

Healthcare costing standards for England

Education and training: Transitional method for the treatment of income and expenditure

For data being collected in 2019 for
financial year 2018/19

Final

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We support providers to give patients safe, high quality, compassionate care within local health systems that are financially sustainable.

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Introduction

NHS Improvement, working in partnership with Health Education England and the Department of Health and Social Care (DHSC), is **not** collecting education and training (E&T) costs in 2019. However, as providers need to understand the costs of E&T, we will develop E&T costing standards for use in a pilot collection.

This document outlines the 2018/19 transitional method for netting off E&T income from patient-level costs (PLICS) and reference costs, developed with DHSC's Education and Training working group.

It forms part of the *Healthcare costing standards for England*. All standards are published on NHS Improvement's website.¹

¹ <https://improvement.nhs.uk/resources/approved-costing-guidance>

E&T: Transitional method for netting off E&T income from PLICS and reference costs

Purpose: To enable a consistent approach to netting off education and training (E&T) income from both reference and PLICS costs during the transition phase of the national cost collection.²

Scope

1. This guidance specifies the transitional method to be used in 2019 for netting off E&T income from both PLICS and reference costs collections. This method supports the transition from the national reference costs to the PLICS collection.
2. **This guidance applies to the acute, community and mental health sectors.**
3. Acute providers will need to net off E&T income from expenditure for their submissions of both PLICS mandated elements and out-of-scope reference costs.
4. All community and mental health providers will need to net off E&T income from their reference costs submission.

² See *The national cost collection guidance 2019*, <https://improvement.nhs.uk/resources/approved-costing-guidance-2019>

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5. Community and mental health Costing Transformation Programme early implementers should also net off E&T income from their PLICS submission.

Overview

6. This guidance describes a six-step method to allocate and net off E&T income at cost centre/expense code level, based on the four categories of E&T income:
 - tariff postgraduate medical
 - tariff undergraduate medical
 - tariff non-medical
 - non-national tariff.
7. Refer to the *Healthcare education and training tariff guidance*³ for details of the first three national tariff income categories.
8. Refer to the *Healthcare education and training tariff guidance*⁴ for a list of non-national tariff training programmes. Funding for these programmes is based on local agreements. Their associated activity is described in the learning and development agreements (LDAs) issued by Health Education England.
9. In the 'final audited accounts table' in the cost collection extract requirements, income for the first three categories should be reported against line 2b (FIN022): National tariff E&T income; income for the last category should be reported against line 2a (FIN021): Non-tariff E&T income.⁵
10. In most cases, you do not need to calculate 2018/19 E&T costs to be able to apply this transitional method. However, when the guidance states you should use E&T costs as a weighting, use your most recently submitted cost data.⁶
11. E&T costs should be adjusted for the number of students and trainees on courses in 2018/19. For example, if you are using 2016/17 E&T costs as a

³ www.gov.uk/government/publications/healthcare-education-and-training-tariff-2017-to-2018

⁴ www.gov.uk/government/publications/healthcare-education-and-training-tariff-2015-to-2016-guidance. The list has not been changed since the 2015/16 E&T tariff.

⁵ See *The national cost collection guidance 2019*, <https://improvement.nhs.uk/resources/approved-costing-guidance-2019>

⁶ For E&T costing roadmap partners that participated in the pilot E&T cost collection in 2018, this is 2017/18 E&T cost data. For all other providers, this is 2016/17 E&T cost data.

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weighting and the number of students and trainees falls between 2016/17 and 2018/19, adjust your E&T costs down by the same proportion.

12. E&T costs should be adjusted where more accurate internal information has been obtained or a more accurate costing exercise has been done since the last E&T submission.
13. You will need to calculate 2018/19 E&T costs for areas of E&T income that were not covered in either your 2016/17 E&T costs or most recently submitted E&T costs – for example, if your organisation received funding to deliver a new training programme (specialty) in 2018/19. Follow E&T costing standards version 1⁷ to calculate the E&T costs for these new areas at cost centre/expense code level, and then use them as a weighting to allocate and net off 2018/19 E&T income.

