Recent discussions have resulted in the Scottish Government replacing its guidance on the determination of ordinary residence.³²
92. The guidance clearly applies to cross boundary services, between different authorities, with reciprocity being a clear expectation. On this basis each authority is financially responsible for the care of individuals who are ordinarily resident in the authority.
93. Cross boundary care arrangements may however also exist between Scottish and English authorities. In this respect the COSLA guidance states:

“This has led to situations of highly unjust circumstances where Scottish local authorities have acquired financial responsibility for placements made by English authorities – and yet have also had financial responsibility for placements made by them into English local authorities.”

DATA COLLATION AND USE

94. Information flows between all those involved including staff, the supported person and third parties are inherent in SDS and in its financial management. Authorities will therefore have a significant interest in ensuring that data processes and systems are suitable and that strict data sharing protocols are established between all parties.

31 This term is generally defined within [COSLA Ordinary Residence Guidance](#)

32 See [Circular CCD3/2015 Guidance on the recovery of expenditure on accommodation and services under section 86 of the Social Work \(Scotland\) Act 1968](#) (effective 1 June 2015) and also other information and templates from the [Scottish Government Website](#)

95. Possible issues that may arise regarding data quality are indicated below³³, with potential actions shown:

Issue	Possible Action
Duplication – data held in different places	Development of a single system or process, with a key focus on ensuring data reliability and accuracy.
Delays in activity recording – not up to date	Clear allocation of responsibility for data collation and entry with monitoring/alerts for non-completion. Ease of data entry, and ease of information access/useful reports, will encourage compliance.
Data Consistency	Training and guidance, with simplicity of coding and definitions may assist. Comparisons to identify anomalies and/or exception reporting.

96. While each authority is likely to develop its own specification of information system requirements, it is possible that collaboration with other authorities and stakeholders may provide additional benefits and efficiencies, including possible joint development or procurement. The following table³⁴ suggests key aspects of data requirements and where they may normally be held.

Data Aspect	Anticipated to be Held In
Activity Data	Potentially best held in social care systems, with reviews to identify anomalies.
Calculating Unit Costs	May use general ledger data but calculation may be in another system since there is a need to be clear and transparent regarding what costs are included.
Holding Unit and Standard Cost information	Financial modules of social care systems would be expected to hold these.
Support Plans	Social care systems.
Relevant Amount	Probably held in social care systems as the general ledger is not normally designed for this level of data.
Support Spending	Details on direct payment spending (from and for financial monitoring) may currently be held on spreadsheets. Some data may come from payment card systems.

³³ As outlined in In 'Personal Budgets: A Rough Financial Guide', CIPFA (Social Work Finance Advisory Network), 2009

³⁴ As stated in 'Personal Budgets: A Rough Financial Guide', CIPFA (Social Work Finance Advisory Network), 2009

97. Data on SDS can be anticipated to be central to the development, implementation and monitoring of each integration authority's strategic plan.

TABLE: EXAMPLES OF MANAGEMENT RESPONSIBILITIES

98. The self-evaluation framework included with this guidance provides examples of the management responsibilities with financial implications that relate to each role. The table below provides a summary:

Examples of Management Responsibilities in Achieving Outcomes		
A	Assessment and Funding	Clear establishment of eligibility criteria and thresholds.
		Consistent application of eligibility criteria and thresholds.
		Transparent and fair calculation of the relevant amount for each option.
		A relevant amount that is sufficient to meet eligible needs and the agreed outcomes.
		A relevant amount that reflects social care or health professional opinion.
		A transparent charging policy in line with recognised guidance.
		Robust forecasting of local population requirements.
		Suitable advice for the supported person
		Assessment of resource suitability
		Understanding of financial risks for both parties
		Organisational culture that supports SDS
B	Support Option Availability	Development and promotion of suitable services
		Alignment of procurement and service plans
		Collaboration with public sector and other third party partners
C	Support for Decision Making	Provision of resources to support advice and information for supported people
		Appropriate staff knowledge of alternative support sources for the supported person
		Staff training, guidance and support to ensure that staff can assist the supported person in making informed decisions.

