

The NHS priorities and operational planning guidance is a strategic document issued annually by NHS England. It provides national priorities, financial management and performance targets to guide Integrated Care Systems (ICs), NHS Trusts, and other healthcare providers.

In parallel with the planning guidance, NHS England has released the revenue finance and contracting guidance, which outlines the proposed updates to the financial and contracting frameworks for 2025/26.

## Financial planning and core allocations

- 1 Systems will continue to be the key unit for financial planning, and they must **achieve financial balance within the resource use limits** set by NHSE
- 2 Where systems fail to submit and deliver breakeven financial plans, a deduction will be applied to their core allocation in future years
- 3 Where a trust's plan is inconsistent with its system's position, the trust and system returns will both be rejected
- 4 **Plan phasing should be credible and realistic** and drive productivity and efficiency to avoid expectations of unbalanced delivery in Q4
- 5 The expectation to **reduce bank and agency spend** is restated
- 6 Base growth has been set at **4.4%**, reflecting the following:
  - General efficiency requirement of **2.0%**
  - Cost uplift factor (CUF) of **4.15%** (2025/26), which includes a generic headline pay growth assumption of **2.8%**
- 7 A consistent convergence policy will be applied. The adjustment depends on an ICB's distance from the target allocation, with a maximum convergence of +/-0.5% for ICBs outside 2.5% of the target
- 8 The formula for the **fair share ('target') allocations** is updated based on factors such as underlying data refresh, improved estimates of model component weightings, and adjustment for updated travel time and unavoidable finance costs of PFI

The proposed **2025/26 NHS Payment Scheme** outlines:

- Commissioners to set **payment limit cap for elective services** and all other **services paid for on an activity basis** where the planned value of activity is above £0.1m
- **Review of fixed payments under Aligned Incentive Payment (API) rules** to assess how contract values align with the value of the activity being undertaken. While identified differences may not affect 2025/26 contract values, they will inform contract discussions and future focus areas
- To aid understanding of alignment, the cost base for determining **tariff prices for A&E, maternity, and non-elective services** has been increased with reference to 2018/19
- **Proposed prices for some ENT and gynaecology procedures uplifted** to encourage greater activity
- **Updated data** to calculate market forces factor (MFF) values, with introduction over a 2-year transition
- New **best practice tariff (BPT)** to encourage greater use of **outpatient procedures** where clinically appropriate
- Small-scale **pilots to test new payment mechanisms** to support and incentivise NHS priorities (e.g., same day emergency care, virtual wards and urgent community response services)

## Other Funding

### Elective recovery funding (ERF)

- Commissioners will continue to have access to elective recovery funding in 2025/26
- NHSE will reserve the right to hold back the release of ERF to ICBs where there is under-delivery of elective activity in systems
- Both **core elective recovery funding** and **additional elective recovery funding** [for delegated specialist services] will be separately identified in **ICB allocations** and distributed on a fair share/ targeted basis
- Commissioners will be required to achieve a **5% improvement in RTT performance** alongside delivery of reform and recovery of normal discipline

### Service development fund (SDF)

- NHSE will be **removing most ringfences** that limit system flexibility to support local systems deliver effectively
- In 2025/26, most **SDF bundles will move into ICB core programme allocations**, subject to a reduction to support overall financial balance
- Funding that is transferred into ICB core programme allocations will no longer be ringfenced, and there will be no additional performance requirements other than those set out in the 2025/26 planning guidance

## Specialised and mental health services

### Specialised services

- The commissioning of remaining "suitable and ready" acute specialised services and specialised mental health services will be **delegated to all ICBs from 1 April 2025**
- NHSE will make allocations to ICBs for relevant in-scope acute and mental health specialised services **based on GP registered population**, subject to convergence to a needs-based target for acute services
- Allocations and reimbursement for **excluded specialised high-cost drugs will continue to be held centrally**, with some moving to fixed payment to incentivise savings

### Mental health services

- ICBs must continue to **meet the Mental Health Investment Standard (MHIS)**, and an additional specialised MHIS demonstrating that delegated funding has been spent on mental health services
- Mental health SDF will be **moved into ICB core programme allocations** subject to a reduction to contribute to overall financial balance

## Capital

- Where systems are set a **deficit plan limit** and receive support funding above their notional fair share of the support funding, a **deduction will be applied to their core capital allocation**
- Where systems are set a breakeven plan limit, they will receive 30% of their notional fair share as an **in-year capital allocation bonus**
- NHSE is considering **enhanced capital flexibilities** for systems that have delivered a breakeven position in 2024/25