Summary of *NHS operational planning and contracting guidance 2020/21*

1 Introduction

The *NHS operational and contracting guidance 2020/21*[1] (the guidance) is integral to the delivery of *The NHS long term plan*[2] (summarised for members by the HFMA[3]), setting out how the long-term revenue settlement will be invested to transform services and achieve proposed outcomes by 2023/24.

The areas of focus for 2020/21 include access to care; primary and community services; prevention; mental health; learning disability and autism; and environmental impact. The deliverables need to be achieved within agreed financial trajectories that deliver productivity and efficiency improvements and reduce unwarranted variation.

The guidance introduces the 'system by default' concept emphasising the critical role of systems. It provides guidance on workforce and financial arrangements for 2020/21, as well as the need to embrace the opportunities offered by technology. Further details will be set out in the national implementation plan and the people plan in the coming months.

This briefing provides a summary for NHS finance professionals of the 2020/21 planning guidance and highlights expected further guidance.

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[1] NHS, *NHS operational and contracting guidance 2020/21,* January 2020
[2] NHS, *The NHS long term plan,* January 2019
[3] HFMA, *Summary of The NHS long term plan,* January 2019

2 System planning

The planning guidance continues to set out the requirement for every part of England to become an integrated care system (ICS) by April 2021, recognising that areas are at different levels of maturity. ICSs are expected to fulfil two core roles: system transformation and collective management of system performance.

A number of operating expectations should be put in place for all ICSs during 2020/21, regardless of maturity level:

- system-wide governance arrangements
- leadership model, including a non-executive chair for the ICS
- system capabilities to undertake the two core roles, including population health management, service redesign and digitisation. Part-funding will be available to support this from NHS England and NHS Improvement
- agreed ways of working for system financial governance and collaboration
- streamline commissioning arrangements to typically one CCG per system
- capital and estates plans at a system level.

A combined system oversight framework will be developed for providers and CCGs. Each system will be implementing the first year of its operational plans in 2020/21, submitting a short operational narrative of risks or variations from agreed plans.

Financial controls and allocations

The guidance states that system control totals will continue to operate across England, with 50% of the financial recovery fund (FRF) tied to system performance. Systems may agree to link a higher proportion of the FRF system allocations to system performance. Systems will also be allocated some capital and revenue transformation funding to deliver national objectives, however continued funding will be dependent on delivering system financial trajectories.

As part of the intention to enable greater integration of specialised services with local systems, local providers can join NHS-led provider collaboratives from April 2020 to take responsibility for managing the budget and patient pathway for specialised mental health, learning disability and autism.

3 Operational requirements

The guidance sets out a number of areas where further work is required to support existing operational plans.

Primary care and community health services

Primary care networks (PCNs) continue to evolve through 2020/21 with expectations set out in the guidance of how CCGs and ICSs should support their development. This support is across three main priorities:

- supporting workforce redesign and team development, including recruitment to additional roles set out for PCNs and extra doctors to work in general practice
- improving patient access and waiting times, including through implementation of online consultation systems and the provision of information about A&E attendances by the PCN's patient population

- building operational relationships with community providers (including pharmacies) to support integrated care and work to enable PCNs to deliver the service requirements set out in the 2020/21 primary care network contract direct enhanced service, when the detail is available.

The guidance also reiterates requirements for community health services to work towards full access to digital mobile services for the community workforce and the expectation that all providers submit comprehensive data to the community services dataset. Providers must continue to work towards the delivery of crisis response services, providing an agreed number of guaranteed two-hour home response appointments between 1 November 2020 and 31 March 2021.

Mental health

All CCGs will receive additional baseline funding in 2020/21 to bolster community mental health provision for adults and older adults. The guidance states that all CCGs should increase investment and staffing in core and dedicated community mental health services.

CCGs will receive 40% salary support for IAPT trainees in 2020/21 and all deliverables already set out as part of the *NHS long term plan* continue to be required.