Approach

What you need to implement the guidance

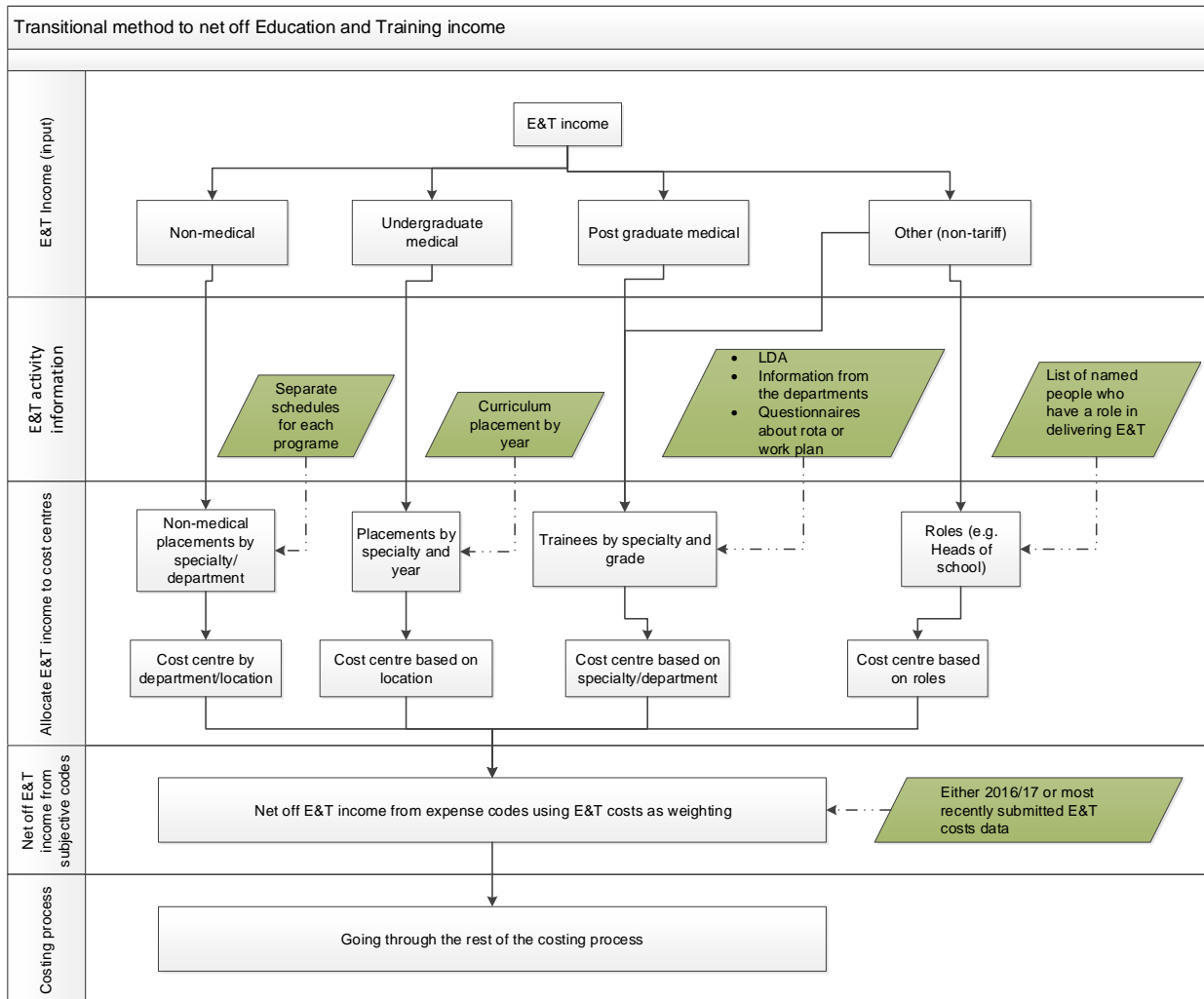
- 2016/17 or the most recently submitted E&T costs at cost centre/expense code level
 - 2018/19 E&T activity information, including programme schedules and surveys
 - 2018/19 E&T income.
14. The six-step approach to allocate and net off E&T income at cost centre/expense code level, based on the four income categories listed above, is described below and summarised in Figure ET1.1.
 15. E&T income is netted off at cost centre/expense code level because E&T costs are not incurred treating patients, although both patient-facing and E&T activities share the same resources. Therefore, E&T income should not be allocated and netted off at either healthcare resource group (for the reference costs collection) or patient level (for the PLICS collection). Netting off needs to happen before the costing process – that is, at the general ledger stage. This