Examples of Management Responsibilities in Achieving Outcomes		
D	Direct Payment Provider [Option 1 or 4]	Assessment of the supported person’s financial management capacity.
		Assessment of the supported person’s exposure to financial abuse.
		Evaluation and/or explanation of procurement risks that the supported person is exposed to.
		Utilisation of an appropriate payment method for the supported person.
		Proportionate (risk-based) financial monitoring arrangements.
		Evaluation of residual liability of authority for financial and procurement issues.
		Development of an appropriate agreement with the supported person.
		Determination of situations and agreed mechanisms for the suspension or termination of a direct payment.
		Ensuring that financial monitoring and social care staff liaise to ensure the personal outcomes of the supported person are prioritised.
		Setting an appropriate frequency of review for each supported person.
		Recognising appropriate triggers, in liaison with social care staff, for undertaking more extensive reviews of a support arrangement.
		Balancing risk and empowerment for the supported person.
		Proportionate feedback and support to resolve any direct payment financial control issues while still supporting personal outcomes.

Examples of Management Responsibilities in Achieving Outcomes		
E	Acting Under Supported Person [Option 2 or 4]	Acting on behalf of the supported person, in accordance with their wishes, personal outcomes and support plan.
		Achievement of Best Value while acting on behalf of the supported person.
		Provision of appropriate information to the supported person and social care staff.
		Support for development of the supported person's involvement in the financial management of the relevant amount
		Compliance with relevant financial requirements, such as the treatment of VAT.
		Employment or contracting of care support staff to provide services for the supported person in line with their personal outcomes and support plan.
		Awareness of, and compliance with, procurement law requirements in relation to services provided under Option 2.
		Development of authorisation and verification processes regarding the payment of invoices for goods and services.
F	Service Arrangement [Option 3 or 4]	Development of contracts with external providers.
		Ensuring that suitable current and future authority resources are available for supported people in the local population.
G	Service Provision [Option 1, 2, 3 and/or 4]	Managing in house service provision and contractual commitments to support financial sustainability.
		Ensuring that in house service provision resources meet supported people needs, outcomes and preferences.
		Ensuring that expenditure on in house service provision represents Best Value and is financially managed.

SECTION 4

SDS Financial Management Risks

RISK MANAGEMENT

99. Risk is an inherent aspect of life. Risk elimination for both individuals and organisations is almost certainly not achievable. Even if it was achievable the cost in both financial terms and in terms of the activities and outcome opportunities foregone may be excessive.
100. A key issue to be considered is therefore how individuals and organisations can manage risks in order to optimise the achievement of outcomes. Risk management can be regarded as a specific discipline, with the following key concepts generally reflected in guidance:³⁵

Risk Appetite

Each individual or organisation will have their own 'risk appetite'. This may be described as the amount and type of risk that an entity deems acceptable in order to achieve outcomes.

Risk Identification

Risk identification involves understanding what could threaten the achievement of outcomes. It will usually involve an assessment of both probability and impact.

Risk Responses

Responses to take for an identified risk will generally be one of, or a mix of, the following:

- Avoid the risk, e.g. cease an activity.
- Reduce the risk, e.g. change the way an activity is undertaken.
- Transfer the risk, e.g. take out insurance.
- Accept the risk, e.g. continue an activity as currently practiced.

101. The [Audit Scotland report on SDS](#) provides a useful table of risks for consideration in the management of SD.³⁶
102. Individuals and organisations have responsibility for their own risk assessment and proportionate risk management. This guidance does not replace that responsibility.

