

Gateway Reference 02783

To: CCG Clinical Leaders

Cc: CCG Accountable Officers
CAFWG members
Allocations Steering Group members
NHS England EGM
NHS England Regional Directors
NHS England Area Directors
NHS England Regional Finance Directors
NHS England Area Team Finance Directors

Paul Baumann
Chief Financial Officer
NHS England
Skipton House
80 London Road
London
SE1 6LH

paul.baumann@nhs.net

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Allocations 2015/16

Following the NHS England Board meeting on 17 December 2014 I write to confirm the CCG allocations for 2015/16, the primary care allocation for 2015/16, the notional split to CCG level to support the primary care co-commissioning agenda, and the indicative specialised commissioning budget by CCG for 2015/16. The notional allocations for primary care and specialised commissioning are for information only, though you will be aware that CCGs are able to apply to have the GP services element of the primary care allocation fully delegated to them in line with primary care co-commissioning.

As you know, £1.98bn of additional investment in the NHS in England was announced in the Autumn Statement on 3 December 2014. This means that our growth next year compared with the total funding available in 2014/15 (including non-recurrent funding provided to us during the year), amounts to £3.0bn, a real terms increase of 1.6%, in line with the funding ambition outlined in the Forward View. Our revised total funding of £101.7bn is £1755m higher than the previously announced indicative allocations. In addition, we have a further £75m of capital funding as part of the primary/out of hospital care infrastructure programme, and NHS England itself will be adding a further £150m of purchasing power through efficiencies and reprioritisation in its central budgets.

Further details of these funding arrangements and the allocations approved by the Board are contained in the Board paper *Allocation of resources to NHS England and the commissioning sector for 2015/16* (paper reference NHSE121403: <http://www.england.nhs.uk/wp-content/uploads/2014/12/item5-board-1214-fin.pdf>)

In deploying the additional funding we are seeking to fulfil the following objectives:

- To create momentum in the implementation of Forward View strategies by creating a £200m investment fund to promote transformation in local health economies, with a particular focus on investment in the new care models set out in the Forward View document. The first year of this fund will allow us to pump-prime a number of test sites during 2015/16. More detail on the arrangements for this fund will be set out in *Forward View into Action: planning for 2015/16*, which will be published shortly.
- To deliver on the promise of a new deal for primary care by funding the first tranche of a £1bn four-year investment programme in primary and community care infrastructure, whilst also doubling the level of the Prime Minister's Challenge Fund to £100m. This means that total funding growth for primary care is, for the first time in recent years, greater than that provided for other local services. Within this, core funding growth for local primary care service commissioning will be increased by 2.3% - 0.6% more than the proposals published in December 2013.
- To make further progress with our work towards parity of esteem between mental and physical health services. As part of this wider effort, in 2015/16 NHS England will invest £80m to deliver new waiting time standards for mental health services. £40m of this spending will be on Early Intervention in Psychosis services, and will, as set out in *National tariff payment system 2015/16 – a consultation notice*, be funded through local contracts, recognising that it will require a combination of improving services and increasing activity. The remaining £40m is for improving liaison psychiatry services and reducing waiting times under the Improving Access to Psychological Therapies (IAPT) programme. This will be managed centrally and targeted towards those areas with greatest need. In addition, £30m of additional funding has been provided to improve treatment for children and young people with eating disorders, which will also be distributed on a national basis. The majority of mental health spending is in CCG allocations, where the planning document for 2015/16 states the expectation that mental health spending will grow in real terms at least as fast as each CCG's overall allocation in 2015/16.
- To favour pace-of-change options for CCGs which accelerate progress towards our stated goal of bringing all CCGs receiving less than their target funding to within 5% of target by 2016/17 whilst also directing funding towards distressed health economies.
- To eliminate the structural deficit in specialised commissioning, which will also then provide CCGs with a credible opportunity to share in any financial benefits from managing activity growth through the 50/50 local CCG/NHS England specialised services gain share arrangement which we are proposing to introduce to encourage commissioners to work more effectively together across the patient pathway.

