

11 Social Protection

Introduction

11.1 This chapter explains the current UK Social Protection output measure, and recommendations for the future, in five sections.

- Introduction – including scope and objectives of social protection
- Current methods of output measurement, and a critique against the criteria in Recommendation 6.1 (see paragraph 6.5)
- Future methods of output measurement
- Inputs and deflators
- Triangulation and productivity measurement

11.2 Social Protection is the term used in international statistical guidance for the functions of government relating to the provision of cash benefits and benefits in kind to categories of individuals defined by needs such as sickness, old age, disability, unemployment, social exclusion, and so on. In the United Kingdom, Social Protection comprises personal social services and social security.

Personal Social Services

11.3 Personal social services comprise mainly the provision of benefits in kind in order to improve, or prevent deterioration of, the lives of certain individuals and their carers. Examples of personal social services activities include:

- assessment of the needs, and on-going care management, of vulnerable individuals;
- residential care provided to vulnerable older people, younger adults and to children;
- day centres for older people and for younger adults with learning disabilities and other groups;
- home care and help services;
- meals on wheels;
- equipment and adaptations to homes to facilitate independent living;
- maintenance of child protection registers and reviews of cases;
- decisions to take children into the care of the state, termed ‘looked-after children’;

- placements into adoption or foster care of looked-after children;
- services provided to unaccompanied asylum seeking children.

11.4 Local government is responsible for delivery of personal social services. Local authorities (councils) are responsible for assessing the needs of their populations and for arranging care in the light of local priorities and national guidance. They purchase care from public sector providers and from independent, that is, voluntary and market sector providers. The greater part of formal care services for adult groups is provided by the independent sector. These providers generally supply services both to publicly funded clients and to clients purchasing care privately.

11.5 There are some 400,000 households in England who receive publicly funded home help or home care services, and around 280,000 adults who are supported in residential accommodation. Eligibility for publicly funded social services for adults depends on an assessment of the individual's care needs and, for most care services, a financial assessment. The latter takes account of the individual's income and assets and operates as a means test. Individuals with assets above a capital limit are not eligible for publicly funded care. They may purchase services privately and, in some cases, will move from privately funded to publicly funded care as their savings are depleted. In adult care, a distinction is made between nursing care, personal care and the costs of other services, such as accommodation. For local authority funded residents in England, nursing care has been provided free to the individual since 2003, with the costs borne by the NHS as health expenditure.

11.6 Provision of social services is a devolved responsibility in Scotland, Wales and Northern Ireland. The financial arrangement in Scotland differs from the rest of the United Kingdom, in that since 2002 personal care as well as nursing care for older people has been provided free of charge. However, other costs remain subject to a means test. In Northern Ireland, the delivery of personal social services is integrated with that of health (see paragraph 8.6).

11.7 Local government provision of social services is funded by grants from central government or from the Devolved Administrations, and by local taxation (council tax). In England, the Department of Health (DH) is responsible for social services for adults. Following a machinery of government reorganisation in 2003, the Department for Education and Skills (DfES) is responsible for children's social services. DH is responsible for matters relating to the social care workforce. The Office of the Deputy Prime Minister (ODPM) is responsible for funding of local authorities and for the framework of financial and performance accountability of councils in England. The Devolved Administrations are responsible for personal social services in Scotland, Wales and Northern Ireland.

11.8 All social care institutions including councils with social services responsibilities are subject to statutory inspection by the Commission for Social Care Inspection (CSCI) in the case of England, and by the Scottish Care Commission, the Care Standards Inspectorate for Wales, and the Northern Ireland Social Services Inspectorate in the other countries.

11.9 Access to publicly funded social services is through an assessment of care needs co-ordinated by the local authority social services department. Eligibility criteria, arrangements for assessments and budgetary arrangements are determined locally, in the light of national legislation and guidance and local circumstances and priorities.

11.10 There are in England approximately 400,000 ‘children in need’ in any one week, that is children assessed by local authorities as requiring services in order to meet one of a variety of defined needs. Examples of categories of need include ‘absent parenting’ or ‘abuse and neglect’. Within this total, there are approximately 60,000 looked after children on any one day who receive care under the authority of social services, such as in fostering arrangements, in children’s homes or in other arrangements. Care may be of short or long duration depending on the needs of the child; around 3,700 looked after children are adopted each year. In Scotland, there are around 12,000 looked after children.

11.11 Under the Children Act 2004, local authorities in England and Wales assume lead responsibility for the co-ordination of the delivery of all services to children across government agencies at local level. The objective of the Act is to encourage integrated delivery of such services in order to achieve better a number of specified outcomes for children. In Scotland, integrated service delivery has been developed in recent years, although not through statutory means.

11.12 The Children Act 2004 lists five dimensions of the well-being of children which local authorities are required to aim to improve. Further and more detailed guidance is expected to be provided. The five outcomes are:

- physical and mental health and emotional well-being;
- protection from harm and neglect;
- education, training and recreation;
- the contribution made by them to society; and
- social and economic well-being.

11.13 The Children Act outcomes span several COFOG categories of government functions: Health, Education, Social Protection, Public Order and Safety, and Economic Affairs. One of the intentions of the Act has been to cut across compartmentalised responsibilities for ensuring children’s welfare. Integrated delivery of services and pooling of operational budgets for related activities carried out by different public agencies are encouraged. Such changes in the delivery of services could in future pose issues to be resolved in statistical classification of government expenditure and activities in the National Accounts.