³⁵ Various online and other reference materials are available, including [It's a Risky Business](#), (CIPFA), 2014

³⁶ See Exhibit 7 pages 36-37 [Self-directed Support](#), Audit Scotland, 2014

RISK MANAGEMENT: THE SUPPORTED PERSON'S PERSPECTIVE

103. The risk appetite and preferred approach to risk management of each supported person should be discussed and considered as part of their 'personal pathway'. Services to develop the person's financial management capacity, whether provided by the authority or a third party organisation, can feature in this dialogue. This process will directly affect the extent of risk the supported person assumes and the financial monitoring and management arrangements that are proportionate for that individual.
104. Existing guidance on SDS³⁷ is clear that a balance should be sought between protection of the supported person, as part of the authority's duty of care, and empowerment of the supported person to achieve their outcomes. This will apply to the financial arrangements for the supported person.
105. In this respect the following should be considered:
- The authority should help the supported person to manage risk i.e. to become 'risk enabled' to an appropriate extent.
 - The risk appetite of the supported person should be discussed collaboratively throughout their personal pathway.
 - The support plan should identify the risk management approach.
 - Risk management should be proportionate.

RISK MANAGEMENT: CONSIDERATIONS FOR THE AUTHORITY

106. The local authority will have to consider its risk appetite and risk management approach when developing service plans on behalf of the local population and when discharging its responsibilities on behalf of a supported person.
107. At a local population level the stewardship of public monies and fulfilment of statutory responsibilities will often be key factors for authorities to consider. Authorities should ensure that their governance arrangements, including risk management, support the achievement of outcomes, in line with recognised good governance practice.³⁸
108. Authorities will naturally be concerned with an overview of the services to the local population, particularly in ensuring that the risk of service failure is properly controlled and that resources are appropriate for the level of demand and the eligibility threshold that have been set. The stewardship of, and accountability for, the use of taxpayer funds and the achievement of Best Value³⁹ will also be key considerations.

³⁷ See particularly page 30 onwards of "Self-directed Support: Practitioner Guidance", ADSW/ Scottish Government; see also "Statutory guidance to accompany the Social Care (Self-directed Support) (Scotland) Act 2013"

³⁸ For example "International Framework: Good Governance in the Public Sector", CIPFA/IFAC, 2014; also "Delivering Good Governance in Local Government: Framework", CIPFA, 2007 and addendum 2012

³⁹ See section 1 and 2 of Local Government in Scotland Act 2003

109. There a number of financial management risks arising under SDS. The self-evaluation framework provides a number of examples, however the following key risks are particularly worth noting:

- Risks relating to demand forecasting.
- Risks relating to cost information.
- Risks relating to the budget methodology.
- Risks relating to the financial failure of third parties.
- Risks to the supported person from fraud and corruption.
- Risks relating to the authorisation of payments.

RISKS RELATING TO DEMAND FORECASTS

110. Demand forecasting is regarded as central to long-term service planning, and therefore to financial planning. The forecasting of service demand cannot reasonably be expected to achieve absolute accuracy.

111. The implementation of SDS however means that service demand is now affected by different factors such as outcomes, needs and preferences. The implementation of SDS therefore places an increased importance on understanding and robustly forecasting demand for support services.

112. In particular service planning can now be expected to need to model not only the underlying needs, for example medical conditions, of the local population but also their personal outcomes, their needs and their support service preferences, including which option they are likely to exercise.

113. This adds a new and challenging dimension to demand forecasting which changes the financial risks that an authority faces.

Demand Analysis

114. Demand analysis has always been central to the forward financial planning of social care undertaken by authorities. The implementation of SDS places an increased emphasis on this, since there are now more factors which can influence the services that the authority will secure or provide for the local population.

115. This guidance specifically refers to 'demand analysis' and not 'demand management'. It is considered that the objective of demand analysis is to inform and assist relevant stakeholders to understand the drivers of demand and to forecast future demand in order to assist decision making.