⁷ <https://improvement.nhs.uk/resources/approved-costing-guidance-2019/>

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puts the correct cost quantum in the right place before the costing process starts.

Figure ET1.1: Transitional method to net off E&T income



16. Please note that the order in which E&T income areas are netted off does not matter. For example, you can net off either income for the non-medical group first (step 1) or the postgraduate medical training first (step 3), because the income between these areas does not overlap.
17. The four areas of E&T income are netted off and then the remaining cost is processed as specified in Integrated standards CP1 to CP6.

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Step 1: Allocate and net off non-medical income

18. You need to obtain the following information:

- activity and cost information:
 - separate schedules for each programme⁸
 - 2016/17 or the most recently submitted E&T cost information at cost centre/expense code level
- income information: E&T income for non-medical students or trainees by schedule for each programme.

19. To allocate and net off the income you need to:

- allocate E&T income for tariff category: non-medical to courses (departments), location or clinical pathway based on the programme schedules
- allocate the E&T income to cost centres by course or location
- allocate the income by cost centre to expense codes weighted by E&T costs
- net off the income from the cost centre/expense codes.

20. This will produce overall costs with non-medical tariff E&T income netted off at cost centre/expense code level.

Step 2: Allocate and net off undergraduate medical income

21. You need to obtain the following information:

- activity and cost information:
 - length of undergraduate medical student placement in weeks⁹ by curriculum placement year and specialty¹⁰
 - placement location¹¹

⁸ This information is available from the LDA or directly from the relevant departments of your organisation.

⁹ This information is available from the LDA or directly from the relevant departments of your organisation.

¹⁰ This information is available from medical schools.

¹¹ This information is available from the LDA or directly from the relevant departments of your organisation.

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- 2016/17 or the most recently submitted E&T cost information at cost centre/expense code level
- income information: E&T income for undergraduate medical students.

22. To allocate and net off the income you need to:

- allocate E&T income by tariff category: undergraduate medical to specialties (departments) by length of placement in weeks
- allocate the income to cost centres based on specialty or placement location
- allocate the income by cost centre to expense codes weighted by E&T costs
- net off the income from the cost centre/expense codes.

23. This will produce overall costs with undergraduate medical E&T tariff income netted off at cost centre/expense code level.

Step 3: Allocate and net off postgraduate medical income

24. You need to obtain the following information:

- activity and cost information:
 - number of funded whole time equivalents (WTE)¹² for postgraduate medical trainees by:
 1. course (department)
 2. grade¹³
 - 2016/17 or the most recently submitted E&T cost information at cost centre/expense code level
 - deanery post schedules
 - finance schedules
- income information:
 - 2018/19 postgraduate medical E&T tariff income
 - 2018/19 tariff basic salary contribution for postgraduate medical trainees.

¹² This information is available from the LDA via your local Health Education England (HEE) team.

