

Cynthia Bower  
Chief Executive  
Care Quality Commission  
Citygate  
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22<sup>nd</sup> December 2010

Dear Cynthia

**ARM'S-LENGTH BODY (ALB) PLANNING FOR 2011/12 TO 2014/15 AND INDICATIVE BUDGETS FOR 2011/12**

**Planning guidance**

Good quality, achievable plans will underpin a successful programme of change.

Attached is guidance for the completion of ALB plans. This comprises two documents:

- a short introductory document setting out the high-level principles and requirements that we expect all ALBs to follow and adhere to. This document also clarifies the role of the Department of Health (DH) during the planning period, including how we will be supporting you to draw up your plans, and how we will be working with you and your sponsors thereafter to ensure the actions agreed in plans are delivered
- detailed planning guidance – similar to that you have received in past years but including some important requirements reflecting the transition and change we will all be experiencing.

We recognise that planning for each ALB will be different. Some organisations will be leaving the sector before the end of the planning period; for others the element of transition to be included in plans will vary. Key to the whole change process will be close working between the DH ALB Transition Team, DH sponsors and ALBs.

## Indicative budget for 2011/12

The Spending Review (SR) settlement redefined administration costs as being the running costs of the DH, its ALBs, Primary Care Trusts (PCTs) and Strategic Health Authorities (SHAs). These costs have to reduce by 27% in cash terms over the next three years – this means that the Grant-in Aid (GIA) given by the DH to ALBs has to reduce by 27% over the same period.

As you will be aware, David Lane is leading a Business Support Services programme, the aim of which is to deliver savings through the Government's 'shared service' agenda for non-core services across the DH and its ALBs. In the past, many Whitehall ALBs were established as entirely self-sufficient; this is now recognised as having created enormous duplication on non-core transaction services. The Government has set a clear objective within its SR settlements: that they are conditional on non-core transaction services being required to be done through shared service solutions, with one standard replacing many different standards and many different delivery methods, to save money and achieve consistency across the public sector.

Your indicative 2011/12 revenue GIA budget for planning purposes is £50.000m.

Your financial plans for 2011/12 and across the SR period will need to ensure that:

- you have taken account of the need for full cost recovery in the planning/delivery of services
- there is no cross subsidisation between services
- funding and recharging for services is aligned with the recipient of the service - you should consider how this can be achieved within your plans
- you do not reduce GIA by increasing charges to other parts of the system (i.e. other ALBs or NHS bodies).
- the SR resulted in the reclassification of ALB budgets as administration funded bodies, and additional funds issued to ALBs in-year directly from DH should be from the same source. You should reduce reliance on funding provided from DH frontline budgets, we will work with you to identify which ones these are and the implications during the planning process.

May I wish you and your staff a very Merry Christmas and a happy New Year.

Yours sincerely



Flora Goldhill  
Acting Director General for Corporate Development  
Department of Health

Copy: John Lappin, Director of Finance, Care Quality Commission