

Accounting for the central employer pension contributions (6.3%) made by NHS England in 2020/21

Updated: 21 January 2021

The revaluation of public sector pensions schemes resulted in a 6.3% increase (14.38% to 20.68% incl. admin levy) in the employer contribution rate for the NHS Pensions Scheme.

A transitional approach was agreed whereby an employer rate of 20.68% will apply from 1 April 2019, however in 2020/21 (as in 2019/20) the NHS Business Service Authority ('BSA') will only collect 14.38% from employers. Central payments have been made by NHS England and the Department of Health and Social Care ('DHSC') for their respective proportions of the outstanding 6.3% on local employers' behalf.

Discussion with the National Audit Office ('NAO') in 2019/20 confirmed the requirement to account for the central payments in local entity accounts.

This document covers the process for Clinical Commissioning Groups ('CCGs') and NHS providers (trusts and foundation trusts) **in the lead up to month 12** and a set of frequently asked questions.

Summary of approach

The DHSC Group Accounting Manual [additional guidance](#) confirms:

Entities will be required to account for employer contributions of 20.68% in full and on a gross basis in year end accounts. Entities will also be required to separately account for any amounts paid on their behalf as notional funding for the contributions paid on their behalf.

This means:

- NHS commissioners and NHS providers will record expenditure in their accounts relating to the full 20.68%, therefore including the 6.3% paid by NHS England.
- NHS providers will record notional income from NHS England in their accounts. The '6.3%' item will have no impact on the bottom line.
- NHS commissioners will have an adjustment made to their running cost allocation.

NHS bodies provide information to BSA each month to support operation of the NHS pensions scheme. It is important that entities provide information to BSA on a timely basis to support the process outlined here.

For commissioners:

- NHS England will extrapolate the full year value of the 6.3% from data based on month 9.
- The figures will be populated via the ISFE ledger by NHS England central finance.

For providers:

- Data based on month 10 will be used, again extrapolated to the full year. The computed values should be used in local accounts
- The figures will be populated into a validation in month 12 TAC schedules by the central team and a statement provided.

More detail on these arrangements is provided below.

Frequently Asked Questions

Q: What was the feedback given by commissioners at the November 2019 CCG Finance workshops?

A: The feedback was very constructive and covered a wide variety of issues. Two frequently raised topics were:

- For commissioners, pay costs cover both administration (running costs) and programme
- impact on the recharge of pay costs and resulting impact on CCG allocations.

In response to the concerns raised about the impact on recharges the process was revised to post costs into CCG ledgers earlier using Month 9 data for commissioners. This gives entities visibility and time to plan and transact the materially necessary recharges.

Q: What is the scope for CCGs?

A: The costs to be transferred from the NHS England (X24) parent are based on the costs attributed to individual CCG employing authority (EA) codes by the BSA. This includes GPs acting as officers of the CCG and GP solo work paid through the CCGs payroll. It excludes GP pension costs managed through NHAIS.

Q: What is the scope for NHS providers?

A: The costs to be transferred from NHS England are based on the costs attributed to individual provider employing authority (EA) codes by the BSA. It is noted some providers have multiple EA codes. Where this is the case these will be merged into a single value per organisation.

Q: I am a CSU, what should I do?

A: The process for CSUs is the same as that for CCGs.

Q: Our total employer contributions at month 12 (for the 14.38%) will differ from a full year value based on extrapolations at month 9/10, meaning the calculation of the 6.3% would also differ. What happens with that difference?

A: The value of the 6.3% that NHS England ultimately pays over will be based on actual full year data. Extrapolating based on month 9/10 data is therefore an estimate of this liability. We need local NHS bodies to use the same estimate so that the notional income (for providers) and grant in aid (for CCGs) from NHS England can be netted off the NHS England side of the transaction in the DHSC group. Our analysis based on 2018/19 shows that the actual 6.3% compared to this estimate is not expected to be significantly different for any entity. Any small difference in local accounts for expenditure based on the actual 6.3% would be offset by a change in the national income / allocation, so there would be no overall effect on the local accounts. This principle has been discussed with the local audit firms.

