Title: Better Care Fund **IA No:** **Lead department or agency:** Department of Health **Other departments or agencies:**	**Impact Assessment (IA)** **Date:** 13/12/2013 **Stage:** Final **Source of intervention:** Domestic **Type of measure:** Primary legislation **Contact for enquiries:**

Summary: Intervention and Options

RPC Opinion: RPC Opinion Status

Cost of Preferred (or more likely) Option				
Total Net Present Value	**Business Net Present Value**	**Net cost to business per year** (EANCB on 2009 prices)	**In scope of One-In, Two-Out?**	**Measure qualifies as**
£12m	£m	£m	Yes/No	In/Out/zero net cost

What is the problem under consideration? Why is government intervention necessary?

Across health and care provision, services are disjointed and poorly coordinated which causes distress for people who need care and support as well as their families and carers. We know better coordinated care has the potential to improve services with positive impact on people's experience, outcomes and the efficiency of services. However, there are barriers to integrating care. Providers do not have the right incentives, and the costs and barriers of providing integrated services may fall to different organisations. There are also set up costs and organisational barriers to overcome in designing, setting up and delivering integrated care. Government intervention is required to enable the pooled funds to be set up.

What are the policy objectives and the intended effects?

Our aim is to ensure that people receive co-ordinated health and care services which improve their quality of life and that local health and care services are delivered efficiently. We will seek to make legislative changes through the Care Bill to establish the Better Care Fund (formerly known as the Integraton Transformation Fund). Pooled budgets for health and social care will provide a strong incentive for organisations to work together in local areas, to plan and deliver integrated NHS and local authorities services. As part of a wider programme of work to develop better joined up services we expect the fund to provide a significant boost to locally led integrated care, to the benefit of local populations.

What policy options have been considered, including any alternatives to regulation? Please justify preferred option (further details in Evidence Base)

1. Use of pooled budgets for a £3.8 billion joint fund
Given there is little evidence on good ways to achieve more joined up care, it is important to exercise caution in implementing this policy. However, we believe this option will ensure local areas take action to tackle the barriers to locally-led integration to the benefit of patients and service users, and ensure that the right incentives are in place to ensure the money is well spent to the benefit of local populations. This follows an announcement made during the Chancellor's 2015-16 SR statement on 26 June 2013.
2. Do nothing.
Our preferred option is option 1.

Will the policy be reviewed? It will be reviewed. **If applicable, set review date:** 04/2015

Does implementation go beyond minimum EU requirements?			Yes / No / N/A		
Are any of these organisations in scope? If Micros not exempted set out reason in Evidence Base.	**Micro** Yes/No	**< 20** Yes/No	**Small** Yes/No	**Medium** Yes/No	**Large** Yes/No
What is the CO_2 equivalent change in greenhouse gas emissions? (Million tonnes CO_2 equivalent)			**Traded:**	**Non-traded:**	

I have read the Impact Assessment and I am satisfied that (a) it represents a fair and reasonable view of the expected costs, benefits and impact of the policy, and (b) that the benefits justify the costs.

Signed by the responsible Minister: ..... ***Date:*** Norman Lamb MP 28 December 2013

Summary: Analysis & Evidence

Policy Option 1

Description:

FULL ECONOMIC ASSESSMENT

Price Base Year 2014	PV Base Year 2014	Time Period Years 1	Net Benefit (Present Value (PV)) (£m)		
			Low: Optional	**High:** Optional	**Best Estimate:**

COSTS (£m)	Total Transition (Constant Price)	Years	Average Annual (excl. Transition) (Constant Price)	Total Cost (Present Value)
Low	Optional		Optional	**Optional**
High	Optional		Optional	**Optional**
Best Estimate			£12m	**£12m**

Description and scale of key monetised costs by 'main affected groups'

Illustrative running costs = 0.32%* of the £3.8 billion fund = £12m

* Existing arrangements for adult social care include a spend of 0.32% on strategic management. We assume a similar rate of expenditure to support the fund in these estimates.

Other key non-monetised costs by 'main affected groups'

We have not estimated the costs associated with setting up a pooled fund (mainly legal and finance staff costs) or the costs of planning and reconfiguring local services across England. Each area will produce a plan by the end March 2014. In reconfiguring services to improve integrated care, local areas could develop service configurations where costs outweight financial benefit (or where benefits may take some years to emerge).

