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Trust CE

CC:  
NHS Improvement and England Regional Directors  
NHS Improvement and England Regional Finance Directors

**NHS Improvement  
and NHS England**  
Wellington House  
133-155 Waterloo Road  
London SE1 8UG

020 3747 0000

[www.england.nhs.uk](http://www.england.nhs.uk)

[www.improvement.nhs.uk](http://www.improvement.nhs.uk)

**Publications Gateway Reference 08559**

16 October 2018

## **Approach to planning**

The Government has announced a five-year revenue budget settlement for the NHS from 2019/20 to 2023/24 - an annual real-term growth rate over five years of 3.4% - and so we now have enough certainty to develop credible long term plans. In return for this commitment, the Government has asked the NHS to develop a Long Term Plan which will be published in late November or early December 2018.

To secure the best outcomes from this investment, we are overhauling the policy framework for the service. For example, we are conducting a clinically-led review of standards, developing a new financial architecture and a more effective approach to workforce and physical capacity planning. This will equip us to develop plans that also:

- improve productivity and efficiency;
- eliminate provider deficits;
- reduce unwarranted variation in quality of care;
- incentivise systems to work together to redesign patient care;
- improve how we manage demand effectively; and
- make better use of capital investment.

This letter outlines the approach we will take to operational and strategic planning to ensure organisations can make the necessary preparations for implementing the NHS Long Term Plan.

Collectively, we must also deliver safe, high quality care and sector wide financial balance this year. Pre-planning work for 2019/20 is vitally important, but cannot distract from operational and financial delivery in 2018/19.

## **Planning timetable**

We have attached an outline timetable for operational and strategic planning; at a high-level. During the first half of 2019-20 we will expect all Sustainability and Transformation Partnerships (STPs) and Integrated Care Systems (ICSs) to develop and agree their strategic plan for improving quality, achieving sustainable balance and delivering the Long Term Plan. This will give you and your teams sufficient time to consider the outputs of the NHS Long Term Plan in late autumn and the Spending Review 2019 capital settlement; and to engage with patients, the public and local stakeholders before finalising your strategic plans.

Nonetheless, it is a challenging task. We are asking you to tell us, within a set of parameters that we will outline with your help, how you will run your local NHS system using the resources available to you. It will be extremely important that you develop your plans with the proper engagement of all parts of your local systems and that they provide robust and credible solutions for the challenges you will face in caring for your local populations over the next five years. Individual organisations will submit one-year operational plans for 2019/20, which will also be aggregated by STPs and accompanied by a local system operational plan narrative. Organisations, and their boards / governing bodies, will need to ensure that plans are stretching but deliverable and will need to collaborate with local partners to develop well-thought-out risk mitigation strategies. These will also create the year 1 baseline for the system strategic plans, helping forge a strong link between strategic and operational planning. We will also be publishing 5-year commissioner allocations in December 2018, giving systems a high degree of financial certainty on which to plan.

We are currently developing the tools and materials that organisations will need to respond to this, and the timetable sets out when these will be available.

## **Payment reform**

A revised financial framework for the NHS will be set out in the Long Term Plan, with detail in the planning guidance which we will publish in early December 2018. A number of principles underpinning the financial architecture have been agreed to date, and we wanted to take this opportunity to share these with you.

Last week we published a document on [‘NHS payment system reform proposals’](#) which sets out the options we are considering for the 2019/20 National Tariff.

In particular, we are seeking your engagement on proposals to move to a blended payment approach for urgent and emergency care from 2019/20. The revised approach will remove, on a cost neutral basis, two national variations to the tariff: the marginal rate for emergency tariff and the emergency readmissions rule, which will not form part of the new payment model. The document will also ask for your views on other areas, including price relativities, proposed changes to the Market Forces Factor and a proposed approach to resourcing of centralised procurement. As in

previous years, these proposals would change the natural 'default' payment models; local systems can of course continue to evolve their own payment systems faster, by local agreement.

We believe that individual control totals are no longer the best way to manage provider finances. Our medium-term aim is to return to a position where breaking even is the norm for all organisations. This will negate the need for individual control totals and, in turn, will allow us to phase out the provider and commissioner sustainability funds; instead, these funds will be rolled into baseline resources. We intend to begin this process in 2019/20.