In rare cases a change in circumstances might mean that the actual full year calculation of the 6.3% differs more significantly from the central estimate. In these rare cases, the NHS body can request for their expenditure recognition and notional income / grant in aid to be changed between draft and audited accounts:

- Providers should e-mail provider.accounts@improvement.nhs.uk by 7 May 2021 to request an update based on their local ESR data. NHS England will then update the

notional expenditure recorded. This will be retrospectively validated once the data is available to NHSE/I.

- CCGs should refer to the central NHS England team by 7 May 2021 via nhsengland.cashmanagement@nhs.net.

Q: What if I do not have an EA code as all of my staff are employed by another CCG?

A: The CCG with whom the staff are employed will receive the associated income and expenditure.

Q: I am a CCG and employ staff as both administration and programme?

A: The costs will all be posted to administration (running costs) in line with how it has been funded by the DHSC. We do not expect these to be converted to programme. Where CCGs report the employer's pension costs profiled between administration and programme reference should be made to the process in 2019/20 to help explain and variance between years.

Q: I am a merged CCG, how will impact the information?

A: All costs will be attributed to the new CCG. If a CCG requires a breakdown based on individual EA codes where separate payments have been made during 2020/21, this will be available on request from nhsengland.cashmanagement@nhs.net.

Q: How will my RRL be adjusted (commissioners only)?

A: The CCG running cost allocation will be increased on revenue resource limit (RRL) adjustments to be circulated to CCGs by 29 January 2021.

This will not affect the CCG actual variance against RRL or its statutory reporting position.

CCGs should not move the costs from administration to programme.

Q: What about staff who are recharged?

A: Generally we do not expect the additional pension contributions to be recharged, although recharge may be required in certain hosting arrangements where the related staff costs are shown in the organisation receiving services. However, to facilitate any material recharges and following feedback from CCGs at the roadshows the annual figure for commissioners will be extrapolated based on M01 – M09 data.

If CCGs recharge costs within the NHS England boundary these should be net of the 6.3% unless gross charges are agreed with both entities. If recharges are posted gross of the 6.3% within then the CCGs recharging costs should notify the central planning and performance finance team at NHSCB.financialperformance@nhs.net to transfer the programming running cost allocation.

Where CCGs recharge pay costs outside the NHS England group the basis should be agreed with the receiving organisation.

Q: What is the impact on the senior managers' remuneration and total pension entitlement ('Greenbury') disclosures in the remuneration report?

A: There is no impact on either report.

The total pension ('Greenbury') figures are not affected because they are based on the length of pension membership and not employees' or employers' pension contributions.

The 'All pension-related benefits column' in the remuneration report single total figure table, computed from a calculation based on the change in the Greenbury figures less employee contributions, also does not require the employer's contribution as part of the calculation and is therefore unaffected by the 6.3%.

Q: What about the Pension Assurance Statement?

A: The BSA has confirmed that the pension assurance statement should only include the 14.38% as that is what the employer has actually directly paid and is accountable for.

Q: Is the process set out here the same for the month 9 returns?

No. At month 9 NHS provider and commissioners should only record the 14.38% amounts being paid over. For NHS providers more detail is provided in the month 9 TAC Completion Instructions.

Q: If I have any other questions, who can I ask?

- If you are a CCG or CSU with questions please e-mail nhsengland.cashmanagement@nhs.net
- If you are a Provider please e-mail provider.accounts@improvement.nhs.uk.

Summary process for Clinical Commissioning Groups (CCGs) and Commissioning Support Units (CSUs)

The 6.3% for the full financial year will be based on M01 - M09 actuals received from the BSA extrapolated for January, February and March (M10 – M12). Where a CCG does not have an EA code because its payroll is hosted by another CCG the central team will liaise with the hosting CCG so that the CCG where staff are employed receives the expenditure and income.