116. Factors which, subject to statistical verification, may be considered relevant to demand analysis for SDS will now include:
- the underlying cause of demand e.g. underlying medical conditions in the local population
 - the health, age and socio-economic demographics or profile of the local population
 - forecast future trends relating to life expectancy, healthy life expectancy, net migration for the local area and other population aspects
 - the preferred outcomes of local population members
 - the resultant needs of local population members
 - the services preferred by local population members.
117. The implementation of SDS also provides an opportunity to consider how SDS development can support preventative interventions, as recommended by the Christie Commission.⁴⁰ In particular the development of preventative approaches for some social care recipients may be aided by analysing data on:
- the extent of the local population who are now being assessed for social care support where an earlier intervention may have mitigated the need. Subject to resource capacity being available this could be undertaken for all those assessed for SDS, not just those meeting the eligibility threshold. This information should assist with forward modelling of the scope for implementing preventative interventions now to support SDS outcomes.
 - the proportion of those who fail to meet the eligibility criteria now but where it is considered that future care will be required. This should assist in forecasting future demand levels. It may also help to identify individual cases where the authority may have discretion to undertake preventative action now to minimise future demand pressures.
118. This guidance does not seek to be a definitive guide on demand analysis for SDS. This is a task requiring the expertise of service professionals and statisticians. Authorities may wish to research and refer to additional materials, such as [‘Managing Demand: Building Future Public Services’⁴¹](#) and [Saving Money by Doing the Right Thing.⁴²](#)
119. In determining the approach to undertaking demand analysis, and the use of the data for forecasting, an authority may wish to consider how this can also be used to track outcomes at an individual and population level. Some form of outcome tracking and/or measurement could facilitate a longitudinal study approach to show outcomes achievement at an individual level. This data may provide future supported people with information on effective support options, and the authority with valuable data on preventative initiatives and Best Value achievement.
120. As previously noted the need for demand analysis will also be reinforced through the integration of health and social care. The requirement to develop strategic plans, in conjunction with the local population and other stakeholders, implies that information on expected future demand will be anticipated.

⁴⁰ Commission on the Future Delivery of Public Services (2011), APS Group Scotland

⁴¹ ‘Managing Demand Building Future Public Services’, Randle, Kippin; The Royal Society of Arts (RSA)

⁴² Saving Money By Doing the Right Thing’, Professor John Seddon, Locality/Vanguard

121. Additionally authorities may wish to consider any potential efficiencies that may be gained from collaborative working, both in developing a consistent 'demand analysis' specification and the potential development of consistent, and possibly shared, systems. This particularly may apply for each health board geographic area, but could be considered at a national geographic level.

RISKS RELATING TO COST INFORMATION

122. The wider options and emphasis on personal choice under SDS implies that cost information requirements are subject to change.
123. There is therefore a risk of not optimising SDS outcome achievements for supported people if robust and reliable cost information, at the supported person level, is not available. As an example the estimation of costs which do not reflect the current local market for support services may mean that either the required support services are not secured, or that Best value is not achieved in the use of public resources.

Understanding the Cost of SDS

124. The importance of cost information has been emphasised by both CIPFA⁴³ and Audit Scotland.⁴⁴ Cost information is an important requirement for decision making at all levels including policy determination, strategic decisions about policy implementation and operational decisions about service delivery. Establishing a link between cost and the achievement of outcomes is a vital element of ensuring Best Value.
125. Costing requires a clear understanding of what factors determine or influence the resources required, and how much they may cost to obtain. This understanding is fundamental to activities such as:
- undertaking support planning for each supported person
 - calculation of the relevant amount for each supported person
 - calculation of any 'care and support' charge or contribution, including the need to separately identify services which are chargeable and those which are not chargeable
 - forecasting expenditure on SDS for the year, at both an individual and authority aggregate level
 - forecasting and planning for longer term service delivery and service transformation.