11.14 Statements of the government’s current policy priorities for England are set out periodically in the form of departmental Public Service Agreements (PSAs). Similar frameworks are set by the Devolved Administrations. The 2004 Public Service Agreements with DH and DfES include the following objectives for social care:

- Safeguard children and young people, improve their life outcomes and general well-being, and break cycles of deprivation. (DfES)

This has subsidiary targets:

- Narrow the gap in educational attainment between looked after children and that of their peers, and improve their educational support and the stability of their lives so that by 2008, 80 per cent of children under 16 who have been looked after for 2.5 or more years will have been living in the same placement for at least two years, or are placed for adoption. (DfES)
- Improve the quality of life and independence of vulnerable older people by supporting them to live in their own homes where possible by:
 - increasing the proportion of older people being supported to live in their own home by 1 per cent annually in 2007 and 2008; and
 - increasing by 2008, the proportion of those supported intensively to live at home to 34 per cent of the total of those being supported at home or in residential care. (DH)

11.15 A fuller statement of social services performance objectives in England is provided in *Social Services Performance Assessment Framework Indicators 2003–04*, published by CSCI. Under the Performance Assessment Framework (PAF) system introduced in 2000, local authorities are assessed annually. This process includes an assessment of their performance against a range of PAF Indicators. The indicators take a variety of forms: unit cost measures of inputs; objective quantitative measures of achievement; subjective client satisfaction surveys. Performance information is available for Scotland but is not as extensive as that for England and Wales.

11.16 The identification and measurement of attributable incremental contributions of personal social services to outcomes pose conceptual challenges. In this area, incremental contribution might be considered by comparison with what would have happened had there been no service, for example: deterioration, disability, further loss of dignity or autonomy, exposure to danger. The purpose of social services is to avert or mitigate such consequences, and therefore the increment to welfare ought to depend on both the outlook at the starting point, say a young child at risk of abuse, and the end-position, say a looked-after child achieving educational and other life outcomes by the time they enter adulthood. For certain individuals, the increment to welfare may be simply the prevention of further or faster decline than might otherwise have occurred.

11.17 Outcomes of social services will also depend on the impact of other government agencies, including those with education, health and housing responsibilities. There is joint production (see paragraphs 6.22–6.25). This complicates the attribution of improvements in quality of life to activities specifically identified as social services.

11.18 An important part of the outcome will be attributable to unpaid personal care provided by other members of a household and friends. By convention, unpaid and informal care arrangements within households are not included in the National Accounts. In a submission to the review, the Women’s Budget Group has drawn attention to women’s predominant role in providing unpaid care. They note that substitution between government and unpaid care provision will contribute to a change in measured GDP, even if aggregate provision of care by paid and unpaid sectors remains unchanged. The Women’s Budget Group argues that a broader understanding of economy would require measurement of total output, taking market, government and unpaid sectors together. We agree that this is an important point but, as explained in paragraph 1.3, it lies outside our Terms of Reference.

Administration of Social Security

11.19 The function of social security, as it is understood in the COFOG classification, is to provide cash benefits to eligible individuals defined by states of need, such as unemployment, disability, sickness, old age, and so on. Administratively, it involves the processing, assessment and payment of claims for benefits under a variety of programmes. We note that this is a narrow definition of function in that it excludes activities related to the wider welfare objective of promotion of work and economic opportunity.

11.20 Examples of social security benefits in the United Kingdom include:

- the state basic Retirement Pension, Pension Credit and other pension benefits and entitlements;
- Jobseeker’s Allowance, Income Support and other income replacement benefits;
- Child Benefit, which is a flat-rate universal transfer;
- child support maintenance payments where parents are separated, which includes both government payments and mandatory private transfers;
- housing cost subsidies, known as Housing Benefit;
- disability-related benefits for individuals and their carers; and
- provision of collective and individualised information on benefit entitlements.

11.21 Social security within Great Britain is a responsibility of the Department for Work and Pensions (DWP). In Northern Ireland, there are parallel arrangements under the responsibility of the Northern Ireland Department for Social Development. DWP’s social security activities are mostly provided through its executive agencies. Administration of Housing Benefit is done by local authorities, with most of their costs met through transfers from DWP.

11.22 Not all DWP's activities are classified under COFOG as part of Social Protection. One example is the classification of the Health and Safety Executive Agency to Public Administration. Another is the operation of Council Tax Benefit, a system of income-related reductions in local government taxes administered by local authorities, which is categorised to Public Administration as a function of tax collection. Tax credits administered by Inland Revenue are also categorised as Public Administration even though they have many similarities with social security benefits. Quantitatively, the most important example is the classification of the activities of Jobcentre Plus in matching job-seekers to job vacancies, which is classified to Economic Affairs, as a labour market activity. (Other employment-related DWP activities, such as the provision of employment advice and the encouragement of employment opportunities for the disabled, are also classified to Economic Affairs.) Expenditure and outputs of the Jobcentre Plus agency therefore relate to two distinct COFOG categories: Social Protections and Economic Affairs.

11.23 Some social security activities are the responsibility of departments other than DWP. For example, the social security functions of paying Child Benefit and collecting compulsory national insurance contributions are now the responsibility of the Inland Revenue, and the administration of war pensions is the responsibility of the Ministry of Defence.

11.24 DWP was formed in 2001 as a result of machinery of government changes. Following its formation, it began a considerable programme of change in organisational structures and delivery methods, which is still continuing. Programme changes include a range of new employment programmes targeted at particular groups of jobseekers (eg those with low skills, lone parents, ethnic minorities); the introduction of Pension Credit which provides a guaranteed level of income for all pensioners aged 60 or over; and reform of the child support system.

11.25 The following objectives for DWP are listed in its 2004 PSA:

- Ensure the best start for all children and end child poverty by 2020;
- Promote work as the best form of welfare for people of working age, while protecting the position of those in greatest need;
- Combat poverty and promote security and independence in retirement for today's and tomorrow's pensioners;
- Improve rights and opportunities for disabled people in a fair and inclusive society; and
- Ensure customers receive a high quality service, including high levels of accuracy.

