From the Rt Hon Andrew Lansley CBE MP
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Dear David,

Thank you for your letter of 27 September setting out ACRA's proposals for the weighted capitation formula post 2010-11. I would like to express my gratitude to you and ACRA members for all the work undertaken to develop your recommendations.

I am pleased to inform you that I accept all of ACRA's recent recommendations in full, except for those on the devolved budgets, to which I will need to give further consideration as these will align differently within the proposed new funding streams. I also welcome your proposal to move to GP registrations as the basis of allocations. In the interests of transparency, I would like to publish your letter to me setting out the findings of your work and final independent research reports alongside the 2011-12 Primary Care Trust allocations later this year.

I am a firm believer in the importance of the fair and efficient allocation of resources, which is why I gave it such a high profile in my recent White Paper, *Equity and Excellence: Liberating the NHS*. The changes described there will allow the NHS to deliver healthcare services more effectively to the communities it serves.

The most pertinent change for ACRA will be the establishment of an independent NHS Commissioning Board, which will allocate resources to GP consortia and provide commissioning guidelines. This will place the financial power to change health services in the hands of the NHS professionals.

In addition, Local Directors of Public Health will be given control over ring-fenced public health budgets, to provide a strong local strategy and leadership for improving

the health of their populations and provide dedicated finance to reduce avoidable ill health and health inequality.

So, instead of one allocation to Primary Care Trusts, I envisage two local funding streams: one for public health, allocated to Directors of Public Health at Local Authority level; and one to GP consortia for commissioning the majority of healthcare services.

No doubt ACRA's role and membership will continue to evolve as the NHS Commissioning Board becomes established and defines its needs and the Public Health Service is set in place. Future decisions on ACRA will fall to the Board in respect of NHS allocations. However, I am mindful of the calibre of advice offered by ACRA, and while I still hold responsibility for resource allocation, I would like for ACRA to continue to advise on the allocation of NHS revenue resources, at least during the transition period.

This advice should be given in light of new objectives:

"To develop a formula for allocations to GP consortia to secure equal opportunity of access to NHS services relative to the burden of disease and disability."

"To develop a formula for the allocation of the public health budget to Local Authorities relative to population health need, to include a "health premium" to enable action to improve population-wide health and reduce health inequalities."

Our aim is to publish shadow allocations for 2012-13 in late 2011, as well as PCT allocations, and the first operational allocations for 2013-14 in late 2012. I would particularly welcome your advice on:

- moving to GP registrations as the population base for allocations within two years;
- how unmet healthcare need is captured in allocations to GP consortia;
- the impact of rurality on unavoidable differences on costs; and
- how labour market conditions impact on NHS costs of providing services and how this can be captured in allocations to GP consortia from 2012-13.

In relation to the new public health budget, the intention is for a public health White Paper to be published towards the end of this year, setting out further detail on the Public Health Service. Work has already commenced to determine the scope of this allocation, and I will ask officials to keep ACRA informed as appropriate.

I would expect in due course to ask ACRA to advise on the baseline allocations to local authorities to reflect relative levels of health outcomes and health inequalities; but not at this stage to advise on the Health Premium, further details of which will be published in the Public Health White Paper for consultation.

To allow shadow allocations to be made in late 2011, I will require ACRA to report by June 2011. To support this I would like you to consider, alongside officials, how the current membership of ACRA might be augmented, in particular by extending the representation of GPs and public health experts and introducing a patient representative.

I look forward to receiving your recommendations on the future allocation of funding to the NHS.

Yours ever,

ANDREW LANSLEY CBE