Cost Drivers

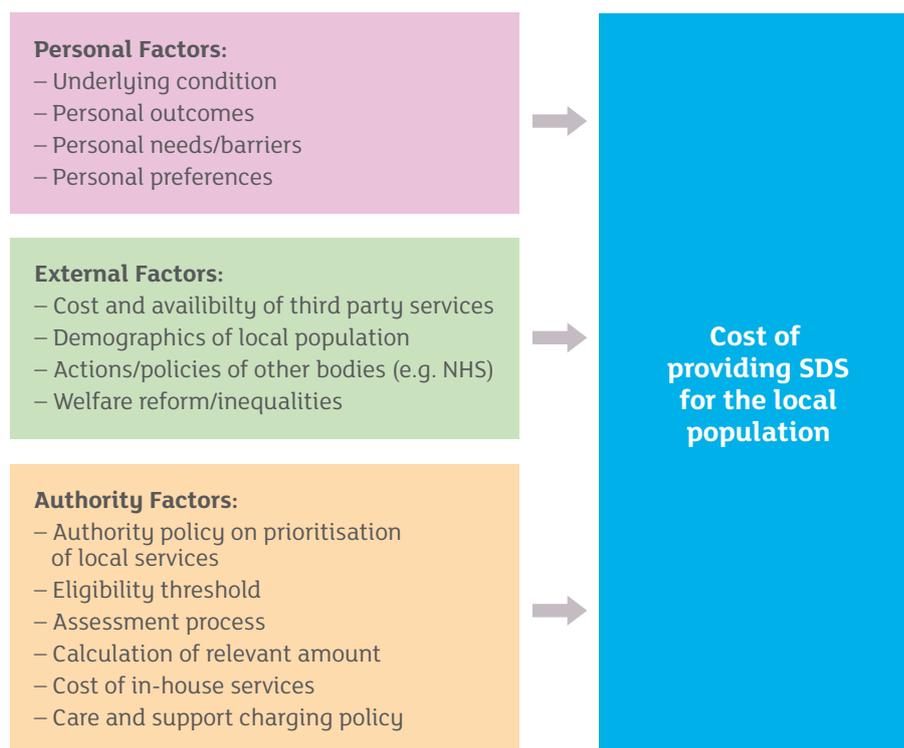
126. The factors that can influence or determine the costs incurred to control resources are referred to as 'cost drivers'. This term is neither 'good' or 'bad', rather the term is neutral. Any specific cost driver may either increase or decrease costs. For example preventative early intervention can be a cost driver – if it occurs it may reduce costs over the long-term but if it is absent it may increase costs⁴⁵.

⁴³ See CIPFA free publications "Briefing Note 1: Counting Costs making Costing Count" and "Briefing Note 2: Counting Costs: Creating a Cost Conscious Culture"; as well as "Counting Costs: Understanding and Using Costing Information to Make Better Decisions"

⁴⁴ See Audit Scotland "Using Cost Information to Improve Performance" (2012)

⁴⁵ For examples refer to 'Saving Money By Doing the Right Thing', Professor John Seddon, Locality/ Vanguard,, (2014); and 'Managing Demand Building Future Public Services', Randle, Kippin; The Royal Society of Arts (RSA)

127. For any activity or specific resources there may be many cost drivers. It is critical that the cost drivers which have the largest impact on financial requirements are identified and assessed.
128. It should however be remembered that costing is a tool to be used for a purpose. It is not an objective or end in itself. Costing to an unrequired level of accuracy may not represent Best Value and may not achieve any increase in the achievement of outcomes. As an example less significant cost drivers where the cost of additional information collation outweighs the benefits to be gained, may be aggregated together or potentially ignored.
129. Each authority will therefore need to determine, understand and forecast the cost drivers that it considers are significant in determining the financial implications of SDS implementation. The diagram below illustrates some potential cost drivers affecting SDS:



RISKS RELATING TO BUDGET METHODOLOGY

130. There are a number of budget methodologies⁴⁶ which councils may use when developing corporate spending plans. In some instances Incremental Budgeting may be used, which seeks to make adjustments to the previous year's plans and expenditure while reflecting anticipated changes.
131. This approach is often suitable where services are not subject to significant change. Where material changes in the operating environment, service demand and service delivery mechanisms are expected it may not represent the optimum budgeting approach. In particular an incremental budgeting approach may not sufficiently reflect a changing environment, such as the person centred approach required by SDS.

⁴⁶ CIPFA TISOnline lists a number of methodologies including: incremental budgeting; zero based budgeting; priority based budgeting; performance based budgeting; participatory budgeting; resource restricted budgeting.