11.26 These objectives are supplemented by PSA targets and by operational delivery targets covering areas such as the processing of benefits claims, promotion of awareness of pension provision, reductions in overpayments arising from fraud and error, collection of child maintenance, and achieving job outcomes for categories of job-seekers.

Current Methods of Output Measurement, and Critique

11.27 Direct output measurement of social services and social security was introduced in its current form in 1998, backdated to 1994.

Personal Social Services

11.28 Personal Social Services output is measured in the National Accounts by a cost weighted index of selected activity indicators. These are of two types:

- numbers of individuals receiving residential accommodation, broken down by children and adults, and by available categories of residential placement. There are nine categories of residential placement for children, of which the two most important by expenditure are foster placements and community homes. For adults, the three main categories are: local authority homes, independent residential care homes, and independent nursing homes.
- the volume of domiciliary care, or ‘home help’, home care support provided to adults living at home, measured in hours.

11.29 In total, the current ONS measure of social services output is a function of 14 basic activity indicators. Each of these is measured once a year: at 31 March for the residential care numbers, and in an annual survey in September for home help hours.

11.30 The coverage of Personal Social Services activities in the current output index corresponds to some 46 per cent of expenditure recorded from the PSS EX1 statistical return (see paragraph 11.35): it is far from complete. Cost weightings are grossed up so that they sum to 100 per cent of expenditure. So, for example, looked-after children account for 12.2 per cent of total net expenditure, but receive an output indicator weighting of 28 per cent. However, it is clearly unsatisfactory to assume that changes in outputs for the measured 46 per cent of activities are an adequate proxy for all other areas of Personal Social Services. (See Table 11.1.)

11.31 Personal Social Services activities that are omitted from the current measure include:

- activities to help younger adults with mental health problems or learning or physical disabilities;
- children’s services other than residential care and fostering payments in relation to looked after children; and
- social care activities that have a ‘throughput’ dimension, such as assessments of need, including casework relating to discharge of patients from hospital who cannot cope without support, casework on child protection and support for care leavers, and fitting of home adaptations for people with disabilities.

Table 11.1 Personal Social Services: England local authorities net expenditure by PSS EX1 categories. Weights in ONS output index 2000/01

Heading / subheading	£ billion	Share of total net expenditure, %	Output indicator weighting, %
A: Service Strategy	0.1	1.0	
BA: Children's services – commissioning and social work	0.8	7.4	
BB: Children looked after	1.3	12.2	28
BC: Family support	0.4	3.8	
BD: Youth justice	0.1	0.9	0.2
BE: Other children's and family services	0.2	2.2	1.4
C: Older People	4.3	39.9	70.4
<i>Of which:</i>			
<i>residential</i>	2.2	20.6	47.1
<i>home care</i>	1.1	10.2	23.3
<i>other</i>	1.0	9.1	
D: Adults under 65 with physical disability or sensory impairment	0.8	7.1	
E: Adults under 65 with learning disabilities	1.5	13.7	
F: Adults under 65 with mental health needs	0.6	5.6	
G: Asylum seekers	0.5	5.1	
H: Other adult services	0.1	1.0	
Total Personal Social Services	10.7	100.0	100.0

Source: Department of Health and Office for National Statistics

11.32 The activities which are measured do not capture the value of changes in status caused by the intervention of social services, such as the placement into adoption of a looked-after child, or the attainment by a looked-after child of education qualifications better than might have been expected in the absence of intervention.

11.33 Some 77 per cent of the volume measure is represented by residential care of children, older people and younger adults. Home help accounts for the remaining 23 per cent. Table 11.2 shows the detailed coverage of different types of residential accommodation, by accommodation provider for children and adults. 21 per cent of the total social service indicator is for local authority provided residential care for adults. There is no breakdown in terms of levels of dependency or type and quality of accommodation provided. The measure depends on a snapshot of resident numbers in different placement types once each year. This will represent total occupant days only if there are no significant variations in resident numbers or between types of placement within year.

11.34 There is no quality dimension in the current social care measures. This is a major concern, given our desire to measure added value for the individuals who receive services, which may succeed to a greater or lesser extent in meeting their needs and improving the quality of their lives.

Table 11.2 Activity components in ONS Personal Social Services index: levels and weights 2000/01

Sub-index	Number (000s)	Weighting, %
Adults in residential care, of which:		47.1
<i>Local authorities</i>	44.8	20.6
<i>Independent residential care home</i>	140.3	13.8
<i>Independent nursing homes</i>	72.9	12.8
<i>Unstaffed, etc.</i>	5.7	0.0
Home helps (hours)	2,836	23.3
Children in residential care at 31 March, of which		29.6
<i>Foster placements</i>	38.1	11.7
<i>Lodgings</i>	1.2	1.4
<i>Community homes</i>	4.8	6.7
<i>Voluntary homes</i>	0.7	2.8
<i>Private registered</i>	1.2	1.3
<i>Schools, etc.</i>	1.1	1.4
<i>Placed for adoption</i>	3.3	0.8
<i>Placed with parents</i>	6.7	2.8
<i>Other accommodation</i>	1.8	0.6

Source: Department of Health and Office for National Statistics

11.35 The cost weights applied to the activity indicators are derived from available net expenditure data compiled from the annual PSS EX1 statistical data returns which local authorities are required to submit to central government. Net expenditure is government's gross expenditure on service, less any required contributions paid by individuals. Although the weights are determined on a net expenditure basis, they are applied to activities numbers measured on a gross basis.

