10 Year Plan for Health – new financial foundations

Phill Wells
NHSE Deputy Chief Finance Officer

The 10 Year plan for Health in England

Fit for the Future - 10 Year Health Plan for England was published in July 2025 and sets the Government's ambitions for health policy and delivery for the next decade

It contains over 300 individual deliverables across all aspects of health – and is not limited to the NHS alone

The policies align to the Spending Review settlement (to 28/29 for revenue and 29/30 for capital although not all aspects are expected to be delivered within this timeframe.

Chapter 9 covers the new financial architecture – with work already underway to ensure several core aspects are delivered rapidly and set the basis for our approach to financial management in the NHS

10 Year plan – five foundations for a new financial architecture

New approach to NHS financial management	Greater transparency for the financial performance regime which holds to agreed plans with clear escalation and intervention for loss of performance
Shift to longer term financial planning	Break the cycle of short term planning horizons and develop genuine long term financial plans (revenue and capital) building on the Spending Review 3 year revenue settlement
Sharper incentives	Including the development of Year of Care payments to incentivise keeping people healthy and out of hospital; best practice tariffs and UEC funding realigned to activity
Fairer geographic distribution	Review of the resource allocation formula through ACRA and the phasing out of Deficit Support Funding from 2026/27; commitment to funding shift towards out of hospital care
New approach to capital	Reform of the capital regime to drive long term planning with freedoms linked to a renewed FT regime

New approach to NHS financial management

"The NHS has developed an addiction to deficits"

The 10YP sets a clear objective to create a more transparent financial performance regime which holds to agreed plans and which has clear escalation and intervention for loss of performance

Specifically:

- Drive 2% productivity improvement returning the NHS to at least pre-pandemic productivity
  - New NHS productivity index to assess NHS nationally, regionally and locally
  - Continued benchmarking of opportunities
  - Support to deliver local opportunities in line with overall Productivity Plan

- Deficit Support Funding
  - In 25/26 DSF will not be paid to those systems who are failing to meet their financial plans
  - From 26/27 DSF will be phased out altogether

- Compliance with planning ask
  - Expectation of full compliance with the NHS planning ask; with potential further statutory strengthening of financial accountabilities

Shift to longer term financial planning

“*For too long the NHS has lived with short-term fixes and short-term funding*”

The 10YP aims to break the cycle of short term planning horizons with the development of genuine long term financial plans which build on the Spending Review settlement

Health Spending review settlement sees the overall NHS revenue budget rise by c3% per annum to over £226bn in 2028/29

In August NHSE shared a Planning Framework setting out guidance for commissioners and providers to prepare them for multi-year planning returns as part of this Planning Round and issued Medium Term Planning Framework in October.

The MTFP set specific performance targets and commissioner allocations alongside the 26/26 National Payment Scheme consultation and analytical tools to support improved multi-year planning including productivity benchmarking.

The 10 YP also sets an ambition in time for a 3% of annual expenditure reserved for one-time investment in service transformation

Sharper incentives

"*How NHS money flows…..has a profound impact on behaviour and culture*"

The 10YP sets out a renewed emphasis on creating the right incentive structure and using the financial architecture as a key enabler for change. It recognises the need for an alignment of those incentives with risk and accountability.

There are several key components:

1. Deconstruction of block contracts – NHSE has worked with systems to support the deconstruction of block contracts so these can be realigned to the amount of activity being undertaken at the published prices. This was challenging but it is a necessary part of resetting the financial architecture, and there is still more to do.

2. Best Practice Tariffs – the National Payment Scheme consultation included proposals for the introduction of 30 new best practice tariffs to support a shift in inpatient to day case activity, expand the right procedure right place approach and support RTT priorities

3. Development of new financial incentives to drive neighbourhood health including year of care payments

4. Financial incentives to empower patients and drive quality including "patient power payments"

Fairer geographic distribution

"*The current flow of resources does not always match where highest need is*"

The 10YP announced a review of the resource allocation formula through Advisory Committee on Resource Allocation – specifically to ensure that the current formula is fully reflective of the latest information and evidence relating to health need. This has been commissioned by NHSE and ACRA will report its findings over the next year

To address current inequalities in funding the 10YP outlined an intention to address distance from "fair share" target allocations through faster convergence alongside a phasing out of deficit support funding from 2026/27. This was made a reality in the 3 year revenue allocations issued as part of the planning round.

Elective Recovery Funding remains a key aspect of the financial settlement to ensure that we can meet the Plan for Change commitment to achieve 92% of patients starting treatment within 18 weeks of referral. The issued revenue allocations included this funding with the vast majority issued to commissioners on a fair share basis alongside an element targeted funding to address the longest RTT waiting times.