By March 2021, all providers of community mental health services for adults and older adults should have arrangements in place with their PCNs to organise and deliver services in an integrated manner.

Learning disabilities and autism

The guidance states that there will be an increasing emphasis on ensuring that the right range of support and care services for individuals with learning disabilities and/or autism are available in the community, rather than in hospital. This is supported by a number of measures already set out in the *NHS long term plan*, including the increased use of personal health budgets. Emerging provider collaboratives will develop discharge pathways and community alternatives to admission.

Urgent and emergency care

All providers should plan to deliver material improvement in A&E performance against a 2019/20 benchmark. To achieve this all systems and organisations are expected to reduce general and acute bed occupancy to a maximum of 92%. The guidance states that it is no longer expected that bed numbers will be reduced.

Providers are expected to increase the number of patients that are seen and treated on the same day, or within 12 hours, to a regionally agreed level. By September 2020 all providers are required to deliver acute frailty services for 70 hours per week[4]. Same day emergency care (SDEC) activity must be recorded on the emergency care dataset (ECDS) or as admitted patient care (APC) and not as outpatients. To support local planning and improve clinical data, the guidance states that it is expected that there will be a daily submission of data to the ECDS for the previous day and this has been added to the NHS Standard Contract for 2020/21.

Referral to treatment time (RTT) including 26-week choice

The planning guidance states that waiting lists on 31 January 2021 should be lower than that on 31 January 2020. This requirement may be managed at ICS level, with every provider expected to make a significant contribution.

[4] NHS, *Same-day acute frailty services,* May 2019

Financial sanctions remain in place if any patient breaches a 52 week wait. During 2020/21, all providers and systems should be implementing supplementary choice at 26 weeks, offering a meaningful choice of an alternative provider.

Outpatient transformation

To support the planned reduction in unnecessary outpatient activity, it is proposed that the payment system is reformed so that providers do not lose income as a consequence of reducing face-to-face contacts. This reform is part of the proposed *2020/21 National tariff payment system*[5], with commissioners and providers expected to agree blended payments that include advice and guidance and uptake of non-face to face consultations.

During 2020/21, systems should begin the implementation of video consultation in major outpatient specialties. Systems are also expected to address a number of other clinical changes to support the transformation of outpatient services.

Cancer

Cancer alliances are the cancer arm of their constituent STP/ICS. Additional funding is being made available to cancer alliances in 2020/21 to support the roll out of rapid diagnostic centres and the targeted lung health checks programme. The guidance sets out an extensive list of requirements for cancer alliances in 2020/21 to support delivery of the ambitions set out in the *NHS long term plan.* Details of increased funding for children's hospices and end of life care services will be released in spring 2020.

NHS public health functions and prevention

The guidance places significant emphasis on measures to improve population health.

Alcohol care teams and smoking cessation support will be expanded in selected sites, and low-calorie diets will be piloted in ten systems to support people with type 2 diabetes to achieve remission. Along with an emphasis on effective delivery of screening and vaccination programmes, the Department of Health and Social Care is also considering making flu vaccination mandatory for NHS staff.

During 2020, the NHS will develop a national de-carbonisation and climate change plan. All systems should have a green plan (or sustainable development management plan). A number of sustainability deliverables are set out for organisations in 2020/21 including ending business travel reimbursement for domestic flights within England, Wales and Scotland; purchasing 100% renewable electricity by April 2021; and replacing lighting with LED alternatives during routine maintenance

4 People

The guidance states that the NHS people plan, to be published in spring 2020, will set out a comprehensive programme of action to support, and increase, the NHS workforce.

Hospital and community health service workforce

The guidance states that provider plans should include:

- actions to improve retention
- actions to release time to care and improve productivity

[5] NHS, *National Tariff Payment System 2020/21: a consultation notice,* December 2019

- actions to increase recruitment and retention of nurses
- consideration of how the apprenticeship levy can be fully utilised.