11.36 There is no breakdown by dependency or other needs factors in the current measure. There is evidence (Darton and Miles 1997) that the average dependency of older care home residents has risen in the past and that home care services for older people have become more concentrated on those with higher dependency. For individuals receiving home care, greater dependency might be expected to be correlated with more hours of care, which will be captured in the output measure. However, data on residential care numbers do not take account of any changes in the degree of capacity to benefit of clients in care homes (see paragraph 11.49). Unless variations in care home costs by the client's capacity to benefit are correlated with the categorisations of care homes in the current index, then shifts to higher dependency clients may not be taken into account in the cost weights of the current index.

11.37 ONS uses England data as a proxy for UK output. The key PSS EX1 data for the activities indicators, which are local authority financial year returns, are updated only once a year. They are converted into quarterly observations by smoothing adjacent annual estimates. Local authorities are required to submit returns by end-July. DH publish national data in the following February. Output estimates for the National Accounts are therefore available for the *Blue Book* only with a two year lag.

11.38 The two year time lag arises because the required local authority expenditure data are compiled on a financial year basis, and are not available accurately until authorities close their accounts in the summer. This by itself is sufficient to miss the *Blue Book* deadline for the previous calendar year; and additional time elapses because of DH requirements to quality-assure data before final publication.

Administration of Social Security

11.39 Administration of Social Security output is currently measured as a cost-weighted index of activity volumes for the processing of new benefit claims for eight categories of benefit programmes. Income Support accounts for a weighting of more than half in the index; the next most significant is Housing Benefit. The weightings are fixed weights re-based every five years and were last updated in 2000. Important new entitlements such as Pension Credit are not included, and some benefits in the list have been abolished or superseded by new benefits or tax credits (see Table 11.3).

Table 11.3 Components of Administration of Social Security output index

Indicator (number of new claims)	Weight, %
Retirement Pension	3.1
Widows Benefit	0.5
Jobseeker's Allowance	2.0
Sickness Benefit	5.1
Income Support	58.2
Family Credit [ceased]	Nil
Social Fund	7.9
Other Benefits	5.8
Housing Benefit	17.3
Total	100

Source: Office for National Statistics

11.40 The measure is based on claims received rather than claims processed, so cannot take account of variations in throughput. There is also no count of work done to continue payment of existing claims, including for example any measures of queries, changes in beneficiaries' details, fraud checks or annual updates in payment rates. It is unlikely that ongoing costs are a constant ratio of the costs of handling new claims for each type of benefit, as rates of churn vary considerably for different benefits. A more detailed count of ongoing work would add to the validity of the overall measure.

11.41 As cost weights, weights are higher for those benefits which are relatively expensive to administer, for example because they are means-tested or they are of limited duration. Relative expenditure weights in the current measure may have become out of date as benefit design and administrative processes have changed. DWP has investigated the weights used in the current index as part of this review, and has concluded that they are not reliable.

- 11.42** The current measure fails to register important dimensions of quality of service such as accuracy of claims, turnaround time, and the reduction of fraud. It does not assess whether DWP is adding value in respect of its wider PSA objectives, in respect of social security or labour market and other functions. The current measure covers Great Britain only and does not use any data on outputs from the Northern Ireland social security system.
- 11.43** The method of calculation of the current measure by ONS does not make best use of quarterly data on benefit claims and maintenance volumes measured by DWP. For some components of the index, annual data are employed when higher frequency measures are available from departments. The timeliness of data on housing benefit depends on processes of collation of data from local authorities, and these are constrained by the frequency with which they can be collected, aggregated and validated. .

Future Methods of Output Measurement

- 11.44** This section reports on progress made by the review, working with ONS and departments responsible for Social Protection functions, in constructing improved methods of output measurement.
- 11.45** Ideal methods of measurement for the services that fall within Social Protection should reflect the principles set out in Chapter 4 and the criteria for output measures in Recommendation 6.1 (see paragraph 6.5). That is, they should represent quantitative indicators of attributable incremental contributions of services to outcomes experienced by individuals, including quality adjustment, and relate to correctly classified Social Protection expenditures of the government sector. They should be comprehensive and detailed, timely and have full UK geographical coverage. They should serve as indicators of services that deliver final value to individuals or society collectively.
- 11.46** The requirement is to establish objective methods of identification and measurement of Personal Social Services outputs, which accommodate diverse forms of operational activities. This should start with a translation from packages of social care into improvements in welfare which are capable of valuation (see Chapter 6 Figure 6.1). There is then the need to measure value from available data, and to identify any new data sources that may be needed. In seeking objective identification of outputs to be measured, we have considered two test questions. These are:
- Does the activity contribute to welfare and arise from government final consumption expenditure?
 - If the activity were not provided by government, would an individual be willing to pay for it, either on their own account or for someone else?

- 11.47** By definition, government's contribution to Personal Social Services output is limited to that stemming from its expenditure on services, net of receipts from charges to individuals. Payments made by individuals for such services, even if they are in the form of charges payable to local authorities, count as household final consumption expenditure. The treatment of 'direct payments' in social services is a borderline case. They are monetary payments made to eligible individuals who elect to commission their own personal care directly. We understand the National Accounts conventions to require that these payments should be treated as transfers to the household sector, and any outlays on care services that they finance to be treated as household final consumption expenditure.
- 11.48** The test of willingness to pay helps determine the added value from a particular activity. In social security, a measure of claims accurately processed is superior to one based on all claims received, because the latter would also count claim decisions made in error, and it would fail to take account of backlogs or delays. This is equivalent to the example of letters posted versus letters delivered in paragraphs 4.13-4.16.
- 11.49** An important issue in the measurement of social care services is the link between 'capacity to benefit' and required effort to care for an individual. These are distinct concepts. Capacity to benefit is the extent to which care has value in improving the well-being of the person concerned – for example, an immobile individual might have a greater capacity to benefit, in this sense, than someone who is frail but ambulatory. By contrast, required effort may be defined as the volume of inputs required to deliver a given improvement in quality of life – for example whether one care worker or two are required to handle an individual, depending perhaps on their physical or behavioural characteristics.
- 11.50** We noted in paragraph 6.20 that the cost of providing a service was not directly material to measuring the value of the output. We are looking to measure output by reference to value, not costs. For the reasons set out there, we suggest that capacity to benefit but not effort should be the basis for measuring output of social services. However, in practice, capacity to benefit and effort are likely to be correlated. So, in circumstances where a good direct indicator of capacity to benefit is not available, then a second best approach would be to allow required effort, which might be estimated by weights based on unit costs, to act as a proxy.
- 11.51** The identification of measurable outputs seems to be a particularly difficult task in children's social services. DfES has argued that the highly individualised nature of services provided to children in need makes it impractical to construct simple quantitative measures. For example, while regular case review of each child on a child protection register is an intermediate but measurable activity, the ultimate output could constitute a range of interventions such as monitoring, investigation, contacts, or liaison with other public agencies – or the results of these – and is inherently more difficult to quantify. The issue is at what stage to identify finality in the process which contributes to welfare, and define the entity whose volume should be measured.

