

January 2022

PSNC Briefing 004/22: CPCF Annual Review 2021 – Frequently Asked Questions

This briefing answers questions relating to the first Annual Review of the progress of the five-year Community Pharmacy Contractual Framework (CPCF) deal by PSNC, the Department of Health and Social Care (DHSC) and NHS England & NHS Improvement (NHSE&I).

Q1. Why was the Annual Review carried out?

As part of the [five-year deal agreement](#), all negotiating parties agreed to carry out 'joint annual reviews of the CPCF in order to ensure and show value for taxpayers and the NHS, and continued progress against the direction of travel set out'. From PSNC's perspective, the reviews would give a chance to review costs and capacity within the sector. The first Annual Review was delayed due to COVID-19 but, at PSNC's request, work began on it in summer 2021.

Q2. Did PSNC get what it wanted out of the Annual Review?

PSNC was pleased to be able to share data on the scale of the problems that community pharmacies are dealing with, and in doing so we have set a clear tone for the upcoming Year 4 negotiations. Pharmacies are at full capacity, and they urgently need additional funding for some of their activities. We have also been pleased to gain commitment from DHSC and NHSE&I on a number of important actions. But that said, PSNC Members were disappointed and frustrated that the review had not led to actions which would more immediately address pharmacies' capacity and cost issues. Challenges in persuading Government and the NHS of the need to invest further in the sector continue.

Q3. What data did PSNC provide as part of the Annual Review?

PSNC submitted a significant amount of data to DHSC and NHSE&I as part of the review process. This included our estimates of the efficiencies being made in the sector; analysis of service levels and capacity in pharmacies; data on walk-ins and pharmacy closures; analysis of current cost pressures (including labour costs) and profitability; and an assessment of the value that pharmacies offer for the NHS. You can read some of this data in [PSNC's Pharmacy Funding & Capacity Briefing](#).

Q4. Who took part in the discussions about the Annual Review?

As with all tripartite negotiations and discussions, these involved officials from the NHSE&I and DHSC pharmacy teams, with PSNC represented by members of the Negotiating Team including independent contractors, contractor representatives, the policy Directors at PSNC, and the Chief Executive. PSNC's Negotiating Team activities are overseen by the full PSNC Committee who considered the Annual Review process and progress at PSNC meetings throughout the autumn.

Q5. What were the actions agreed in the Annual Review?

All parties have committed to some actions following the review and progress has already been made on some of these. In particular, all parties have agreed to:

- Recognise the capacity constraints within the sector in the upcoming Year 4 negotiations;
- Explore the scale and impact of the more complex consultations now taking place in community pharmacy – the Pharmacy Advice Audit begins this process;
- Continue and conclude discussions on services fee setting principles; and
- Consider measures for assessing capacity within community pharmacies.

In addition to these joint actions, DHSC are actively pursuing changes to legislation and guidance on VAT with HMT and HMRC to enable better use of skill mix, as well as continuing discussions on regulatory changes. DHSC and NHSE&I are also considering commissioning priorities, and progress has already been made to further incentivise the system to embed community pharmacy services such as the DMS and CPCS. PSNC is considering a case for a walk-in minor illness service which will be discussed in the Year 4 negotiations.

Q6. Will there be further Annual Reviews, and when?

The five-year CPCF deal agreement committed PSNC, DHSC and NHSE&I to a Review of CPCF progress every year. The first of these began in summer 2021. This review considered the CPCF in 2019-20 and 2020-21 – Years 1 and 2 of the five-year deal – although some data submitted covered later months in 2021 and made predictions about future years. PSNC therefore expects the next review to consider Year 3 of the CPCF deal (2021-22) and our view is that this should begin soon after the end of the current financial year.

Q7. Is there any point in further Annual Reviews if they don't result in more money for contractors?

When PSNC agreed the five-year deal we believed that the Annual Reviews would be crucial in giving a chance to review contractors' costs and capacity. Separately from the review, we have also made cases for contractors through our ongoing negotiations including on COVID-19 costs, via our wider funding uplift bid, and through our lobbying and advocacy work. We will continue to use all of these routes to make pharmacy's case, and we believe it remains helpful to have the Annual Review in place. This first Annual Review has allowed us to make a number of key points to DHSC and NHSE&I and to get agreement on some key actions (as outlined above in Q.5). The review has also helped to set the tone in a useful way for the upcoming Year 4 CPCF negotiations.

Q8. What will be the focus of the upcoming Year 4 negotiations?

The next round of negotiations, which we expect to begin soon, will set the arrangements for the CPCF in 2022/23 – Year 4 of the five-year CPCF deal. The ongoing funding squeeze and capacity constraints that pharmacies are facing will be significant topics for PSNC in these negotiations and PSNC will continue to press for funding uplifts while recognising that a broad CPCF uplift is now very unlikely for Year 4 following the HM Treasury Spending Review process to set firm expenditure on public services and our unsuccessful bid to influence this in 2021. PSNC expects that many pharmacies simply will not have capacity to take on more services during the upcoming financial year, and we will therefore be arguing for contractors to be given time to fully implement and iron out issues with existing services and for further steps to ease pressures on them. We will also press for progress on releasing capacity within the sector, and we will seek additional funds to cover the costs of the increasing numbers of informal healthcare consultations that pharmacies are giving, and the complexity of these. Workforce, and the impact that issues are having on contractors, will also be a critical topic in our upcoming negotiations.

Q9. What evidence is PSNC gathering to support its case?

PSNC is continuing to monitor costs and capacity within the sector using publicly available data, and the Negotiating Team are exploring costs in further detail. PSNC has also now launched its [Pharmacy Pressures Survey](#) which contractors and their teams are encouraged to complete. And we will shortly launch the [Pharmacy Advice Audit for 2022](#) to collect data on the informal healthcare consultations that pharmacies are providing.

If you have queries on this PSNC Briefing or you require more information, please contact [PSNC's Communications Team](#).