New investment in continuing professional development (CPD) for all nurses, midwives and allied health professionals has been allocated against NHS Digital's workforce data in September 2019. Providers will receive 50% of the confirmed allocation in April 2020 and will be required to submit investment plans to Health Education England in July 2020. Subject to plan approval, the remaining 50% will be released in quarter three of 2020/21. This investment must be in addition to current CPD investment levels.

Primary care workforce

Systems and CCGs must develop a primary care workforce plan that considers local multi-disciplinary workforce needs. The GP contract update will set out arrangements for the plan, which must be developed jointly with PCNs.

The plan will set out how the additional roles reimbursement scheme will be fully used to support PCNs. It must also include actions to maximise retention of GP trainees and other roles that face significant workforce challenges.

5 Financial settlement

The five financial tests require each system and the organisations in it to:

- meet its trajectory for 2020/21 and the following three years
- achieve cash-releasing productivity growth of at least 1.1% each year
- reduce the growth in demand for care via integration and prevention
- reduce unwarranted variation in performance
- make better use of capital investment and existing assets.

The guidance states that operational plans now have to set out the detail of how the financial trajectories will be achieved and ensure that cost improvement plans are fully developed before the start of the financial year. This will allow agreement between commissioners and providers and ensure that plans are aligned across the system.

Commissioner allocations

Additional recurrent CCG allocations[6] have been published to take account of changes related to 2020/21 tariff inflation and adjustments. Adjustments have also been made between CCGs to reflect movements in registered populations resulting from new digital primary care models. CCG running cost allocations are unchanged from January 2019.

Service development funding allocations have already been made. These will be aggregated at system level and released to a single nominated CCG in each system, except for funding flowing to cancer alliances or GP extended access funding for individual CCGs. Release of funding to systems will depend upon a number of conditions, including a signed off system-wide strategic plan and appropriate oversight and decision-making arrangements being in place.

[6] NHS, *Additional recurrent allocation for CCG core services 2020/21 to 2023/24,* January 2020

Payment reform and national tariff

The statutory consultation for the 2020/21 national tariff[7] proposes that the 2020/21 tariff cost uplift factor is set at 2.5% with the tariff efficiency factor at 1.1%. Blended payments will be introduced for outpatient attendances (excluding diagnostic imaging and most outpatient procedures). This approach would apply where a CCG's relevant activity with a single provider is above £4m. It will also apply to all NHS England specialised commissioning contracts. Blended payments will also be introduced for maternity services in 2020/21, although this will exclude specialised services. No changes are proposed for the adult mental health and emergency care blended payment arrangements which were introduced in 2019/20.

All CCGs will be asked to complete and return the national tariff local variations template, which will record local variations and departures from the national tariff rules and prices and details of how the blended payment models have been implemented.

Welsh commissioners will pay full tariff prices for activity commissioned from English providers. It is expected that Welsh providers will apply tariff inflation to their contracts with English commissioners.

Key financial commitments

Mental health investment standard (MHIS)

CCGs must continue to invest in mental health services in line with the MHIS. For 2020/21 every CCG must increase spend by at least their overall programme allocation growth plus an additional percentage to reflect the additional funding included in CCG allocations. It is expected that CCGs increase the share of expenditure spent with mental health providers and on children and young people's mental health.

As in previous years, the guidance states that the governing body must confirm the CCG's compliance with the MHIS and that this will be subject to independent review.

Primary medical and community health services funding guarantee

The financial investment set out in the *NHS long term plan* means that overall spending by CCGs on the aggregate of primary medical care, community services and continuing healthcare, should continue to increase. Systems and commissioners are also required to spend the primary care medical allocations in full to increase the number of GPs.

Historical commissioner overspends

The guidance states that, from 2020/21, historical CCG debt will be written off under the following conditions:

- the level of the total overspend is such that repayment over 4 years is not feasible, i.e. the total cumulative debt is more than 4% of the CCG allocation
- the CCG will agree a repayment profile with NHS England and NHS Improvement showing the element of the cumulative debt that will be repaid, which will take account of historical funding levels - typically this will be 50% of the cumulative debt but will be assessed case by case
- the CCG must address the underlying issues that caused the overspends such that it delivers in-year financial balance, and the agreed repayment profile achieved.