BENEFITS (£m)	Total Transition (Constant Price)	Years	Average Annual (excl. Transition) (Constant Price)	Total Benefit (Present Value)
Low	Optional		Optional	**Optional**
High	Optional		Optional	**Optional**
Best Estimate				

Description and scale of key monetised benefits by 'main affected groups'

(None included as benefits from better integration will be dependent on the plans that each locality itself plans and implements. There will not be benefits due to having a pooled fund, per se).

Other key non-monetised benefits by 'main affected groups'

Maximum of 5 lines

Key assumptions/sensitivities/risks

Discount rate (%)

Maximum of 5 lines

BUSINESS ASSESSMENT (Option 1)

Direct impact on business (Equivalent Annual) £m:			In scope of OITO?	Measure qualifies as
Costs:	**Benefits:**	**Net:**	Yes/No	IN/OUT/Zero net cost

Evidence Base (for summary sheets)

Summary

1. Across health and care provision, services are often disjointed and poorly coordinated which causes distress for people who need care and support as well as their families and carers. We know that disjointed care leads to poor experience, poorer outcomes and inefficiencies across the system. In contrast, we know that better coordinated care has the potential to improve services with positive impact on people's experience, outcomes and on the efficiency of services.

2. However, the available evidence on the impact of measures that promote closer integration of services is ambivalent because:-
    - There is no agreed definition of integration. The term means different things to different people. It may designate a wide range of interventions ranging from financial integration of services, information sharing between different parts of the care system to case management. [1]
    - The impact of specific interventions depends on local context and implementation.

3. There are many significant barriers to localities seeking to improve the integration of their services and government has an important role to help address these barriers, as recognised in the 2012 White Paper *Caring for our future*. Government must take action, and support others, to tackle these barriers.

4. To address the gap in current policy the Government intends to establish a Better Care Fund (formerly known as the Integration Transformation Fund) to:-
    - Establish pooled budgets for health and social care services to work more closely together in local areas, based on a plan agreed between the NHS and local authorities
    - Designate a significant portion of this fund as performance-related

5. We will seek to make legislative changes through the Care Bill to allow us to establish the Better Care Fund. The specific legislative changes are:-

    - New powers that will enable the NHS Mandate to require NHS England to ring-fence an amount of funding for the Better Care Fund and to attach conditions to its use.
    - NHS England in turn will have powers to require Clinical Commissioning Groups to use this funding in a pooled budget on locally agreed spending. These powers can only be used to implement the Better Care Fund in accordance with the Mandate.
    - NHSE England will also have powers to intervene and direct the CCG as to the best use of the funding if there is local failure to agree a plan, or if an area fails performance objectives. These powers should be used rarely and in consultation with local government and ministers.

6. The Better Care Fund ("the Fund") is intended to tackle the national barriers to locally-led integration. As part of a wider programme of work to support the development of better joined up services our aim is that the Fund will provide a boost to locally led integrated care, to the benefit of local populations.

7. In seeking the power for Secretary of State for Health to require the creation of pooled budgets for local areas, we are changing the governance through which money already allocated for health and care services will be spent. In 2015-16 we expect the pooled budgets to have a value of £3.8 billion.

[1] The King's Fund and Nuffield Trust: A report to the Department of Health and the NHS Future Forum

8. We believe the cost of setting up and running these pooled budgets will be small in relation to the size of the overall fund. We have not been able to estimate set up costs of the services delivered with the new pooled budgets, as we have no details yet of the services that localities are planning to change. Based on social care expenditure returns, we calculate that on-going running costs could be £12 million per year.

9. Estimating set-up costs is difficult for a number of reasons: some areas already have pooled budgets which they may be able to use for the Fund at no or minimal extra cost. Also, a significant number of areas will have had local pooled relationships prior to 2010 (Audit Commission, 2009) between PCTs and local authorities, and may be in the process of re-establishing such relationships with CCTs; so therefore establishing pooled relationships for the Fund is not additional cost, but would have happened anyway. Nonetheless, the literature is clear that this will have a cost implication, but cannot be established at this time. In 2014/15 local authorities will receive an extra £200m to help with their preparation for the Better Care Fund in 2015/16 and some of this money could be used to pay these costs.

10. Although the evidence base is equivocal, we believe that pooled budget arrangements have the potential to deliver considerable benefits, through efficient use of staff and resources and improved outcomes to care users.

