

Gateway Reference 01160

To:  
CCG Clinical Leads  
CCG Accountable Officers  
Area Team Finance Directors  
Regional Finance Directors

13 February 2014

Dear Colleague

### Allocation growth assumptions to support strategic planning

This guidance is intended to support commissioners who are currently developing their 5 years strategic plans. The table below sets out some high level planning assumptions that CCGs can use when considering how to project growth in allocations in years 3 to 5 of the planning period.

These assumptions and projections are indicative and not intended to pre-empt any future decision by the Board of NHS England regarding growth in allocation funding after 2015-16. In particular, as the total envelope of funding available for CCGs may change actual allocations may be higher or lower than those set out in this guidance. We have looked at the impact of maintaining the current target model and applying a similar pace-of-change policy to that for 2015-16. The base per-capita growth is consistent with the inflation forecast by the Office for Budget Responsibility and the maximum growth is 1.7 percentage points above that for the most under target. Similar maximum and minimum total growths are assumed as before, set at the projected inflation.

The scenario assumes a continuation of our policy of maximising growth for those furthest below target, particularly where this is combined with more rapid population growth than average. On these assumptions, we would reduce the number of significantly below target CCGs (more than 5%) from 32 at the end of 2015-16 to five at the end of 2018-19.

To reflect the many uncertainties, we have generated a set of broad categories for CCGs to apply, based on their closing distance-from-target for 2015-16. These are summarised below.

	Growth assumption		
	2016-17	2017-18	2018-19
GDP deflator ("flat real")	1.8%	1.7%	1.7%

2015-16 closing DfT			
> +5%	1.8% on total allocations	1.7% on total allocations	1.7% on total allocations
-3.2% to +5%	Greater of 0.9% per capita or 1.8%/1.7%/1.7% on total allocation		
-4.4% to -3.2%	Greater of 1% per capita or 1.8%/1.7%/1.7% on total allocation		
-5% to -4.4%	Greater of 1.5% per capita or 1.8%/1.7%/1.7% on total allocation		
-5.2% to -5%	2% per capita		
-6.1% to -5.2%		1.5% per capita	
-6.5% to -6.1%		2% per capita	
-7.2% to -6.5%			1.5% per capita
-7.2% to -8%			2% per capita
< -8%	2.5% per capita	2.5% per capita	2.5% per capita

These assume that recurrent growth of £m 268/264/241 above real is available for the three years in question. So for 2018-19 the implied quantum is £773m above what it would have been if flat real had been applied to each year.

Possible future changes to pace-of-change policy would include some protection for those slightly below target who have moved slightly further away from target. At the moment these movements are small and those CCGs remain in a position that, given the various uncertainties in modelling the target allocation, is consistent with the target allocation. If the movements became large they could be controlled by the pace-of-change we have included for the most under target CCGs.

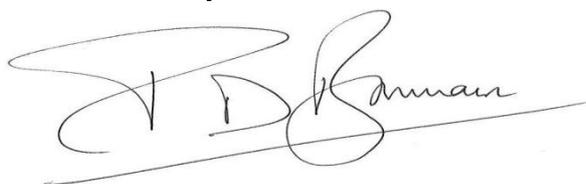
Our analysis suggests that these movements would remain modest under this scenario – and indeed would be likely to be far outpaced by the possible changes in:

- The target model, such as an enhancement to exploit any improved information about community services;
- Data sources, such as revised registration numbers and population growth estimates;
- CCG membership and geographic boundaries;
- Changes in the focus of pace-of-change policy; and
- The total resources available to NHS England in general and CCGs in particular.

Please refer any queries about this guidance to [england.finance@nhs.net](mailto:england.finance@nhs.net) quoting the title of the letter and the gateway reference number.

We will review the impact of all of these factors at the point that decisions regarding allocations for 2016-17 onwards are made.

Yours Sincerely



**Paul Baumann**  
Chief Financial Officer