The 10YP also reiterated the government commitment to shift pattern of health spending towards out of hospital care

New approach to capital

"Ambitious proposals will require significant and strategic capital investment to drive improvement in patient care"

The 10YP announced reform of the capital regime to drive longer term infrastructure planning with freedoms linked to a renewed FT regime

- Growth in capital budget by £3.1bn from 2024/25 to 2025/26

- Reform the capital regime
  - Multi-year budgets and plans
  - Devolved control to local systems
  - Streamlined capital approvals (and greater freedoms for New FTs)

- Better use of the existing estate

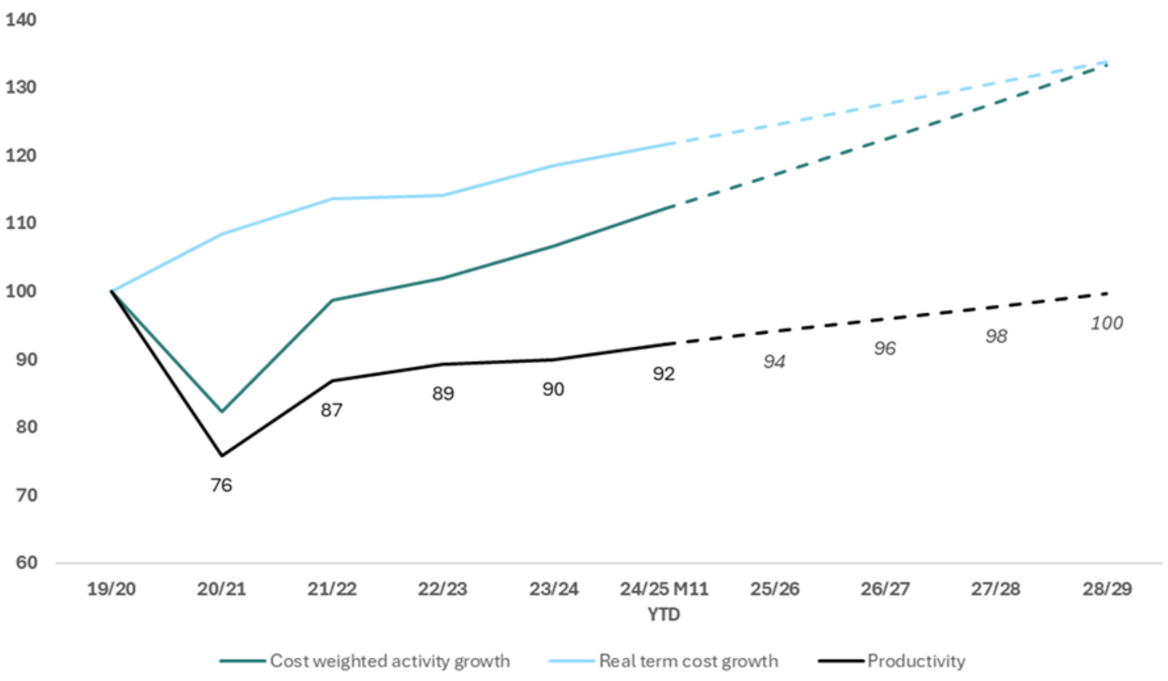
- Harnessing new investment in line with the 10 Year Infrastructure Plan including the use of new finance models – notably for Neighbourhood Health Centres

Improving our productivity

Spending Review sets an ambition of 2% annual productivity improvement over the next four years

Productivity fell by ~25% during COVID and remains below the pre-COVID levels

Acute Productivity Growth between 2019/20 and 2024/25



Productivity Profile (2025/26 to 2028/29)

Productivity pillar	2025/26	2026/27	2027/28	2028/29	Average
Clinical and Operational	1.3%	1.0%	0.8%	0.9%	**1.0%**
Workforce	0.45%	0.1%	0.2%	0.2%	**0.2%**
Shifting care	0.1%	0.1%	0.1%	0.1%	**0.1%**
Transformation	0.25%	0.8%	0.9%	0.8%	**0.7%**
Total productivity	**2.1%**	**2.0%**	**2.0%**	**2.0%**	**2.0%**

SR ambition is challenging, but achievable

- The SR requirement sets an unprecedented ambition of 2.0% a year growth over four years.
- This growth would be three times the pre-COVID NHS productivity growth and would the return the NHS to 2019/20 levels of productivity.
- Delivery above the historic level is achievable, given the opportunity to continue recovery from the pandemic drop, but will require continued focus and investment.

- 2025/26 M6 YTD acute productivity recorded at 2.6% driven by an increase in cost weighted activity against a virtually flat real terms cost base

Priorities for 2025/26: Productivity plan identifies priorities across five pillars to drive improvement during 2025/26

NHS England identified a set of priorities for 2025/26 based on impact on productivity and deliverability. Immediate focus on reducing variation, reducing reliance on agency staff and reducing waste.