The problem we are seeking to address

Across health and care provision, services are disjointed and poorly coordinated which causes distress for people who need care and support as well as their families and carers. We know that disjointed care leads to poor experience, poorer outcomes and inefficiencies across the system. Organisations face significant barriers in working together to provide better, more cost effective care and the current system does not do enough to incentivise coordinated care, joined up around the needs of patients and services users.

11. A lack of integration between health and social care services impacts on a number of groups:

- **Older people** – integration is particularly important for older people due to "their high use of services straddling the care and cure boundaries, and the risk that fragmented care will deliver poor outcomes". According to research carried out by Nuffield Trust nearly 10% of people over the age of 75 receive both health and social care services.[2] Fragmented care is a particularly big risk for older people with multiple long-term conditions.[3]
- **People with long-term conditions** – Beland et al assert that because their needs straddle organisational barriers, integration could improve outcomes for this group.[4] People with long term conditions (LTC) and their families do not always receive appropriate support to help them stay well and independent for as long as possible. 12% of people with a LTC report that they do not receive sufficient support to manage their own condition and 25% report they receive only some support.[5]
- **Carers –** Alaszewski, Billings and Coxon suggest that integration "both epitomizes best practice and correlates well with the expressed preferences of both users and carers".[6] Kodner's analysis of the PRISMA intervention in Canada also finds that integrated services can reduce the burden on carers.[7]

12. Lack of effective integration can lead to the following problems:

[2] Curry, N. and Ham, C., *Clinical and service integration: the route to improved outcomes,*, 2010.
[3] Beland, F. et al, A system of integrated care for older persons with disabilities in Canada: results from a randomized control trial, 2006
[4] Beland, F. et al, *A system of integrated care for older persons with disabilities in Canada: results from a randomized control trial,* 2006.
[5] GP Patient Survey Data from July 2012 – March 2013
[6] Alaszewski, A., Billings, J. and Coxon, K., *Integrated health and social care for older persons: Theoretical and conceptual issues*, 2003.
[7] Kodner, D., *All Together Now: A Conceptual Exploration of Integrated Care,* 2009.

- **Poor experience** – health and care users can sometimes find the system fragmented, confusing and frustrating. They often have to apply or explain their needs to multiple people or organisations. National Voices suggest that patients and service-users "are tired of organisational barriers and boundaries that delay or prevent [their] access to care."[8]

- **Poor health and social care outcomes –** poor communication and fragmented services can lead to care packages that do not reflect care needs. A CQC report found that "the level of integration between organisations had a significant impact on whether people using the services and their carers could get the right help at the right time".[9] In turn, individuals and their families do not always receive the most appropriate support to help them stay well and independent for as long as possible. For example, preventable hospital admissions, unnecessarily long stays in acute health settings and avoidable admissions to residential care may result from a lack of integration between health and social care services.[10] Similarly, the Audit Commission suggests that emergency admissions in health care are a high-level indicator of the efficacy of the health and social care interface.[11]

- **Inefficiencies between systems –** uncoordinated visits by professionals or the need to have multiple health and social care interactions can lead to a delay in provision, unnecessary bureaucracy and wasted resources. Commissioners currently have little incentive to look across the whole health and social care economy when taking decisions.

13. Poor co-ordination between health and social care is also a source of delayed discharges, i.e. patients not being discharged from hospital even though they have been deemed ready for discharge from a medical perspective: about 200,000 bed days are lost each year because people have to wait for a residential or nursing care placement and 140,000 bed days where people are waiting for domiciliary care or adaptations (Unify 2 for 2012).

14. There are many reasons why the discharge of some patients is delayed. A study of 100 patients in a hospital found that a large proportion of bed days lost were concentrated in a number of cases: 25% of delays with a duration of more than a week accounted for 60% of all bed days lost in one study. In such cases, reducing delays may result in improved patient outcomes than to cost savings. Long delays are likely to have negative impacts on patients: they are in a situation of anxiety and not knowing where they will move to.[12] Patients can also develop further complications such as sepsis (Urinary Tract Infections, respiratory infections), increased dependency, social isolation and confusion.[13] [14]

15. Organisations do not have the right incentives to tackle the problem of poorly co-ordinated care. For example, planning and delivering new services require staff time and upfront costs. Organisations are unlikely to invest in extended or improved services for patients which save money or reduce service use for other organisations.