[7] NHS, *National Tariff Payment System 2020/21: a consultation notice,* December 2019

If the CCG overspends against its allocation during the two years following the point of write off, the historical liability may be reinstated.

Better care fund (BCF)

The BCF planning requirements for 2020/21 will be published in February 2020. The CCG minimum contribution to the BCF and, within that, the minimum contribution to adult social care, will grow by an average of 5.3% in cash terms, with the expectation that this will fund more social care packages.

Minimum contributions will be published to assist planning prior to February 2020. The non-recurrent allocation made to CCGs in 2019/20 to fund late changes to the BCF planning assumptions, will not be repeated in 2020/21.

Financial framework for providers and CCGs

Financial improvement trajectories

Financial improvement trajectories were issued in October 2019. The guidance states that these will shortly be updated to reflect the impact of material changes.

Financial recovery fund (FRF)

For 2020/21, the FRF will be the sole source of financial support for NHS providers and CCGs. The majority of this funding is expected to continue to flow to NHS providers.

Payments will be phased equally each quarter and made as early as possible in the quarter to which the payment relates, to improve cashflow. The guidance states that entitlement to the FRF will depend upon full year financial performance and delivery of financial trajectories. Where FRF has been paid but not earned it will be converted to DHSC financing.

50% of FRF allocation will be paid based upon organisational performance, the other 50% will be linked to the achievement of the system financial trajectory. Systems can link a higher proportion to system achievement, if they wish. Organisations that miss their trajectory will not automatically be entitled to the system element of their FRF allocation.

The guidance states that a taper is being introduced so that it is possible to earn a proportion of the FRF even if trajectories are not achieved.

From 2020/21 the offset mechanism currently available to ICSs will be available to all systems.

Breakeven and surplus trust scheme

A reward payment will be made for providers that deliver a breakeven or surplus control total in 2019/20 and in 2020/21. For providers who have a deficit control total in 2019/20 but reach breakeven by 2023/24, a reward payment will also be made in the year in which they achieve breakeven and subsequently, assuming that this is maintained.

Cash regime

The guidance states that reforms to the cash regime are being considered.

Additional financial planning assumptions

Marginal rate emergency tariff (MRET)

Arrangements for MRET payments in 2020/21 will remain the same as in 2019/20.

Pensions revaluation – employer contributions

The guidance states that the 2019/20 transitional approach will continue in 2020/21. Employers should plan to pay a contribution of 14.38%; the remaining 6.3% will be paid centrally.

Non-NHS commissioner funding assumptions

The non-recurrent funding provided in 2019/20 to fund inflationary pressures in local authority contracts will not be repeated. These costs should be included in local contracts, which should also include the impact of 2020/21 inflation.

Primary care prescribing

The guidance highlights that category M medicines prices were increased in August 2019 and no further upward or downward margin assumptions should be made. However, CCGs should make appropriate provision for changing medicines prices and assume a typical level of cost pressure from price concessions.

Commissioning for quality and innovation (CQUIN)

Details of the 2020/21 CQUIN have already been published[8].

Productivity and efficiency

Systems should set out in their operational plans the steps they will take to deliver cost savings required to meet agreed financial trajectories, assist staff and improve patient outcomes and experience. It is expected that all providers and commissioners should continue to use the data and tools that are available to them to improve productivity and efficiency.

Diagnostic services

The immediate focus should be on the diagnostic services that can have the greatest impact on referral to treatment times and cancer standards. The guidance expects systems to implement networks for imaging and pathology services and take advantage of training opportunities to increase the trained workforce. Equipment should continue to be upgraded and replaced as necessary.

Digital transformation to support system integration

The guidance expects clear plans on how systems will work towards *The NHS long term plan* ambitions by 2024. These expectations will be embedded in the CQC inspection framework and the single oversight framework.