11.52 One case at the margin in the area of adult social services is the treatment of care assessments. Assessments could be treated as an intermediate activity, because they are preparatory to the implementation of a package of care, or as final output on the grounds that they convey valuable or essential information to the recipient and their carers as to what their future options are. Not all assessments lead to packages of care, and so on balance it may be right to include them as final output.

Adult social services

11.53 DH has adopted a two-stage approach to the improved measurement of adult social services. The first stage is to improve the existing measure of adult social services in the National Accounts to address the identified problems of incomplete coverage and lack of detail. The department, working with the review team, has developed a revised cost-weighted activity index which it has submitted to ONS for adoption into the National Accounts. The new index would contain the following changes compared to the current measure.

- Measured outputs would comprise 90 per cent of expenditure on adults, compared to about 60 per cent at present.
- Assessments of care would be included as a measured activity. This is on the basis that assessments have final value because they yield important information to recipients and their families, and so should be regarded as more than intermediate processes leading to final decisions on care arrangements.
- Provision and installation of equipment and home adaptations would be included, and would be measured by numbers of recipients.
- There would be a more precise measure of the net amount of social care attributable to government expenditure. Activity data for each year would be adjusted by the ratio of net to gross expenditure on that activity in that year, to exclude the proportion of the activity funded by user charges.
- The index would be based on a more detailed list of individual activity measures, which would number more than 20 compared to five at present.
- The measure would be annually chained, whereas the current measure is calculated according to base year weights last updated in 2000–01.

11.54 The proposed new index would seem, subject to due processes of examination by ONS, to represent a desirable improvement in accuracy and comprehensiveness. DH has shared the methodology of its proposed new method for England with the Devolved Administrations, and they are each considering whether it is feasible to use it and how best to do so. This is important work and should continue.

Current and proposed expenditure weights for adult PSS

This table summarises how the proposed measure of adult social care differs from the existing measure. Cost weights correspond to the adults component of total social services expenditure. The proposed weights on residential care and home help hours are lower than in the current measure, because the new index reflects a wider range of outputs within adult social care.

Existing measure	Weights 2000	Proposed measure	Weights 2002/03
Number of adults accommodated, by 4 accommodation types, based on annual snapshot surveys	66	Number of adults accommodated – client weeks, by 4 client groups and by 3 provider types (new data source)	53
Home care – in hours, based on annual snapshot survey	33	Home care – in hours	19
		Day care – sessions, by 4 client groups	11
		Meals provided – number	1
		Equipment provided – client numbers	1
		Needs assessments made – numbers, by 4 client groups	14

Weights sum to 100; quoted figures are rounded.

11.55 In Scotland, the joint working between local authorities and the NHS on the delivery of services, including elements of joint resourcing, to some extent blurs the boundary between what counts as Health and what counts as Personal Social Services. The implications of this for measuring outputs, and corresponding inputs, have yet to be thought through. There are important policy and legal differences between Scottish and English social services, so it is not desirable to continue with the practice of using English data as a proxy for Scotland any longer than necessary.

11.56 The Scottish Executive Health Department, under its Joint Future policy, is implementing progressively the Indicator of Relative Need. This uses information from the single shared assessment, to categorise people with community care needs according to their relative dependency. This can provide a new dimension to outcome measurement in Scotland in future years, and may be a valuable precedent for similar work elsewhere in the United Kingdom.

11.57 Timeliness of output data produced under the new measure would have the same problems as the current method, because they will rely on the same local authority data returns (see paragraphs 11.37-11.38). It would be helpful for the National Accounts if DH were able to shorten period for data collection, and work with ONS on ways of improving estimates for years where final data is not yet available. ONS also needs to make estimates of quarterly output; this would benefit from regular health departments' advice on any relevant budget or legislative changes that might impact on the quarterly profile.

11.58 DH's second stage is to consider the results of research commissioned by the Department from the Personal Social Services Research Unit (PSSRU) at the University of Kent and the London School of Economics, which is due to report in summer 2005. The research is a welcome initiative to build on a social production of welfare approach (Netten and Davies, 1990) that will define a measure of social care output by its contribution across a number of standardised domains of household activities. This research is designed to offer the following benefits:

- calculation of an output measure in which activities are weighted by the value of outcomes rather than by costs, in line with the discussion at paragraphs 6.17-6.19;
- value of outcomes will be measured in a 'capacity to benefit' framework, in line with the discussion at paragraphs 11.49-11.50;
- explicit quality adjustment factors which would capture the extent to which packages of social care met their objectives: these would be informed by the results from existing programmes of triennial user satisfaction surveys, and from annual CSCI inspection data; and
- expanded coverage for services to younger adults.