16. Overall, the costs of the problem are hard to quantify nationally. The Department will continue to assess through the evaluation and research. Furthermore, the plans that local areas will develop should include estimates for the costs associated with current, non-integrated care, alongside the expected benefits from service redesign.

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[8] National Voices, *Principles for integrated care,* 2011.

[9] Care Quality Commission, *The state of health care and adult social care in England,* 2009.

[10] Huws, D. et al, *Impact of case management by advanced practice nurses in primary care on unplanned hospital admissions: a controlled intervention study*, 2008.

[11] Audit Commission, *Joining up health and social care*, 2011.

[12] Kydd 2008; The patient experience of being a delayed discharge. Journal of Nursing Management

[13] Jasinarachi et al 2009: Delayed transfer of care from NHS secondary care to primary care in England: its determinants, effect on hospital bed days, prevalence of acute medical conditions and deaths during delay, in older adults aged 65 years and over, in BMC Geriatrics 9(4), http://www.biomedcentral.com/1471-2318/9/4/

[14] Lim et al 2006: Factors Causing Delay in Discharge of Elderly Patients in an Acute Setting, *annals.edu.sg/pdf/35VolNo1200601/V35N1p27.pdf*

Policy Objective

Our aim is to ensure that people receive co-ordinated health and care services which improve their quality of life and that local health and care services are delivered efficiently. We will seek to make legislative changes through the Care Bill to establish the Better Care Fund (formerly known as the Integraton Transformation Fund). Pooled budgets for health and social care will provide a strong incentive for organisations to work together in local areas, to plan and deliver integrated NHS and local authorities services. As part of a wider programme of work to develop better joined up services we expect the fund to provide a significant boost to locally led integrated care, to the benefit of local populations. Government intention is needed through legislation to ensure that a pooled fund can be created to met this objective.

17. By organising care in a different way, we can give people a better service and a better quality of life and we can better support some of the most vulnerable people in our society.

18. Many integrated providers, e.g. the Veterans Administration and Kaiser Permanente in the US are among the best performing providers within their respective healthcare systems. However, within the UK the evidence is more mixed. For example, the evidence from the Integrated Care Pilot Evaluation showed limited benefits within the short timeframe of the evaluation.

19. Nonetheless, we believe integrated working across health and social care could offer potential both for efficiency savings and improving outcomes for people. Many councils see partnership working as an important way of achieving efficiencies.[15] The Audit Commission estimated that primary care trusts (PCTs) could save about £132 million a year if all the areas with high emergency admissions, after taking account of their population's characteristics, reduced activity to match the current national average.[16] A potential way of achieving this level of savings is through better integration of health and social care services, although there are no particular models of care which are supported more than others by the evidence.

20. The *Caring for our future* engagement undertaken jointly with the NHS Future Forum on integrated care found that, whilst the quality of health and care is generally of a high standard, there are often significant gaps and overlaps between services.[17] This can result in multiple assessments, delays and mixed messages. Despite islands of good practice, there are many barriers to improved integration which remain, resulting in very patchy progress overall.[18] As well as barriers to better integrated health, adult social care and housing services, we also heard during the engagement that the transition between children's and adult social care was often a source of worry for young people, their families and carers.

21. There are some indications that integrated and person-centred support can improve outcomes and "multi-disciplinary teams involving medical and non-medical professionals may be better placed to provide more coherent care, particularly for patients with multiple pathologies"[19]:
    - 96% of people with a care plan report an improvement in their care[20]
    - The CQC found that "the level of integration between organisations had a significant impact on whether people using the services and their carers could get the right help at the right time"[21]

[15] Audit Commission, *Improving Value for Money in Adult Social Care*, 2011.
[16] Audit Commission, *Joining up health and social care*, 2011.
[17] NHS Future Forum, *Integration: a report from the NHS Future Forum*, 2012.
[18] Audit Commission, *Joining up health and social care*, 2011.
[19] OECD 2007: Improved Health System Performance through better Care Coordination
[20] From DH LTC Compendium of Information, 3rd edition
[21] Care Quality Commission, The state of health care and adult social care in England, 2009

- Work in the London Borough of Tower Hamlets on an integrated care pathway for people with dementia suggests integration has resulted in an increase in diagnosis and use of early interventions, and a reduction in hospital bed use[22]

22. It is important for national government to take appropriate action to remove barriers to locally-led integration of care, and to support localities to find and develop better approaches to coordinated care.