During 2020/21, work will be undertaken by NHSX to set out its approach to mandating technology, security and data standards across the health and care system. This will be accompanied by an explanation of how technology funding will work, including who pays for which parts of the technology required. NHSX will be working with systems to determine the optimal level of revenue spend on technology.

Finance back office

The guidance sets out the expectation that transactional processes should be reviewed for automation opportunities and any decisions taken around systems and contracts should not preclude future system collaboration. All finance contracts for functional software and IT systems should be reviewed to support better system working.

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[8] NHS, *Commissioning for Quality and Innovation (CQUIN) guidance for 2020-2021,* January 2020

Payroll

Where payroll contracts are due for renewal during 2020/21 or where payroll provision is standalone, opportunities should be sought to increase collaboration across the system and improve service resilience.

Specialised commissioning efficiencies

The guidance states that high cost devices will only be reimbursed through the single supply route from 1 April 2020 and all other reimbursement routes will cease. This links to the delivery of savings for specialised commissioning through the high cost tariff excluded devices programme.

Other

The guidance also requests that systems continue to look at efficiency and value across procurement, legal services, evidence-based interventions, agency staff and making full use of the apprenticeship levy.

Capital and estates

The government has committed to providing the NHS with a new multi-year capital settlement at the next spending review, including capital to build new hospitals, for mental health and primary care, and to modernise diagnostics and technology.

The guidance states that, in the meantime, provider plans should take account of known funding sources and schemes that have already received DHSC funding approval. Systems should work together to ensure that individual organisational plans are consistent with system plans.

Two changes are proposed to the capital process. Training will be rolled out to support business case development and, where benefit can be shown, a portion of the funding may be granted earlier in the process, prior to full business case approval. The approvals process will also be streamlined to speed up the process and reduce unnecessary layers of approval.

Disposals and surplus land

Profits on disposals in 2019/20 do not count towards control total achievement and therefore do not contribute to provider sustainability fund (PSF) or FRF achievement.

Managing the impact of lease accounting standard (IFRS16)

The guidance expects that national capital limits will be uplifted to reflect the impact of IFRS16. The uplifts to capital limits will be based on the information provided by NHS bodies during 2020. Guidance has been issued to finance teams and the technical guidance, which accompanies the financial planning template, will include further information on reporting requirements.

NHS standard contract

The final version of the NHS standard contract for 2020/21 will be published in February 2020. The deadline for signature of new contracts is 27 March 2020.

Providers and commissioners will be required to agree a system collaboration and financial management agreement (SCFMA) through the contract. This will not replace any effective local approaches to system working but will set out the minimum requirements that should be in place for a collaborative health system.

6 Process and timetable

The national planning timetable is included at Table 1.

Table 1: National planning timetable

Milestone	Date
System plans shared regional teams	November 2019
S118 Tariff Consultation published	December 2019
Operational and technical guidance issued	w/c 27 January 2020
Draft 2020/21 NHS Standard Contract published for consultation	19 December 2019- 31 January 2020
2020/21 CQUIN guidance published	January 2020
National tariff published	January 2020
First submission of draft operational plans	5 March 2020
First submission of system-led narrative plans	5 March 2020
2020/21 STP/ICS led contract/plan alignment submission	12 March 2020
Deadline for 2020/21 contract signature	27 March 2020
2020/21 STP/ICS led contract/plan interim alignment submission	8 April 2020
Parties entering arbitration to present themselves to national directors of NHS Improvement and England (or their representatives)	6 April – 10 April 2020
Submission of appropriate arbitration documentation	15 April 2020
Final submission of operational plans	29 April 2020
Final submission of system-led narrative plans	29 April 2020
Publication of the people plan and national implementation plan for the *NHS long term plan*	March/April 2020
Arbitration panel and/or hearing (with written findings issued to both parties within two working days after panel)	16 April – 1 May 2020
2020/21 STP/ICS-led contract/plan final alignment submission	6 May 2020
Contract and schedule revisions reflecting arbitration findings completed and signed by both parties	7 May 2020