11.59 The suggestion of the Women's Budget Group to consider the contribution to GDP resulting from unpaid work goes beyond the remit of this review. ONS investigated measurement of unpaid household activities including adult care, in an experimental household satellite account (ONS 2002). This used information from the Family Resources Survey commissioned by DWP to estimate hours of care, and values these according to pay rates in the residential care market sector. If ONS resumes the experimental household sector account, it would be desirable to integrate the information provided by the Family Resources Survey with any measurement framework arising from the PSSRU research commissioned by Department of Health.

11.60 Recommendation 11.1: we recommend that ONS should update the output measures for adult social services with wider and more detailed coverage and updated cost weights, making use of similar information from the Devolved Administration as soon as this is available, and updating timeliness of data collection or interim estimates through joint work with the health departments. For the future, the research commissioned by DH into a welfare-based approach to the measurement of adult social care output may lead to further improvements including the use of weights based on value and other quality adjustment factors. This could also be used in conjunction with the ONS experimental household sector satellite account if this is resumed.

Children's social services

- 11.61** Conceptual difficulties in identifying outputs and measurement of their value, and poor availability of quantitative data have hampered the development of more advanced measures of output of children's social services. In particular, there is a lack of data on activities and outcomes relating to children in need but who are not 'looked after', known as 'children supported in families or living independently' (CSFI). Services provided to these children accounted for some 39 per cent of expenditure on children's social services in 2002-03 in England. The current measure is based entirely on looked-after children.
- 11.62** The government conducted a first census of children in need in 2000, through a survey of all local authorities in England. The most recent census was in February 2003, and future censuses are to be conducted biennially thereafter, in February. The census collects expenditure and activities data, where the latter are measured in terms of child contact hours, broken down by ten classifications of need category. Qualified and trainee social workers account for some 83 per cent of contact time, with related professions accounting for the remainder. Although these data are fairly complete in the sense that they account for over 90 per cent of children's social services spending in 2002-03, and the completion rate is close to 100 per cent, they provide little quantified information on the exact types of service being received.
- 11.63** Detailed results from the 2000 census were published in October 2000, a lag of some eight months. If this is the pattern of future publication timings, then census data attributable to a given calendar year would become available in time for the following year's *Blue Book*, and intervening years would be subject to an additional lag of a year.
- 11.64** The system of Performance and Assessment Framework (PAF) indicators, established in 2001 by DH but now the responsibility of the CSCI, offers measures of some more precisely defined outputs, but their coverage of children receiving social services is partial. Activities data from the 18 PAF indicators relevant to children's services in 2003-04 cover placements into adoption and into fostering, registrations and reviews of registrations of children on child protection registers, and annual health assessments and dental checks received by looked after children. Five of the 18 PAF indicators relate only to looked after children, so they offer no additional information on the wider population of children in need. DfES considers that the PAF indicators data cannot be meaningfully aggregated into an adequately comprehensive measure of children's social services activities.
- 11.65** The PAF data cover not only outputs but also information on outcomes, such as the proportion of looked after children who enter education, employment or training by age 19. Outcome indicators such as these will be affected in part by non-social services expenditures and the historical experiences of the young people covered, but may nevertheless be considered for their potential as indicators of the quality of social care provided.

- 11.66** Implementation of the Children Act 2004 will require changes to the measurement of performance and quality of services by the statutory inspection bodies. Ofsted, working with the other inspection bodies, have issued consultation proposals for Joint Area Reviews (JARs), which will assess the quality of services delivered for children and young people, and make judgements about how well services work together to improve the well-being of children and young people, as defined by the five Children Act outcomes. Ofsted and CSCI are also consulting on Annual Performance Assessment of local authority children's services, which will be based on a subset of the JAR methodology and data. It is to be hoped that the new inspection arrangements will improve the availability of quantitative data useful to the measurement of services to children in the National Accounts, but it is too soon to say.
- 11.67** A modified form of cost weighted activity index, that took better account of services to children in need but not looked after, would be a step forward. To make further progress would require data on a more detailed breakdown of activities and unit costs than is currently understood to be available. DfES is considering, as an interim step, the development of a revised cost-weighted activity index that would rely on data from the Children in Need census, for children not looked after, which would supplement the existing measure based on residential accommodation numbers for looked after children. A measure based on contact hours with children would be analogous to using 'chargeable hours' as a direct measure of output of professional services in the market sector. Application of the method would require an interpolation process for the years in between census dates. Use of the census data would offer an improvement in the measurement of activities provided to children in need who are not looked after, since these are currently not captured at all.
- 11.68** DfES also wishes to consider, in consultation with social services practitioners and inspectors, the construction of possible quality adjustment measures that would be defined using PAF indicator data. Further consideration of possible methods, with informed professional opinion, would be helpful. It would be important to ensure the form of quality adjustment relates, appropriately to the basic quantity measure of output, with any specific adjustment factors applied to the activity indicators to which they are relevant.
- 11.69** DfES has been considering whether, to make further progress beyond what can be achieved by a modified cost-weighted activity index, it might be necessary to commission academic research to establish a framework of welfare outcomes corresponding to different activities. We would encourage DfES to consider whether the welfare-based approach under development in research commissioned by DH (see paragraph 11.59) offers a fruitful starting point for this.
- 11.70** The Devolved Administrations are following DfES development work on an improved output measure with a view to adapting it to take account of different regulation and practice across the United Kingdom.

11.71 Recommendation 11.2: we recommend that ONS should consider using a revised cost weighted index of children’s social services which uses information about children supported in families or living independently, but only after careful assessment of the problems on frequency and timeliness from using a biennial census as source data. Information from the Devolved Administrations should be included at the earliest possible stage. We encourage continued development work to use the full range of children’s social services quantity and quality data available to local authorities and inspection bodies, in consultation with practitioners and other experts, to develop both volume measures and quality adjustments.

