

**Clinical Commissioning Group Governing Body  
Paper Summary Sheet  
Date of Meeting: 28 January 2014**

For: PUBLIC session  PRIVATE Session

For: Decision  Discussion  Noting

<b>Agenda Item and title:</b>	<b>GOV/14/01/20 NHS Allocations Update</b>
<b>Author:</b>	Steve Perkins, Deputy Chief Financial Officer
<b>Lead Director/GP from CCG:</b>	Simon Truelove, Chief Financial Officer
<b>Executive summary:</b>	This paper provides the Governing Body with an update on the recently announced CCG allocation settlements for both programme and running costs.
<b>Evidence in support of arguments:</b>	NHS National Planning guidance and allocations announcements
<b>Who has been involved/contributed:</b>	Finance and information teams
<b>Cross Reference to Strategic Objectives:</b>	“Everyone Counts: Planning for Patients 2014/15 to 2018/19”, Clear and Credible Plan
<b>Engagement and Involvement:</b>	n/a
<b>Communications Issues:</b>	n/a
<b>Financial Implications:</b>	The guidance includes confirmed allocations for 2014/15 and 2015/16 with planning assumptions for future years funding which will have an impact on the available funds to the CCG in future years with a consequential impact to the CCG’s QIPP challenge.

<b>Review arrangements:</b>	Timely updates provided to the Governing Body in respect of new guidance and changes to confirmed allocations.
<b>Risk Management:</b>	Contingent reserves are held to mitigate in year emerging pressures. A robust QIPP programme, underpinned by the PMO methodology, will be required to ensure delivery of the QIPP challenge to support financial policy.
<b>National Policy/ Legislation:</b>	n/a
<b>Equality &amp; Diversity:</b>	n/a
<b>Other External Assessment:</b>	n/a
<b>What specific action do you wish the Governing Body to take?</b>	The Governing Body are asked to note the updated assumptions to the CCG's allocations.

**NHS Wiltshire Clinical Commissioning Group**  
**NHS Allocations Update**  
**28<sup>th</sup> January 2014**

**1 Introduction**

1.1 This paper sets out the implications to Wiltshire CCG (WCCG) in response to the recent planning guidance on CCG allocations.

**2 Introduction**

2.1 On the 17<sup>th</sup> December 2013 NHS England (NHSE) set out at its Board meeting a range of proposals relating to CCG allocation settlements. The approach used intended to design an allocation method that was balanced with regard to factors such as population, age and deprivation whilst beginning to tackle pace of change issues.

2.2 The paper presented put forward four options that covered a two year time period for the NHS programme allocations.

2.3 NHS running cost allocations were also considered alongside programme resources but on a separate basis.

**3 NHS allocations**

3.1 Summarised below in table 1 is the overall level of funding available to the NHS in 2013/14 to 2015/16 – this position shows that the NHS is receiving real terms growth across the period.

Table 1: NHS funding envelope 2013/14 to 2015/16

	£'bn		
	2013/14	2014/15	2015/16
NHS England Recurrent Funding (including section 7a)	93.62	96.48	98.68
Add back depreciation in baseline for allocation	0.16	0.16	0.16
Recurrent allocation for distribution	93.78	96.64	98.84
<i>Available growth</i>		3.10%	2.30%
<i>Real terms growth</i>		2.10%	1.50%
Surplus drawdown	0.65	0.40	0.40
Surplus carry forward	0.53	0.47	0.07
Winter pressures (non recurrent)	0.25	0.25	
Annually managed expenditure / technical	0.66	0.66	0.66
TOTAL funding available	95.87	98.42	99.97

3.2 The 2014/15 £96.6bn allocation includes funding for direct commissioned services by Area Teams, CCG programme costs and overall NHS running costs. The total funding set aside within this for CCGs (including health and social care monies passed through to local authorities and quality premiums) is £67bn which includes £1.6bn of allocation growth.

3.3 NHS England agreed to progress with an allocation settlement for CCGs that ensures all CCGs see their total allocation grow by at least the GDP deflator (2.14%) in 2014/15 and at an above GDP deflator level of 1.7% in 2015/16 (increase of 0.22%). This accounts for £1.41bn of the allocation growth with the residual growth (£180m) being set aside to support moving significantly underfunded CCGs closer to their target allocations.

3.4 Summarised below in table 2 is the impact of this settlement to Bath, Gloucestershire, Swindon and Wiltshire (BGSW) Area Team CCGs:

Table 2: BGSW allocation settlements

	2013/14	2014/15		2015/16	
	£'m programme allocation	£'m programme allocation	% growth on prior year	£'m programme allocation	% growth on prior year
BANES CCG	207.5	212.0	2.14%	215.6	1.70%
Gloucestershire CCG	653.5	667.5	2.14%	678.9	1.70%
Swindon CCG	219.9	229.0	4.11%	235.9	3.03%
Wiltshire CCG	501.5	512.2	2.14%	520.9	1.70%
	<u>1,582.5</u>	<u>1,620.7</u>	<u>2.41%</u>	<u>1,651.3</u>	<u>1.89%</u>

3.5 The allocations to CCGs also include an adjustment in respect of health inequalities and dealing with unmet needs. The basis of calculation has changed from using Disability Free Life Expectancies to Standardised Mortality Rates <75 years old.

3.6 For subsequent years commissioners are advised to assume that allocations will grow in line with the GDP deflator:

Table 3: GDP deflator assumptions

2016/17	2017/18	2018/19
1.80%	1.70%	1.70%

3.7 In 2014/15 CCGs will receive no adjustment to their running costs allocations – for WCCG this will continue to be £11.7m.

3.8 Having adjusted for projected population growth the previously funded running cost value of £25 per head is now equivalent to £24.78 per head of population at a national level – equivalent to a 0.88% reduction.

3.9 From 2015/16 it is assumed that CCGs will see a 10% reduction to the cash value of their running cost allocations – for WCCG this is a £1.17m reduction. Based on expected population growth the equivalent funding per head of population at a national level would be £22.11 (when compared against the existing £25 per head – an 11.6% reduction).

## 4 Distance from target

4.1 The allocations model determines an ideal target level of funding that each organisation should receive. The start point of allocations is from the disaggregation of predecessor organisations and their respective allocation formulas and settlements.

4.2 These previous methods result in organisations starting with a differential level of funding to their ideal target share – some organisations are above target and some are below target. As outlined above the new allocations formula aims to address those funding issues that are at the most widest ends of the spectrum.

4.3 Summarised below in table 4 is the movement in distance from target (DFT) for the BGSW area team organisations:

Table 4: DFT values for BGSW CCGs.

	% DFT		
	2013/14	2014/15	2015/16
BANES CCG	3.96	3.55	3.45
Gloucestershire CCG	-2.12	-2.50	-2.78
Swindon CCG	-6.53	-5.10	-4.73
Wiltshire CCG	-1.90	-2.28	-2.46

## 5 Recommendation

5.1 The Governing Body is asked to note the allocation updates.