



To:  
ICS and STP leads  
Chief executives of all NHS trusts and foundation trusts  
CCG Accountable Officers

Copy to:  
NHS Regional Directors  
Chairs of ICSs and STPs  
Chairs of NHS trusts, foundation trusts and CCG governing bodies

20 August 2020

Dear colleague

In the letter setting out the third phase of the NHS response to COVID-19 sent on 31 July 2020 we set out our shared goals for accelerating the return to near-normal levels of non-Covid health services, making full use of the capacity available in the 'window of opportunity' between now and winter. As set out in that letter, we are writing to give more details as to how block payments will flex to reflect expected elective activity levels:

- In September, delivering at least 80% of last year's activity for both overnight electives and for outpatient/daycase procedures, rising to 90% in October (while aiming for 70% in August).
- This means that systems need to very swiftly return to at least 90% of their last year's levels of MRI/CT and endoscopy procedures, with the goal to reach 100% by October; and
- 100% of last year's activity for first outpatient attendances and follow-ups (face to face or virtually) from September through the balance of the year (and aiming for 90% in August).

These activity levels were set based on feedback from across the service about what was possible, and from patients' groups about our patients' needs and concerns. We recognise that each system, trust and individual site will be dealing with their own specific challenges and are grateful for your commitment and determination in tackling these.

The resources provided through the nationally determined, simplified financial arrangements for the remainder of the year will be sufficient to fund the performance expectations set out above.

To further support local systems in realising our shared ambitions for recovery, the following financial arrangements will apply from 1 September 2020:

- A notional baseline of M6-M12 2019/20 activity for ordinary electives and day cases, outpatient procedures and outpatient first and follow-up attendances undertaken by NHS providers will be calculated for each system;
- For elective activity and outpatient procedures, this will be valued using the 2020/21 tariff prices set out in the earlier statutory consultation. Outpatient attendances will

be valued at a separate, nationally determined flat rate for first and follow-up attendances.

- The notional expected value for M6-M12 2020/21 will then be set by taking the stated percentages of the prior year's activity set out above. Actual activity which takes place in the relevant months of 2020/21 will be valued in the same way as set out above.

Where the activity delivered is in line with the levels set out in the phase three letter, system-level funding envelopes, to be communicated in due course, will be paid in full.

Where aggregate in-scope activity delivered in the period M6-M12 is below the expected value, 25% (for elective and outpatient procedure activity) and 20% (for outpatient attendance activity) of the shortfall will be deducted from the nationally determined funding envelopes.

Where in-scope activity delivered in this period exceeds the expected value, 75% (for elective and outpatient procedure activity) and 70% (for outpatient attendance activity) of the difference will be added to nationally determined funding envelopes.

The scheme will apply in M6 (September 2020) which is the final month of the retrospective top-up, during which NHS providers are supported to achieve a breakeven position against reasonable expenditure. As such, this scheme and the associated activity payments will support organisations to recover performance as soon as possible.

Funding for independent sector activity is being provided either via the national contracting arrangements, or through the nationally determined funding envelopes which will include an allowance for local independent sector commissioning. In addition, where actual independent sector usage exceeds/falls below levels seen in the same period of the prior year, 10% of the difference in value will be added to / deducted from nationally determined funding envelopes.

We look forward to receiving your draft system plans on 1 September setting out how you will deliver or exceed the activity ambitions set out above.

Yours sincerely



Amanda Pritchard  
Chief Operating Officer  
NHS England and NHS Improvement



Julian Kelly  
Chief Financial Officer  
NHS England and NHS Improvement