Current policy context

There are multiple significant barriers to localities seeking to improve the integration of their services and government has an important role to help address these barriers, as recognised in the 2012 White Paper *Caring for our future*.

23. In the impact assessment for the 2012 White Paper, we recognised that many of the barriers to integration are longstanding and are rooted in the separate structures and cultures of health and social care. The NHS is tax-funded and free at the point of delivery, while social care is means tested and can include contributions from users or be entirely self-funded.

24. Furthermore, evidence suggests that whenever organisations are faced with financial difficulties, there is a tendency to make decisions that damage joint working relationships. Integrated services can lead to efficiencies, for example, through changing structures and removing duplication, but evidence indicates that integration costs before it pays due to the need for upfront investment (e.g. the investment plans in the health and social care business cases developed by the whole place Community Budget pilots in 2012 http://communitybudgets.org.uk/).

25. There is a broad consensus in the literature that such barriers are compounded by:

- The lack of conceptual clarity surrounding the term.
- The lack of clarity of evidence -there is conflicting evidence on whether integration delivers better value for money.
- The complexity of policy and organisational contexts at central and local levels of governance meaning that there is no single best way to secure improvements in integration.

26. As set out in the White Paper, the Government's objective on integration is to ensure that health, care and other public services work together to improve outcomes and experience, reflecting the needs and preferences of individuals.

27. The Government believes that it is up to local areas to identify the best way of integrating services rather than prescribing a specific model of integration. Government's role is therefore to ensure that the barriers to integration are removed to facilitate this coordination at local level.

28. In May 2013 national partners, including the Department of Health, published *Integrated care and support: our shared* commitment which sets out ten commitments from the national partners, and the partners' expectations from local areas in return. A wide range of actions which national bodies will take across the system to support locally-led integration and allow it to flourish. It set out our ambition to make integrated care and support the norm by 2018 through removing national barriers and providing the right support to local areas.

[22] World Alzheimer Report 2011

29. At the same time, we called for expressions of interest from people wishing to become Integration Pioneers. Over 100 localities applied, and the final selected pioneers will be announced in the Autumn. National partners will provide the pioneers with central support and an Integrated Care and Support learning network will be established to spread learning more widely. The aim is to establish and test new ways of working and share knowledge around the system of effective interventions that could be applied in other areas.

30. The work described above is beginning to support the changes already taking place in local areas, underpinning and encouraging innovation and supporting cultural change. The Government recognises that something more is needed to tie together funding flows, clearly marking off significant funding for locally-led integration in a way that strengthens the financial context to the planning and delivery of more coordinated care.

Next steps - Better Care Fund

To try to address the above gap the Government intends to:-

- **Establish a national fund for 2015/16 to provide incentives for health and social care services to work more closely together in local areas, based on a plan agreed between clinical commissioning groups and local authorities with funds held in pooled budgets**
- **Designate that a significant portion of this fund will be contingent on the performance of clinical commissioning groups and local authorities achieving better outcomes by working together**

31. In the SR announcement on 26 June, the Chancellor of the Exchequer announced the establishment of a £3.8bn national fund to support the development of integrated health and social care services. Described as the Better Care Fund, this will have a value of £3.8bn in 2015-16 and will boost local integration work by directly addressing concerns highlighted around structural differences, financial difficulties and lack of upfront investment.

32. There will be a number of national conditions which localities must demonstrate they will meet in order to access the fund. These are:-
    - Plans to be jointly agreed
    - Protection for social care services (not social care spend)
    - 7 day services to facilitate discharge
    - Data sharing
    - Joint assessment and role of an accountable professional
    - Implications for the acute sector

33. We will seek to make legislative changes through the Care Bill to allow us to establish the Better Care Fund. Specific legislative changes will be**:-**

- New powers that will enable the NHS Mandate to require NHS England to ring-fence an amount of funding for the Better Care Fund and to attach conditions to its use.
- NHS England in turn will have powers to require Clinical Commissioning Groups to use this funding in a pooled budget on locally agreed spending. These powers can only be used to implement the Better Care Fund in accordance with the Mandate.
- NHSE England will also have powers to intervene and direct the CCG as to the best use of the funding if there is local failure to agree a plan, or if an area fails performance objectives. These powers should be used rarely and in consultation with local government and ministers.

