

TO:

NHS trusts and NHS foundation trusts
with clinical staff impacted by annual
allowance pensions tax during 2019/20

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Dear Director of Finance

2019/20 PENSION TAX: TRUST ACCOUNTING PROVISION FOR 2019/20

Clinicians who are members of the NHS Pension Scheme and who as a result of work undertaken in this tax year (2019/20) face a tax charge in respect of the growth of their NHS pension benefits above their pension savings annual allowance threshold will be able to have this charge paid by the NHS Pension Scheme (by completing and returning a 'Scheme Pays' form before 31 July 2021)

The NHS employer will make a contractually binding commitment to pay them a corresponding amount on retirement, ensuring that they are fully compensated in retirement for the effect of the 2019/20 Scheme Pays deduction on their income from the NHS Pension Scheme in retirement.

NHS provider organisations will need to create a provision broadly equal to the tax charge owed by clinicians who want to take advantage of the 2019/20 Commitment. This will be offset by the commitment from NHS England and the Government to fund the payments to clinicians as and when they arise. The provision and offsetting asset will initially increase year on year in line with the pension scheme growth, and be released as commitments are met, i.e. as eligible members retire under the rules of the NHS Pension Scheme.

Nature of the provision

We expect that trusts should include a provision in their accounts in 2019/20 where clinicians are likely to have a tax liability and take advantage of this policy.

A separate reimbursement asset will be recognised in the trust's balance sheet, with the I&E effects of this netted off.

A provision will then be recognised by NHS England in its accounts.

Calculation of the provision

We have engaged with the Government Actuary's Department ('GAD'), the Business Services Authority ('BSA') and the Department of Health and Social Care ('DHSC') to ensure that the basis of the provision is as robust as possible.



Due to the timescale for pension tax annual allowance (AA) charges and the scheme pays nominations, there is no data of the 'actual' nominations for the 2019-20 tax year available; the deadline for initial nomination is 31 July 2021, with the ability to make changes up to 31 July 2024.

Using the information provided by GAD and BSA we have calculated a national 'average discounted value per nomination' with which trusts can use to estimate a local provision, e.g.:

- 'Average discounted value per nomination' x 'number of staff expected to take up the offer'

If you have a preferred local methodology this guidance does not prevent you from using this to estimate an appropriately discounted provision.

The NHS England provision will be based on the NHS Digital's NHS Workforce Statistics - November 2019¹ consultant headcount data. In order to ensure we do not understate the national provision, we will assume all consultants take up the offer.

In calculating a local provision we would ask that you are aware of the total number (headcount) of consultants reported by NHS Digital for your organisation and the corresponding national provision NHS England will make. We are of course aware that other clinical staff are also eligible for the offer, but consider that basing estimated take-up on the total number of consultants is a reasonable approach in these circumstances.

For providers, a column has been added to the provisions note in the Trust Accounts Consolidation (TAC) schedules. The TAC Completion Instructions document explains this.

How can I calculate the provision?

- (A) The pre-calculated national 'average discounted value per nomination' is **£3,345**.
(B) An estimate of the number of trust staff you think will take up the offer.
(C) NHS Digital's NHS Workforce Statistics - November 2019 - consultant headcount data. By way of an example Chesterfield Royal Hospital NHS Foundation Trust would be 184.

Local provision (A x B)

Example: Trust X estimates that 100 staff will take up the offer and so the discounted trust provision would be £334,500 (£3,345 x 100).

National provision (A x C)

Example: For Chesterfield Royal Hospital NHS Foundation Trust, NHS England will create a national provision of £615,480 (£3,345 x 184).

¹ <https://digital.nhs.uk/data-and-information/publications/statistical/nhs-workforce-statistics/november-2019>

Questions

Should you have any questions about the contents of this letter please e-mail nhsi.strategicfinance@nhs.net. Key questions are also addressed in Frequently Asked Questions available at www.england.nhs.uk/pensions/.

We will provide updated guidance for 2020/21. At the point that there is information on the actual level of take up (from Scheme Pay nomination forms relating to the 2019/20 tax year) we will look to support employers to calculate more reflective provisions at organisational level. As noted above, the deadline for initial nomination is 31 July 2021, with the ability to make changes up to 31 July 2024.

Yours faithfully

Matthew Style

Director, Strategic Finance
NHS England and NHS Improvement