1 Clinical and Operational	2 Workforce	3 Shifting care	4 Transformation	5 Reducing Waste
• **Outpatients reform** – 'Further Faster' programme and specialty-level activity to support transformation of outpatient services. • **Electives** – Improving theatre utilisation, through best use of estate, planning and optimised perioperative processes • **UEC** – Improved operational efficiency and patient outcomes as set out in the urgent and emergency care plan for 25/26.	• **Reduce Agency Expenditure** – Reducing reliance on agency, with the ambition of a 30% reduction • **Reduce Bank Expenditure** – Reducing reliance on bank, with the ambition of a 10% reduction • **Workforce Productivity Programme** – improving use of staffing through better job planning and rostering, regional support and enhanced training	• **Neighbourhood health service** – National implementation support offer, standardising community health services, and implementing modern General Practice • **All Age Continuing Care** – Reduce unwarranted variation in commissioning, quality, contracting and spend to drive reform and focus on prevention.	• **Front Line Digitisation: Wayfinder** – Access to secondary care through NHS App, with more effective triage and adoption of new care pathways. • **Front Line Digitisation: Digital Medicines** – Using data to optimising medicines use in hospital and in the community • **Federated Data Platform (FDP)** – Roll out to 85% of acutes, 55% of community trusts, 25% of MH trusts and all ICBs	• **Medicines** – Work with ICBs and providers on faster adoption of cost-effective medicines, including biosimilar switching • **NHS England Procurement** – Improving commercial value from NHS England • **NHS Supply Chain** – Improving commercial value from NHS spend, through modernisation • **Corporate** – Reduce spend in back office and support in regions, systems and trusts

Opportunities exist if we look

If we returned to 2019 levels of productivity, we could deliver RTT within a year

We spend more on outpatient follow-ups than on the whole GP system

Since 19/20 real terms NHS provider income for mental health services has increased from £9.5bn to £15.5bn in 24/25 (63% increase)

Secondary care MH & LDA contacts risen by 12% since 2019-20 with WTEs increasing by 40% over that period (March 2025)

Currently spend £0.8bn more than we need to on procedures that could be done as DC or OP procedure. £0.8bn could fund an additional 800,000 day cases (10% of waiting list)

We currently spend £0.5bn on A&E attendances (9%) with no significant treatments or investigations. £0.5bn is what we spend on MIUs and WICs in total **or** the equivalent of £10m GP appointments

20% more staff since March 2020, supporting 13% more work (March 2025)

We lose a month every year to sickness absence for every nurse, midwife and HCA – four times the rate in private sector (May 2025)

CHS care contacts per WTE fallen compared to 2019/20 (more than 15% lower)

£1.8bn growth in corporate costs since pre-COVID (2023/24)

CHC if moved to national average is £0.7bn, upper quartile £1.3bn and to best quartile spend in 23/24 £2.3bn would pay for deficit support

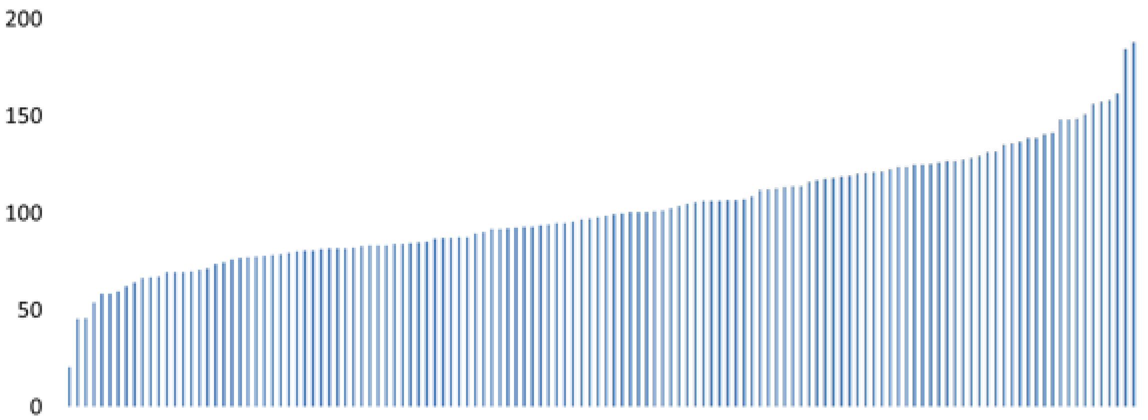
Average length of stay in community provider beds varies from 17 to 37 days
Community nursing contracts per WTE varies from 2 to 6

Outpatients

POD	Activity (2024/25)	Activity Growth	Cost of delivery (2023/24 NCC)	Something interesting
Outpatients	**c. 22.9m new appointments** Average 90k attendance a day	**6.8%** year on year growth	**c. £17bn** (inc. consultant, non-consultant led and OPROC) 16.7% of NCC quantum	• Over 5% of monthly appointments were not attended based on Q1 HES data. • Latest PIFU rate: 3.6% (July 2025),
	c.43.5m FU appointments Average 170k attendance a day	**4.2%** year on year growth		

- 29% of all cost variation is in outpatients
- £1.4bn improvement potential through bringing 20% of providers to the national median
- 7 Trusts are £1.5bn more expensive with OFUP than if they were in line with peer average

Outpatient attendances per consultant WTE*



*Analysis excludes Moorfields and Clatterbridge due to their high values