34. This impact assessment examines the impact of the above changes. Legal mechanisms already exist for CCGs and local authorities to enter into pooled budgets, for NHS England and CCGs to make payments to local authorities for purposes related to the provision of health services, and for the Secretary of State to direct NHS England to make payments to local authorities. As such there is neither cost impact nor benefit associated with the second change described above. We therefore focus on including costs of setting up and running the fund and expected benefits of this work to encourage locally-led integration of health and social care.

35. This impact assessment considers one option, the use of pooled budgets to transform the provision of joined up health and care services. It follows the announcement by the Chancellor of the Exchequer establishing the Better Care Fund which set out that by 2015-16, over £3 billion will be spent on services that are commissioned jointly and seamlessly by the local NHS and local councils working together.

36. The Better Care Fund sits as part of a much wider programme of work to boost and support the provision of more joined up care, through locally-led integration. This wider programme seeks to tackle the barriers to integration identified by national partners as well as providing additional support and guidance to localities. The wider work is not considered in this impact assessment.

Pooled Budgets

In seeking the power to require the creation of pooled budgets for local areas, we are changing the governance through which money already allocated for health and care services will be spent.

37. We expect the cost of setting up and running these pooled budgets will be small. We believe that they have the potential to deliver benefits for people, through efficient use of staff and resources and improved outcomes to care users.

38. A number of measures to relax statutory boundaries and responsibilities between health and social care were introduced in the Health Act 1999, and became operational in April 2000. Pooled budgets were the most popular of these flexibilities but nonetheless their use was initially relatively slow. This is the first time pooled budget arrangements will be used on a wide scale throughout the country and we hope this will provide a boost to locally led integration.

39. A 2010 report published by the Department for Communities & Local Government considered the benefits of pooled budgets for public services. A pooled budget can improve outcomes through:

- More efficient and effective delivery of services through economies of scale, integration and better decision making
- Clearly defined purposes
- Senior commitment to change the way services are commissioned and delivered, including management protocols
- Quicker and more efficient decision making, focused on the individual
- Sustainability of long-term planning (helping to protect the money for its desired purpose)
- Dialogue and agreement about service design between partners
- Stronger partnerships through formalised inter-agency governance structures
- Financial accountability and audit procedures.

40. In a comparison of the use of **pooled budgets in England and Sweden**, one study stated that although neither system provides unequivocal evidence of improved efficiencies or of the benefits on outcomes for service users, “Among senior managers and politicians, budget pooling broadened their awareness of interdependencies with other agencies and professionals in promoting patient’s welfare.

41. If, as this report argues, separate funding streams constitute major barriers to the integration of services then pooled budgets can be considered "a necessary, though not sufficient, factor in improving service integration"[23].

42. However, there are no particular models of care which are supported more than any other by the evidence.

43. The international evidence is similarly equivocal as to the ultimate benefits of integrated care, although, on balance, the number of studies which have positive results tend to outnumber the number studies that show no positive outcomes (Powell Davies et al, 2008, quote Monitor, 2012), for example:

- 33 studies looked at "*Using structured arrangements for co-ordinating relationships between service providers and with patients*" - likely to have involved some joint financial arrangements such as pooling or aligning – 19/29 (65%) reported positive outcomes for health and 8/12 (66%) reported positive impact on patient/user experience.
- 37 studies looked at "*Using structured arrangements for co-ordinating service provision between providers*" – 19/31 (61%) reported positive outcomes for health and 4/12 (33%) positive change in patient/user experience.

Costs of establishing and running pooled budgets

44. It is clear that the costs will have two elements, set up costs and on going administrative costs.

45. To produce an illustration of the scale of running costs, we assume that the cost of providing strategic and legal services to the pooled budgets when established will be in line with the cost of providing strategic services to adult social care as a whole.

46. In 2012-13 expenditure on strategic management accounted for 0.3% of the £ 14.3 billion total net expenditure on adult social care[24]. On this basis, the running costs for the Better Care Fund would be 0.32% * £3.8 bn = £ 12million. This works out at £80,000 for each of the 152 localities covered by a health and wellbeing board – a cost that is roughly the equivalent of two junior finance/legal staff or a more senior officer working full-time (£60k salary costs plus overheads of 33% = £80k). In the absence of more specific information, this is a reasonable estimate of the additional costs to local organisations of administering a pooled budget.