132. This issue is referred to in the [Audit Scotland report on SDS](#)⁴⁷ which states “As some elements of SDS are relatively new, it is difficult for councils to plan for the impact of these changes. This means that councils must monitor closely the choices people make following the introduction of the Act, and keep reviewing their plans”.

RISKS RELATING TO THE FINANCIAL FAILURE OF THIRD PARTIES

133. SDS increases the ability for supported people to make decisions regarding the use of the relevant amount in achieving their agreed personal outcomes. As SDS develops it is anticipated that service provision options, for example the number of third party providers, will increase.
134. This will have significant implications, including the exposure of the supported person and the council to the potential financial failure, such as bankruptcy, of service providers.
135. Authorities will need to assess the extent of the risk arising in this respect, both in the impact on supported people and any potential financial consequences for the authority. A degree of market awareness will support this assessment and may be informed through a PESTLE or SWOT analysis⁴⁸ regarding the local market for SDS services that is available for supported people. Additionally seeking the phasing of material payments throughout the year with providers and appointed budget holders under Option 2 may be appropriate to mitigate the risk to public funds.

RISKS TO THE SUPPORTED PERSON FROM FRAUD AND CORRUPTION

136. SDS is focussed on the achievement of agreed outcomes for the supported person, in accordance with their assessed needs. In implementing SDS the authority has a duty of care, with responsibilities for the safeguarding of individuals⁴⁹ balanced against the empowerment of the supported person. The authority should therefore consider the risk that the supported person is exposed to from financial abuse, for example through fraud and corruption.
137. Awareness of such risks is an element of the good stewardship of public resources.⁵⁰ The authority will seek assurance that public resources have been used to achieve the agreed outcomes for the supported person. Legislative and regulatory requirements, such as the Bribery Act 2010⁵¹, and the National Fraud Initiative⁵² also place specific responsibilities on local authorities.

⁴⁷ Paragraph 19 [Self-directed Support](#), Audit Scotland, 2014, states “As some elements of SDS are relatively new, it is difficult for councils to plan for the impact of these changes. This means that councils must monitor closely the choices people make following the introduction of the Act, and keep reviewing their plans”

⁴⁸ PESTLE = Political, Ecological, Social, Technological, Legal, Environmental, SWOT = Strengths Weaknesses, Opportunities, Threats;

⁴⁹ For details of authority responsibilities, including the legislative framework, refer to [National Guidance for Child Protection in Scotland](#) Scottish Government (2010), [Adult Support and Protection \(Scotland\) Act 2007](#) and also section 14 of [Statutory Guidance to accompany the Social Care \(Self-directed Support\) \(Scotland\) Act 2013](#), Scottish Government (2014)

⁵⁰ See the [Code of Practice on Managing the Risk of Fraud and Corruption](#) (CIPFA, 2014) and accompanying [Guidance Notes](#) (CIPFA)

⁵¹ See the [Bribery Act 2010 Quick Start Guide](#) (Ministry of Justice) and the [Bribery Act 2010](#)

⁵² See [Audit Scotland National Fraud Initiative Guidance](#)

138. Guidance on addressing fraud and corruption risk is available.⁵³ [The Code on Managing the Risk of Fraud and Corruption](#) identifies five key elements:
- acknowledge the responsibility of the governing body for countering fraud and corruption
 - identify the fraud and corruption risks
 - develop an appropriate counter fraud and corruption strategy
 - provide resources to implement the strategy
 - take action in response to fraud and corruption
139. Management of fraud and corruption risks, including preventative measures, is likely to require expert advice, such as reference to an organisation’s Internal Audit function. The scale of expenditure on SDS services is significant, implying that there may be significant risk to the stewardship and proper use of public resources. Consequently SDS may be included as a specific work plan item in Internal Audit forward plans, with specific attention to the assessment of fraud and corruption or financial abuse risks to the supported person, the financial monitoring arrangements and the authorisation of payments for goods and services.

