

# **Arm's-length Body (ALB) Planning Guidance**

***Key messages and requirements***

**2011/12 to 2014/15 planning period**

**Date of Issue: December 2010**

## Introduction

1. Flora Goldhill wrote to all Chief Executives on 15<sup>th</sup> December following the publication of the Government's White Paper response. This document and the detailed document that accompanies it comprise the guidance referred to in Flora's letter.
2. The letter accompanying this guidance includes your 2011/12 allocation.

## This year's planning guidance

3. ALBs will be managing significant change during this spending review period to 2015 and so we are asking for plans for the next four years. These will follow the general principles of past years' planning rounds, but they will also have a clear focus on how each ALB will be responding to the policies of the new Government.
4. Some organisations will be disappearing from the sector before March 2015 and their plans will inevitably cover a shorter period. For those ALBs leaving the sector, although they will be expected to follow general planning principles for as long as they remain as ALBs to ensure continuity of business, much of what they will be planning for will be driven by the transition agenda.
5. Allocations for 2012/13 onwards are not currently available and some key decisions affecting the operations of some ALBs in future years are still to be taken. We are, therefore, asking you to complete a detailed plan for the first year of the planning period, with content for the remaining years based on current firm assumptions. Towards the end of 2011, we will review your plans for 2012/13 onwards with you and your sponsors with the aim of iterating and firming up subsequent years' plans.
6. Many of you will already have embarked on planning for the changes you are managing. We have not set out a template for plans, although all of the principles and requirements described in this guidance should be covered.
7. The more detailed document which accompanies this one covers general business planning principles (finance, HR, IT, etc) similar to the business planning guidance you have received in past years. It also contains some important transition-related considerations that need to be reflected in your plans and specifies the returns covering, e.g. finance, that are also required.

## The new Government and its programme of change

8. The Coalition Government has set out its commitments for the health and social care sector and what will be expected in the future from all organisations. The Government's programme will affect how DH and its ALBs<sup>1</sup> work – both as individual organisations and together in partnership.

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<sup>1</sup> Plans for the health and social care ALB sector are set out in *Liberating the NHS: Report of the arm's-length bodies review* (26 July 2010).

9. The Coalition Government has set the Department the objective of optimising savings from shared service initiatives for non-core services. The Cabinet Office is leading a number of these across Whitehall and DH has initiated a delivery programme to achieve the aims of both the Cabinet Office and DH for shared services.

## **Future governance and spending controls**

10. The significant programme of change that you are managing is underpinned by a challenging financial climate. All health and social care organisations will be required to adhere to tighter governance mechanisms and central spending controls.

11. In terms of transition and change for ALBs in the health and social care sector, the ALB review sets out the following framework for the future:

- functions will only be carried out at national level where it makes sense to do so
- the number of ALBs will be kept to a necessary minimum and the scope of each ALB will be clearly defined to avoid 'mission creep'
- ALBs will be expected to collaborate and co-operate to avoid duplication of activities, and minimise unnecessary burdens and costs to health and social care organisations
- ALBs will have less freedom to determine how they spend their money on pay, expenses, travel, consultancy, communications and IT, and they will be expected to publish information and benchmarking data online
- where appropriate, ALBs will be expected to exploit commercial opportunities and maximise commercial discipline across the sector.

12. In addition, Flora Goldhill's letter of 15<sup>th</sup> December included the following principles:

- DH will clearly set out functions to be carried out by each ALB
- DH will support ALBs to discharge those function efficiently and effectively
- ALBs will discuss any proposals to alter or extend their functions with DH and be prepared to make a business case for any changes
- ALBs will operate within clear spending limits and should discuss any change to these limits with DH
- Where cross-government controls are in place, DH will support ALBs to apply these controls and consider what flexibilities may be applied to aid the smooth running of ALBs; where difficulties arise, DH will help ensure processes are in place to deliver their functions
- DH will develop a model of business support services that delivers significant savings and will support ALBs to implement the model
- ALBs will drive efficiency, effectiveness and value for money in all their operations and should operate in line with wider government expectations and with probity.

13. ALBs will retain operational independence for their core purpose where they demonstrate that they are meeting all of the Government's requirements on change, governance and accountability.