Administration of Social Security

11.72 Compared with Personal Social Services, identification and measurement of outputs from Administration of Social Security is more straightforward. DWP has undertaken an analysis of the shortcomings of the current social security output index and, in consultation with the review team, is developing a revised cost weighted index with a number of enhancements. This will cover all significant DWP benefit programmes, and DWP intend to extend it to cover the activities of the Child Support Agency. DWP has also reviewed the measurement of Housing Benefit, which is delivered through local authorities, and will make proposals for improvement. Revised measures of DWP benefits and activities will be based on data from the department’s management information systems, where these are available, and this should help to ensure the continuing robustness of the new measure.

11.73 A good measure of social security output should have a coherent treatment of fraud and error. We understand that the National Accounts require that the estimated value of over-payments of benefit, less any recoveries by the department, is required to be treated as a transfer payment. We recommend, subject to the availability of robust estimates, that the administration of such payments ought not to be counted as output, since the erroneous or fraudulent activities do not correspond to the intended operation of social security or therefore represent added value. (This is similar to the example of defining postal services by letters delivered rather than posted in paragraph 4.13.) It would also be appropriate to include measures, if they can be developed, for specific anti-fraud initiatives, to recognise them as positive outputs of the department’s work.

11.74 It will be important to compile revised back data calculated according to the new method, or, where this is not fully possible because raw activity or cost weight data are lacking, to propose reasonably robust approximations based on what is available. In judging how to revise back data, and how far back to go, ONS and DWP should have regard to the clear problems with the Administration of Social Security data already used in the National Accounts (see paragraphs 11.39-11.43).

11.75 Work by DWP with the review team is leading to a new index with the following improvements.

- It will measure new claims processed, rather than new claims received.

- For each benefit type, maintenance of existing claims will form a new component of the revised measure, with a different weighting.
- The existing unit costs will be replaced by weightings constructed from new activity-based information, derived from DWP management data, which will ensure up to date unit cost estimates capable of annual chain linking. Overheads will be appropriately allocated.
- Coverage of types of benefit will be wider, covering some 90 per cent of DWP's expenditure on inputs. New outputs to be covered will include pension credit, disability and carers' benefits and provision of individual pension forecasts.
- Output will be measured quarterly. This will be based on quarterly measures of activity indicators, which are available soon after the end of the quarter.
- Output will be adjusted for quality, based on meeting timeliness and accuracy measures. Raw activity numbers will be multiplied by the proportion of benefit processing volumes that meet required thresholds for each of timeliness and accuracy. Quality adjustment measures will be available on an annual basis, but with a time lag as they are mainly based on sample data.
- Expenditure will be correctly mapped on to appropriate COFOG categories.

11.76 It would be very desirable for a similar measure to be developed for the separate Administration of Social Security function in Northern Ireland, adjusting as needed for differences in legislation, service delivery and data availability.

11.77 The DWP proposals will also provide a direct measure of output corresponding to job entries, which are a component of the Economic Affairs function within COFOG. Currently Economic Affairs is measured as (outputs=inputs) and is categorised as a collective service: we explained in paragraphs 7.24–7.28 our approach to developments in this area. DWP are developing a quality-adjusted direct measurement of this output, using an internal points-based system that is designed to value job-entries more or less highly according to the priority of the jobseeker's circumstances. In principle, we would support the use of such a form of quality adjusted direct output measure for this component of Economic Affairs.

11.78 Recommendation 11.3: we recommend that ONS should update the output measure for Administration of Social Security, with a wider range of benefits, accurate unit costs and weights, differentiation between new and existing claims, and quality adjustment in respect of timeliness and accuracy. It would be very desirable to include measures on a similar basis for Administration of Social Security in Northern Ireland and to extend the same approach to benefit programmes delivered by other departments, including child benefit and housing benefit. We also recommend that ONS should take advantage of the development of a quality-adjusted direct measure of Jobcentre Plus labour market outputs for use in the Economic Affairs function of COFOG.

Inputs and Deflators

Personal Social Services

11.79 Data on social services activities and expenditure are available mainly from statistical returns compiled by local authorities. Information on amounts of government expenditure at current prices on social services activities in England are relatively good in respect of accuracy and coverage, but are available only annually (see paragraphs 5.67-5.69).

11.80 Volume measures of inputs, distinguishing between economic components, require good quality information on pay and price deflators and capital consumption. Much of social care provision, estimated to be over 50 per cent in the case of adults' expenditure, is obtained through the purchase of care from the independent sector. Changes in pay rates for staff employed in the independent sector should not directly affect the calculation of pay deflators or employment volumes in the calculation of government inputs, although they might be expected to have an impact on social care prices in the independent sector. Calculation of input volumes and deflators for the government sector can therefore be defined in terms of:

- employment volumes, or pay bill and pay deflators of staff directly employed;
- price indices of packages of care purchased from the independent sector;
- estimates of capital consumption.

11.81 Pay and employment data for the directly employed sector are available in a variety of forms. Annual data for local authority employed staff are collected in September each year, and they are subdivided by a number of functional and client group categories. New Earnings Survey (NES) data are available for pay rates by occupational groups, such as nurses, social workers, and administrative and related groupings, although a number of these groupings cross over the health and social care classifications. These relativities might be useful in developing specific deflators for social care.

11.82 DH calculates an annual index of pay and prices in the social care sector, reported periodically in a Memorandum to the House of Commons Select Committee on Health. The index has a 70 per cent weighting on pay, using NES data, and 30 per cent for prices, using the GDP deflator. This is an approximation to an index of costs incurred by all providers of social care – government and independent sectors – rather than specifically of inputs purchased by government in the delivery of social care. The earnings data are sector-wide not specific to labour costs in the National Accounts, and the weightings do not reflect the balance of government expenditure between directly employed staff and services procured from the independent sector. The GDP deflator is not intended as a measure of change in the price of goods and services bought by local authorities from the independent social care sector.