- To enable earlier and more effective planning for seasonal resilience by including recurrent up-front funding of £400m in CCG, specialised and central allocations. Plans for the deployment of this money to the provider sector will be assured as part of the Operating Plan review process, and it is important to note that there will be no further allocations in year.
- To reconfirm plans to deliver 10% cash savings in CCG and NHS England administration costs for redeployment to the front line.
- To give CCGs priority access to the £400m drawdown available. The more accelerated pace-of-change options which we are now able to model and the recurrent funding of the specialised commissioning structural deficit should leave greater capacity to focus drawdown on strategic investments by CCGs. The arrangements for prioritising proposed drawdown will be set out shortly.

In developing the allocations we have fully updated our assessment of projected costs and pressures. This now takes account of our latest projections (including recurrent baseline adjustments) for 2014/15, the activity/cost assumptions underpinning the Forward View, our assessment of policy and Mandate requirements, and the proposed 2015/16 National Tariff.

CCG Allocations

The funding formula for CCGs adopted by the NHS England Board in December 2013 (including a specific adjustment for unmet need and inequalities of 10%, alongside the equivalent 15% adjustment for primary care) will continue to be used. We have established three principles for the £1.1bn of additional programme funding to CCGs on top of the previously published allocations for 2015/16:

- Firstly, no CCG should receive less funding in cash terms than was previously agreed in December 2013 to be allocated in 2015/16 (other than any recurrent baseline changes agreed in 2014/15);
- Secondly, all CCGs should receive at least real terms growth (1.4%, the revised GDP deflator) and their fair share of the now recurrent £350m resilience funding for CCGs on their recurrent baseline; and
- Thirdly, the remaining funding should be applied to accelerate the pace of change towards target allocations and in particular reduce the number of CCGs significantly under target.

These allocations do not include agreed CCG mergers, the allocations for which will be issued in due course by combining the published allocations.

Primary Care

We will continue to use the funding formula for primary care adopted by the NHS England Board in December 2013 (including a specific adjustment for unmet need

and inequalities of 15%). The primary care baseline has been uplifted to reflect:

- An adjustment to each geography to reflect the net change in their recurrent baseline made during 2014/15 (£55m);
- A correction to the financial value of the unmet needs adjustment subsequent to the 2014/15 allocation decisions (£13m); and
- A further increase in the allocation to local primary care teams in proportion to their unweighted populations (£61m).

Given that the direction of travel is to localise primary care commissioning as far as possible, we are not proposing to recalculate target and actual allocations based on the more consolidated sub-regional organisation being implemented for 2015/16, but rather to aggregate the allocations made to current Area Teams in order to create combined totals for each new NHS England commissioning geography.

Specialised Services

We have been working with specialised commissioners to develop accurate allocations for these services at CCG level based on uplifted historic expenditure in a way that is accurate and fair. These allocations are notional and are to support the development of the proposed 50/50 gain share arrangements with CCGs at commissioning hub level. We anticipate there being significant further work in verifying these baselines in the coming year to support the future development of potential options for more holistic place-based allocations.

This allocation is before any adjustments for potential changes in commissioning responsibilities. The Prescribed Specialised Services Advisory Group (PSSAG) recommended the transfer of four services from specialised commissioning to CCGs in 2015/16, with final decisions to be made following the end of the current consultation period in January. Should these services transfer we will update CCG allocations accordingly during the planning process.

Annexes

[Annex A: summary of these allocations](#)

[Annex A: guidance notes](#)

[Annex B: details of the CCG programme and admin allocations](#)

[Annex B guidance notes](#)

[Annex C: primary care allocations by area team](#)

[Annex C: guidance notes](#)

[Annex D: notional specialised services allocations by CCG](#)

[Annex D guidance notes](#)

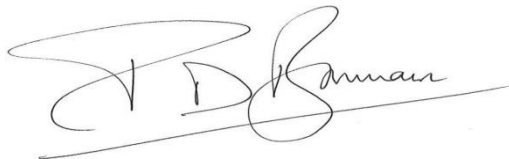
Please contact england.finance@nhs.net if you have a query regarding the information contained in this note.

Please could Clinical Leads forward this letter to their Chief Financial Officers and bring it to the attention of their Governing Bodies.

I would like to thank members of the Commissioning Assembly Finance Working Group and the Allocations Steering Group for their invaluable help and advice in developing these proposals.

May I also take this opportunity to thank you for your many achievements and fruitful collaboration in 2014, and to wish you a well-deserved break. I look forward to working with you in 2015.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'P. Baumann', with a long horizontal line extending from the end of the signature.

Paul Baumann
Chief Financial Officer