14. DH will impose tighter governance, shared service and accountability over the scope of ALBs. ALB will have independence about how they perform clear and agreed functions; they will not have the freedom to assume new roles.
15. DH will work together with ALBs leaving the sector to ensure that staff are treated fairly and organisations are closed as efficiently and as effectively as possible whilst adhering to the same key principles and requirements of transition.

### **A partnership for change**

16. It will become increasingly important for ALBs to work with other ALBs to develop a strong sector identity, enable ALBs to share good practice and release savings by identifying economies of scale where services can be shared.
17. DH will strive to undertake its sponsorship responsibilities and work with ALBs more effectively, including clarifying the roles and responsibilities for DH work programmes that directly affect ALBs. Regular communications and a series of workshops and events will be taking place over the coming months to facilitate this.
18. The ALB Change Managers will have a particularly close working relationship with you and your DH sponsors, providing links to, and consistency with, the wider transition programme and the 'functional leads' taking forward cross-cutting programmes of work. They will ensure that plans and their implementation reflect the requirements arising from the Government's and DH's wider change programme, particularly relating to finances and controls, HR, shared services, information and asset management.

### **What the plans need to cover (more detail is contained in the accompanying document)**

19. *Communicating the principles of government policy* - how ALBs will ensure staff understand the principles underlying the current transition programme and the associated spending controls and efficiency measures.
20. *Treating people fairly during a difficult period of transition* - for those organisations closing, how ALBs transferring functions and undergoing significant organisational change will apply HR processes in a fair and consistent manner. This should include how valuable skills are to be retained and how organisations will continue to develop staff to cope with the proposed changes and build capability for the future.
21. *Money* – how ALBs will deliver effective financial management, reflecting changing or realigned functions in the context of required efficiency savings, future value for money and accountability requirements that are key to managing change successfully. Overall, the minimum savings imposed by the 2010 Spending Review (SR10) is £170m (one third) over three years (2011/12 to 2013/14). This means the Grant-in-aid that DH currently provides as income to ALBs will fall by at least this amount. Measures such as streamlining and sharing business support functions across the sector will contribute to achieving this target.

22. *Central government governance and expenditure controls* – how ALBs will manage the Government's action aimed at securing efficiency savings<sup>2</sup>. As part of this package of savings, the Government set out a range of priority efficiency measures affecting the civil service and the work of departments and ALBs. We expect the measures will remain in place throughout 2011/12. These measures involve freezes on external recruitment, new consultancy spend, new Information Communications Technology (ICT) projects over £1million, and communications, advertising and marketing activity. Tighter controls over these areas as well as for procurement, property, pay and business travel have also been introduced. To help manage these controls and the demands that they place on ALBs and the Department, ALBs should include in their plans information about the nature, level and timing of activity affected by the controls, as far as they can be foreseen during the ALB planning exercise. This information would then be refined and updated over the course of the year, as further clarity emerged.
23. *Business Support Services* - how ALBs will work with David Lane and his Business Support Services delivery programme in delivering savings through the Government's 'shared service' agenda for non-core services across the DH and its ALBs. Whilst historically many Whitehall ALBs have been 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.

## Timetable

24. The deadline for ALBs to submit their plans to DH is 28<sup>th</sup> January 2011. They should be submitted to DH sponsor teams and copied to the ALB Business Support Unit. Plans should be informed by discussions with sponsors, as well as functional leads, so that there are no major surprises by the time the plan is submitted. ALB Change Managers and sponsors will be available to discuss the planning process and assumptions before returns are due.
25. DH will analyse plans during February 2011, agreeing them with ALBs by early March. Full discussions between ALBs, sponsors and the ALB Transition Team Change Managers, led by the Change Managers, will take place to ensure that collective agreement is reached on plans. Flora Goldhill will sign-off all of the plans.

## Summary

26. A full list of key contacts in the DH ALB Transition Programme as well as the functional leads is included in the accompanying document. Should you have any queries, your first port of call should always be your DH sponsor, but if you have specific queries about this or the accompanying document, please get in touch with one of the contacts given. ALB Transition Team Change Managers (Gemma Pearce and Mike Yates), will be happy to discuss any aspect of this guidance or the process with you or your sponsors at the meetings being organised with you during January.

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<sup>2</sup> on 24 May 2010, the Chancellor of the Exchequer and the Chief Secretary to the Treasury announced action aimed at securing some £6 billion of efficiency savings in 2010-11

ALB Support Unit  
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