However, we will not be able to move completely away from current mechanisms until we can be confident that local systems will deliver financial balance. Therefore, 2019/20 will form a transitional year, in which we will set one year, rebased, control totals. These will be communicated alongside the planning guidance and will take into account the impact of distributional effects from any policy changes agreed post engagement in areas such as price relativities, the Market Forces Factor and national variations to the tariff.

In addition to this, we will start the process of transferring significant resources from the provider sustainability fund into urgent and emergency care prices. The planning guidance will include further details on the provider and commissioner sustainability funds for 2019/20.

### **Incentives and Sanctions**

From 1 April 2019, the current CQUIN scheme will be significantly reduced in value with an offsetting increase in core prices. It will also be simplified, focussing on a small number of indicators aligned to key policy objectives drawn from the emerging Long Term Plan.

The approach to quality premium for 2019/20 is also under review to ensure that it aligns to our strategic priorities; further details will be available in the December 2018 planning guidance.

### **Alignment of commissioner and provider plans**

You have made significant progress this year in improving alignment between commissioner and provider plans in terms of both finance and activity. This has reduced the level of misalignment risk across the NHS. We will need you to do even more in 2019/20 to ensure that plans and contracts within their local systems are both realistic and fully aligned between commissioner and provider; and our new combined regional teams will help you with this. We would urge you to begin thinking through how best to achieve this, particularly in the context of the proposed move to blended payment model for urgent and emergency care.

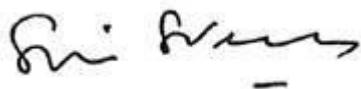
### **Good governance**

We are asking all local systems and organisations to respond to the information set out in this letter with a shared, open-book approach to planning. We expect boards and governing bodies to oversee the development of financial and operational plans, against which they will hold themselves to account for delivery, and which will be a key element of NHS England's and NHS Improvement's performance oversight. Early engagement with board and governing bodies is critical, and we would ask you to ensure that board / governing body timetables allow adequate time for review and sign-off to meet the overall timetable.

The planning guidance, with confirmation of the detailed expectations, will follow in December 2018. In the meantime, commissioners and providers should work together during the autumn on aligned, profiled demand and capacity planning. Please focus, with your local partners, on making rapid progress on detailed, quality impact-assessed efficiency plans. These early actions are essential building blocks for robust planning, and to gauge progress we will be asking for an initial plan submission in mid-January that will be focussed on activity and efficiency (CIP / QIPP) planning with headlines collected for other areas.

Thank you in advance for your work on this.

Yours sincerely



Simon Stevens  
Chief Executive  
NHS England



Ian Dalton  
Chief Executive  
NHS Improvement

## Annex

Outline timetable for planning	Date
NHS Long Term Plan published	Late November / early December 2018
Publication of 2019/20 operational planning guidance including the revised financial framework	Early December 2018
<b>Operational planning</b>	
Publication of <ul style="list-style-type: none"> <li>• CCG allocations for 5 years</li> <li>• Near final 2019/20 prices</li> <li>• Technical guidance and templates</li> <li>• 2019/20 standard contract consultation and dispute resolution guidance</li> <li>• 2019/20 CQUIN guidance</li> <li>• Control totals for 2019/20</li> </ul>	Mid December 2018
2019/20 Initial plan submission – activity and efficiency focussed with headlines in other areas	14 January 2019
2019/20 National Tariff section 118 consultation starts	17 January 2019
Draft 2019/20 organisation operating plans	12 February 2019
Aggregate system 2019/20 operating plan submissions and system operational plan narrative	19 February 2019
2019/20 NHS standard contract published	22 February 2019
2019/20 contract / plan alignment submission	5 March 2019
2019/20 national tariff published	11 March 2019
Deadline for 2019/20 contract signature	21 March 2019
Organisation Board / Governing body approval of 2019/20 budgets	By 29 March
Final 2019/20 organisation operating plan submission	4 April 2019
Aggregated 2019/20 system operating plan submissions and system operational plan narrative	11 April 2019
<b>Strategic planning</b>	
Capital funding announcements	Spending Review 2019
Systems to submit 5-year plans signed off by all organisations	Summer 2019