47. Setting up the pooled budget and planning the integrated services to be delivered will require a greater level of staff time. The Audit Commission found that the costs of setting up a pooled budget are generally administrative and legal staff time[25]:

    - Setting up legal agreements
    - Agreeing financial contributions
    - Resolving human resources issues

48. There no reliable cost estimates available for the costs of setting up a pooled budget. The Audit Commission report found that this was rarely quantified. A simple estimate of the cost for setting up a pooled fund could be obtained by using the costs estimates described in paragraph 53, for the length of time it will take a locality to set up a pooled budget. For example, If it takes a locality on average 3 months to scope and set up a pooled budget then the additional cost would be £3m (£80k * 3/12 * 152). If it takes 6 months then the cost would be £6m, and so on. Given that localities will be at different stages of development - some will already

[23] Hultberg, E., Glendinning, C., Allebeck, P., Lonnroth, K.: *Using pooled budgets to integrate health and welfare services: a comparison of experiments in England and Sweden*, Health and Social Care in the Community 13(6), 531-541 (2005)

[24] Provisional PSSEX1 2012-13

[25] Means to an end : Joint financing across health and social care, Audit Commission 2009

be putting plans in place pooled budgets for different services or are very far down that road, whereas others will have little or no arrangements in place - the lower of these estimates is a reasonable assumption at this stage. Nonetheless this is an area that the Department will revisit as further information becomes available as localities begin to develop plans for the Better Care Fund. Until better data are available this cost will remain non-monetised.

49. The Guide to Whole Place Community Budgets identifies activities necessary to set up new integrated services including place a project team and set up new governance structures. First steps in service planning are:

- Mapping services
- Map duplication and overlap
- See what services can share/integrate
- Identify cross cutting issues[26]

50. We would then expect localities to have transitional costs from reconfiguring their services. These could be the cost of setting up a new care pathway, training staff to deliver a service differently or back office costs, such as developing data sharing systems and agreements.

51. We have no information on the cost of reconfiguring local services at present. The cost will depend on local decisions and existing infrastructure and patterns of service provision. We expect local authorities to provide details in their plans in March 2014. The Department will revisit this question as further information becomes available.

Likely benefits of establishing pooled budgets

52. The examples cited above illustrate the potential for positive impact of service design based on pooled budget arrangements, e.g. improvements to rates of admission and readmission to hospital; performance of adult social care services and usage of residential care packages. It is important to highlight that these programmes have taken a long time to develop and to achieve results and pooled budget arrangements are one factor.

53. We believe that pooled budget arrangements will support local integration work to achieve improvements in outcomes for their populations by tackling the barriers identified by localities around different funding streams and lack of clarity in national policy by providing clear financial arrangements, with clear expectations of the outcomes to be achieved with this pooled fund.

Summary

54. While there is some evidence that pooled budgets support integration, there is mixed evidence on the benefits of integration, so the examples above can only be taken as illustrative of the benefits we might hope to achieve through the pooled budget element of the Better Care Fund. However, we believe that pooled budget arrangements will help to tackle some of the barriers identified for localities to pursue better coordination of care and that the potential for improved outcomes, and potential for more efficient use of resources, that comes with greater integration of services outweigh the costs of setting up pooled budget arrangements.

Risks

RISK	MITIGATION
Risk that the pooled budget is used for new schemes that have no impact on outcomes and	Clear local guidance Strong support tools for local areas

[26] Local Public Services Transformation: A Guide to Whole Place Community Budgets

does not reduce requirements on other services	Careful assurance and monitoring of local plans to ensure delivery
Risk that the transfer of £2bn from NHS core budgets into the pooled budget will lead to pressures on services if local integration plans do not achieve their aims.	Clear local guidance Strong support tools for local areas Careful assurance and monitoring of local plans to ensure delivery Performance related payments dependent on improving outcomes
Risk that costs will be greater and benefits smaller than hoped	Strong support tools for local areas Careful assurance and monitoring of local plans to ensure delivery Performance related payments dependent on improving outcomes Learning from 2014-15 preparation year and pioneer sites to better understand potential costs and benefits

Conclusion

55. The Better Care Fund is being set up to tackle the national barriers to locally-led integration. Alongside the Integration Pioneers programme and wider work across the system to support work to develop better joined up services, we intend the Fund to provide a significant boost to locally led collaboration on coordinated care to the benefit of local populations.