Most local organisations should be able to replicate the values used as this should be equal to your Month 9 employer contribution values straight line extrapolated to Month 12 [(M9/9)*12].

The costs will all be posted by the central finance team by 3 February 2021 (WD3) to administration (running costs) in line with how it has been funded by the DHSC. We do not expect these to be converted to programme. Where CCGs report the employer's pension costs profiled between administration and programme, narrative reference should be made to the process in 2019/20 to help explain variance between years.

The required entries in the CCG/CSU ledgers are (please note these entries will be posted directly to CCG/CSU ledgers by the central finance team)

Dr Cost Centre: Corporate Finance Subjective: Permanent UK Staff - Employer's Pension Costs – 6.3% Increase 51113116

Cr SoFP Cost Centre: 000000 Subjective: Grant in Aid 31119001

The required entries in the NHS England ledgers are:

Dr SoFP Cost Centre: 000000 Subjective: Grant in Aid 31119001

Cr Cost Centre: 20/21 Employer Pension Increase Admin 110160
Subjective: NHS Pension transitional arrangement – WGA 52161392 Analysis 2: ST1450

The CCG running cost allocation will be increased on revenue resource limit (RRL) adjustments to be circulated to CCGs by 29 January 2021.

If CCGs recharge costs within the NHS England boundary these should be net of the 6.3% unless gross charges are agreed with both entities. If recharges are posted gross of the 6.3% within then the CCGs recharging costs should notify the central planning and performance finance team at NHSCB.financialperformance@nhs.net to transfer the programming running cost allocation. All recharges need to be completed and agreed with the planning and performance team by 3 March 2021. Central planning and performance need to supply a list of any changes agreed between CCGs to the NHS England central team so the changes can be reflected in subsequent cash reports.

Where CCGs recharge pay costs outside the NHS England group the basis should be agreed with the receiving organisation.

Summary of Actions

Actions	Deadline	Responsibility
Central finance team sign off postings with the DoF Financial Control	29 January 2021	Central Finance
Planning & performance team to update and issue revised CCG/CSU allocations	29 January 2021	Planning and Performance
Central cash management team update cash sheets	3 February 2021 (WD 3)	Central Finance
Central finance team post additional pension contribution costs into CCG and CSU ledgers <small>note 1</small>	3 February 2021 (WD 3)	Central Finance
CCG post recharges in M11 and M12 where there is local agreement that cost should be shown gross	February and March 2021	CCGs and planning and performance
CCGs agree running cost adjustments and action amendments through planning and performance in line with existing timetable	5 March 2021	CCGs and planning and performance
Planning & performance team to inform cash management team of any agreed changes in line with sending the RRL report & cash management team update cash reports	1 April 2021	Planning and performance and cash management
Central finance team monitor value posted to Subjective: Permanent UK Staff - Employer's Pension Costs – 6.3% Increase 53331136	March and April 2021	Central Finance

Notes:

1. The postings will be the actual 6.3% from April 2020 to December 2020 provided by NHS BSA plus the January to March 2021 estimated amounts. The total value will be equal to the allocation adjustment.

Summary process for NHS Providers

In order to try and make the process as efficient as possible we will undertake the following process:

1. NHSE/I receive Month 1-10 pension contributions details from the Business Services Authority and extrapolate this to a full-year effect. This is based on the employer's EA code.
2. NHSE/I to match BSA EA code data to providers and consolidate where there are multiple EA codes per provider. Where providers requested amendments in 2019/20

to include consolidated subsidiaries, these EA codes will automatically be included in 2020/21.

3. As part of month 12 Trust Accounts Consolidation (TAC) schedules, the NHSE/I central provider accounting team will populate values into a validation and also provide a separate statement.
4. Providers should validate the values at year end to ensure there are no material variances.
5. In rare cases where there is a material or otherwise significant variance that needs to be reflected in local accounts, the provider should follow the process in the FAQ above, with a deadline of 7 May 2021.