11.83 Much government expenditure on personal social services, particularly for adults, is on purchases from independent providers in a specific market, eg nursing homes and residential children's homes. There is a need for an appropriate price index for this expenditure. However, there are doubts as to the reliability of prices surveys for contracted-out services in the local authority sector, arising from the complexity of the contracts, and changes in client mix. Experimental indices of input prices in the social care sector have been produced by ODPM but have not been sustained.

11.84 Availability of data at the industry level will be enhanced by the current project of TOPSS England, the body responsible for workforce development in the social care sector, to develop a 'National Minimum Data Set' (NMDS) of social care workforce data under a commission from DH. The NMDS would be a new co-ordinated data framework to facilitate the collection of data on composition and characteristics of the social care workforce. The NMDS is expected to have an optional field on pay rates. It is designed to reduce compliance burdens by replacing a number of existing but uncoordinated data surveys, which in aggregate achieve poor coverage of the sector. Consultation is current on the best single compulsory means of collecting the data. It is unlikely that data from the NMDS will become available before 2007.

11.85 Volume of inputs have to be estimated, for comparison with volume of outputs, from the perspective of government as the funder of care services, whether they are directly provided by government or purchased from the independent sector. Deflators to meet this need should be specific, and meet the criteria proposed in Table 5.1. Further work is needed on social care deflators. In particular:

- the NES data may not be sufficiently specific to estimate changes in earnings, allowing for changing skill mix, of public sector employees in social care;
- further work is needed to establish robust price indices of care services provided by the private sector; and
- there should be separate consideration of pay deflators for spending by the Devolved Administrations, if there are reasons to expect different changes in earnings and in prices.

11.86 Recommendation 11.4: we recommend that work continues to develop pay and price deflators which enable measurement of changes in volume of inputs used in social care.

Administration of Social Security

11.87 In the Interim Report, we noted with concern the improbably sharp increase in Social Protection expenditure occurring in 2002, as reported in the *Blue Book 2003*. Expenditure corresponding to the employment part of the old Department of Education and Employment which transferred to the new DWP, was misclassified to Social Protection. Revisions to these data were published by ONS in the *Blue Book 2004*, and there has been subsequent collaboration between DWP, HMT and ONS in reviewing the COFOG classification of DWP expenditures; this may lead to further revisions.

11.88 Within DWP's expenditure on Administration of Social Security, there has been significant spending on change and modernisation programmes: at their peak, these will account for about £1.4bn, or 20 per cent of DWP's administrative expenditure in 2004-05. A relatively small amount of this is capital, such as modernised offices and new IT, and would be treated in the National Accounts as fixed investment. Much of it is non-capital and non-recurrent, for example training of staff, or outlays on consultancy, but is designed to give a return on investment in future. Non-recurrent current expenditure may have a discernible impact on the time profile of input volumes and implied short term productivity; there is also a need to examine whether there is a lagged return in future years on expenditure designed to improve efficiency. This could be explored by ONS in a future productivity article.

11.89 An important issue for pay deflators and estimates of labour volumes is the extent of grade or skill mix changes within the composition of the labour force (see paragraphs 5.63-5.66). This will matter if there are discernible changes in the skills composition of the workforce, for example as part of a modernisation programme in which technology, with more highly trained and expensive specialist staff, substitutes for low-skilled labour. A shift to a higher grade mix has been observed historically for DWP and this trend is anticipated to continue in the future as more emphasis is placed on customer-facing roles and routine processing work is automated.

11.90 At one end of the range, pay deflators based on the methodology of the Public Sector Average Earnings Index (AEI) are based on simple heads measures of employment. In a period where numbers of highly skilled and paid staff are increasing relative to people with lower skills and pay, these deflators would tend to overstate underlying wages growth, understate labour volumes and overstate productivity growth. But alternative objectively-defined pay deflators that do take account of skills mix may be difficult to construct.

11.91 DWP are working on establishing a pay deflator based on average earnings by grade for DWP. This can be compared with Civil Service pay data and with the AEI. In line with Recommendation 5.8 (see paragraph 5.66), it is important to deflate DWP pay costs by a deflator based on DWP pay, but taking proper account of skill and grade mix. Separate work would be needed for pay costs in Northern Ireland social security administration, which may not mirror those in the rest of Great Britain.

Productivity and Triangulation

11.92 Implied productivity measures derived from new National Accounts measures of Social Protection output and volume of inputs can be calculated, when the work described in this chapter is complete. However, they would need to be assessed for their plausibility against available independent measures of service quality and productivity change.

- 11.93** In the area of social services there has been a considerable development of performance measurement indicators under the PAF, which is now the responsibility of the inspection bodies. Elaboration of the inspection frameworks to deal with the Children Act 2004 may yield additional data. Additional information on performance may be inferred from user experience surveys, and from outcomes data for children or adults who receive care services.
- 11.94** Examination of lags between input spending and the changes in outputs which they are designed to deliver will be particularly interesting for social security administration. The Efficiency Technical Notes designed to measure DWP's contribution to government efficiency targets may lead to useful information. For children's social services, the changes in the Children Act 2004 will put increasing emphasis on joint planning and integrated delivery with education, children's health services and other agencies. This raises the joint production issues in paragraphs 6.22-6.25. Further analysis of the mix of inputs and outputs in different parts of COFOG which relate to children's services would be informative.
- 11.95 Recommendation 11.5:** we recommend that ONS should continue to develop analysis of productivity in Personal Social Services and Administration of Social Security, taking account of a wide range of information to add context to estimates derived from the National Accounts.