¹³ Postgraduate medical trainees can move grade within a financial year (usually to the next grade in August). Your local HEE team will have adjusted for this in its calculation of contribution to basic salaries. This information is available from your local HEE team.

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25. To allocate and net off the income:

- **for the group 1 income group you need to:**
 - allocate E&T income for postgraduate medical trainees to courses (departments) weighted by the number of WTE for postgraduate medical trainees
 - allocate the income to cost centres by course
 - allocate the income by cost centre to expense codes using the 2016/17 or most recently submitted E&T costs on the expense codes as a weight
 - net off the income from the cost centre/expense codes
 - allocate basic salary contribution income by trainee grade to courses (departments) weighted by the number of funded WTEs
- **for the group 2 income group you need to:**
 - allocate the income to cost centres by course
 - net off the income from the expense codes for postgraduate medical trainees' salaries.

26. This will produce overall costs with medical E&T tariff income netted off at cost centre/expense code level.

Step 4: Allocate and net off non-tariff income

27. You need to obtain the following information:

- activity and cost information:
 - separate schedules for each programme¹⁴
 - list of named people and their specific E&T roles
 - 2016/17 or the most recently submitted E&T cost information at cost centre/expense code level
- income information: non-tariff E&T income for undergraduate medical programmes, postgraduate medical programmes, non-medical programmes and other regional programmes.

28. To allocate and net off the income you need to:

¹⁴ This information is available from the LDA or other local funding agreements for E&T programmes.

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- allocate non-tariff E&T income to roles (eg heads of school) based on the schedules for each programme
- allocate non-tariff non-medical, postgraduate and undergraduate medical income by following the approaches specified in steps 1, 2 and 3 respectively
- allocate E&T income for each role to cost centres and net off from the expense codes for the salaries.

29. This will produce overall costs with non-tariff E&T income netted off at cost centre/expense code level.

Step 5: Allocate E&T specific support costs

30. After netting off the E&T income, some type 1 support costs that relate to E&T may still sit in your ledger – for example, library costs. If these support costs are shared between E&T and non-E&T services:

- use local judgement to categorise these support cost centres as E&T or non-E&T based on materiality – that is, if the costs in a cost centre are materially E&T support costs, categorise the cost centre as an E&T-specific support cost centre¹⁵
- for those costs that are not dominantly for E&T or non-E&T services, use locally developed relative weight values to apportion them to:
 - E&T-specific support costs
 - non-E&T support costs.¹⁶

31. Use locally developed relative weight values to apportion the E&T-specific support costs (either as an E&T-specific support cost centre or as an E&T-specific expense line) to:

- tariff-funded postgraduate medical E&T programmes
- tariff-funded undergraduate medical E&T programmes
- tariff-funded non-medical E&T programmes

¹⁵ See Costing principle 5: Good costing should focus on materiality, <https://improvement.nhs.uk/resources/approved-costing-guidance>

¹⁶ See Integrated standard CP2: Clearly identifiable costs and Spreadsheet CP2.2 for allocation of non-E&T type 1 support costs, <https://improvement.nhs.uk/resources/approved-costing-guidance-2019/>

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- non-national tariff programmes.
32. Follow the allocation methods specified in Spreadsheet CP2.2 to allocate the E&T-specific support costs to relevant patient-facing and type 2 support cost centres.

Step 6: Netted off costs go through the costing process

33. Check the output from the five steps above – that is, all four categories of E&T income netted off at cost centre/expense code level – and adjust the output to ensure that this process does not generate negative balances at the resource level (see Spreadsheet CP3.1 for prescribed resources).
34. Put the checked output through the costing process prescribed by:
- the *Healthcare costing standards for England* for acute, community care and mental health sectors¹⁷
 - *The national cost collection guidance 2019* for reference costs submission.¹⁸

¹⁷ <https://improvement.nhs.uk/resources/approved-costing-guidance-2019>

¹⁸ <https://improvement.nhs.uk/resources/approved-costing-guidance-2019>

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