RISKS RELATING TO THE AUTHORISATION OF PAYMENTS

140. Local authorities will already have existing systems and procedures in place to ensure that the ordering, receipt, and payment processes for goods and services are appropriately controlled. As SDS continues to develop, particularly in relation to the exercise of Option 2, with the authority acting under supported person direction, these processes may require review to ensure that payments are only made where goods and services are provided to the agreed standard.
141. A particular area for consideration is the means by which the provision of goods and services for the supported person are verified and evidenced to enable the authority to be satisfied that payment is due. Existing approaches to the verification of social care services, such as home visits by third party providers, currently can include sampling, electronic data (such as GPS or home based data equipment) and feedback from service recipients. Individual Service Agreements may specify the responsibility of each party in verifying service provision.
142. As the use of Option 2 (acting under supported person direction) and the number of providers involved in providing SDS services is anticipated to increase authorities will need to consider the impact on existing service verification processes and the evidence that should be retained to support payment of invoices. Development of new verification processes should be proportionate to the risks involved. This may involve differentiating between different levels of expenditure or relevant amount in establishing the evidence that is sufficient to allow for invoice payment.
143. The involvement of local SDS service providers, advocacy groups, supported people and other stakeholders on this topic is recommended.

53 Such as ‘Code of Practice on Managing the Risk of Fraud and Corruption: Guidance Notes (CIPFA), available as a free download. “[Fighting Fraud Locally](#)” and [Fighting Fraud Locally: A Good Practice Guide for Assessing Fraud Risk](#)’

TABLE: EXAMPLES OF SDS FINANCIAL MANAGEMENT RISKS

144. The self-evaluation framework provided with this guidance provides examples of the financial risks arising from each role, as well as possible action. The table below summarises these:

Examples of Financial Management Risks		
A	Assessment and Funding	Aggregate of individual relevant amounts may exceed the total budgeted for.
		Assessment and relevant amount calculation process may be disproportionate.
		Calculation of the relevant amount may vary for unknown reasons.
		Information availability may limit the ability to undertake demand analysis.
		Financial processes and systems limit achievement of SDS outcomes.
		An inappropriate budgeting methodology may be used.
		Supported people contributions or charges income may not be robustly forecast.
B	Support Option Availability	External funding and other resources available to the supported person may not be optimised.
		Financial failure of one or more service providers.
		Risk that partnership working with other bodies, in all sectors, is not effective in securing Best Value.
C	Support for Decision Making	Risk that resources to empower decision making by a supported person do not support outcomes achievement.
		An excessively risk averse or risk taking approach may not optimise the achievement of outcomes for the supported person, and consequently not achieve Best Value.
		Risk that the accountability arrangements for the use of public resources may not be proportionate.

Examples of Financial Management Risks		
D	Direct Payment Provider [Option 1 or 4]	Risk that concern of adverse media comment may result in a risk averse approach which fails to achieve Best Value.
		Risk that supported person may have financial management difficulties.
		Risk of supported person exposure to financial abuse
		Risk that use of the direct payment does not support outcomes achievement.
		Risk that the authority or supported person may not be aware of their exposure to employer liability claims, employment law litigation, employee pension provision or other obligations.
		Exposure of the supported person to the risk of fraud or corruption.
E	Acting Under Supported Person Direction [Option 2 or 4]	Failure of a provider to deliver services, or delivering below expected standard of services.
		Significant overspends or underspends may occur.
		Financial monitoring processes and systems affect the ability to monitor the supported person's relevant amount.
		Communication links between the supported person, budget manager and other staff may not be optimal.
		Possible non-compliance with VAT requirements.
		Exposure of the supported person to the risk of fraud or corruption.
		Risks relating to the authorisation of payments.
F	Service Arrangement [Option 3 or 4]	Changing demand for services.
		Lack of suitable service delivery options to reflect supported people needs, preferences and outcomes.
		Lack of available information on the cost of potential services, hampering best utilisation of the supported person's relevant amount.
		Cost of services change.
G	Service Provision [Option 1, 2, 3 and/or 4]	In house service provision and existing contracts do not adapt to changes in requirements.
		Risk that in-house service provision is over or under spent.



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