Appendix 2

Briefing note for Leeds Scrutiny Board (Health & Wellbeing and Adult Social Care)

NHS Financial allocations for 2014/15 and 2015/16

Fundamental Review of Allocations Policy (August 2013)

Alongside its decision in December 2012 regarding the local allocation of resources for 2013/14, the NHS England board commissioned a review of allocations policy. This work was led by the Allocations Steering Group which comprised colleagues from NHS England, CCGs, as well as representatives from the independent advisory group, the Advisory Committee on Resource Allocation (ACRA).

A summary of the indicative allocations (based on the ACRA recommendations) and the actual allocations was published in August 2013. The indicative allocations suggested a distance from target allocations for the three Leeds CCGs of c.£84m.

The review included a series of regional workshops as well as seeking views from interested stakeholders, with a view to setting out a series of options/recommendations at the NHS England board meeting in December 2013.

Adjustment for unmet need/health inequalities

One of the key issues that was raised as part of the review process was around whether an adjustment should be made to CCG allocations for health inequalities. The previous funding formula that had been in place prior to 1 April 2013 for PCTs had made an adjustment for this. The initial view from the Allocation Review Working Group was that the main parts of a patients pathway where unmet need arising from inequalities may require additional funding were in primary care, community care, prescribing, public health and social care. Whilst CCGs do hold the commissioning responsibility for some of these areas, the significant majority of CCG expenditure is related to general & acute hospital care.

Allocation of resources to NHS England and the commissioning sector 2014/15 and 2015/16

The NHS England board at its meeting in December 2013 considered the CCG allocation formula and agreed that:

- There should be an adjustment within the CCG formula for health inequalities (based on a recommendation from ACRA at their November 2013 meeting); this also recognised that such an adjustment would also target additional resources to areas with poorer outcomes, enabling them to close the gap in outcomes);

- The inequalities adjustment is applied to all CCG spend;

- The impact of the inequalities is at the same level as that applied to the PCT allocation formula; and

- The adjustment should be based on Standard Mortality Ratio for under 75s; which is available for small areas (population groups of about 7,000) and updated frequently.

In addition, the Board also agreed, in relation to CCG allocations, to:

- Use updated practice lists (this has had a significant impact);;

- Build in ONS population projections; and

- Use GP practice lists information to use a person based approach (age, diagnostic history and deprivation).

As a result of these decisions, the target allocations for all CCGs changed. The "distance from target" for all three Leeds CCGs reduced from £84m to £66m; this was as a result of building in the health inequalities adjustment. The implication in the remaining difference is largely connected with population changes across the country.

Having made a decision on target allocations, the next step was for the NHS England board to consider the "pace of change", recognising there is a need to balance how quickly any transition can be achieved, taking into account the speed at which local health economies can invest or disinvest in a manner that ensures value for money and the ongoing sustainable operation of services for patients.

There were various options considered. The options chosen by the board ensured that all CCGs would see their allocation grow by at least 2.14% (GDP deflator) in 2014/15 and by at least 1.7% (above GDP deflator of 1.48%) in 2015/16. This compares to average CCG growth of 2.54% in 2014/15 and 2.1% in 2015/16. As all three Leeds CCGs are above target allocations, all allocations will be increased by 2.14% and then 1.7% across the next two years.

NHS England commissioned services

Each commissioned area of spend has been considered and the NHS England board in December 2013 agreed the following:

- The specialised commissioning allocation would increase by 4.4% in 2014/15 and 5.9% in 2015/16;

- The overall primary care allocation would increase by 2.14% in 2014/15 and 1.7% in 2015/16; and

- Primary care resource allocations to area team would be based on:
    - The Carr-Hill formula (an estimate of GP workload)
    - Spend on dentistry based on age, gender and deprivation
    - The inequalities adjustment used in the CCG formula is applied to the primary care formula (at 15%).

There is a similar pace of change policy in place for primary care allocations, and the analysis suggests that West Yorkshire is currently above target and as such the growth in resources would be 1.6% in 2014/15 and 1.2% in 2015/16.

Allocation growth assumptions to support strategic planning

The NHS England board did not decide on allocation funding for 2016/17 and beyond. In order to assist planning, NHS England have set out some high level planning assumptions which CCGs can use when considering how to project growth. A similar pace of change policy is applied to that used in 2015/16. The minimum level of growth that each CCG can plan for across 2016/17, 2017/18 and 2018/19 is 1.8%, 1.7% and 1.7% respectively; this is also the assumed level of inflation (GDP deflator) as advised by the Office for Budget Responsibility.

Planning and contracting

"Everyone Counts – Planning for Patients 2014/15 to 2018/19" was issued by NHS England in December 2013. It sets out, amongst other issues, the planning timetable:

- Contracts signed between commissioners and providers – 28 February

- Plans approved by boards – 31 March

- Final 2-year plans – 4 April

- Strategic 5-year plans – 20 June

Appendix 2

This timetable applies to CCGs and NHS England commissioned services.

The budget-setting process is still on-going within NHS England and will be concluded in line with the above timetable.

Jonathan Webb
Acting Director of Finance (West Yorkshire)
NHS England

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