



Quick guide to implementing the costing standards

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Introduction

We publish documentation and tools to support providers of NHS services to submit National Cost Collection data. This is known as the Approved Costing Guidance (ACG) and is published on our NHS England and NHS Improvement [website](#) with supporting information and resources available on our [Open Learning platform](#).

This quick guide will help you understand how to start implementing the costing standards but it is not a substitute for them. We recommend you work systematically through the standards guidance as you implement them.

Begin by reading our *Introduction to the Approved Costing Guidance and Costing principles*. The Approved Costing Guidance Costing Glossary will help you understand the terminology used in the standards. These are all available on our [website](#).

Figure 1 shows the steps you should follow to implement the costing standards.

Figure 1: Implementation steps¹



The next sections in this quick guide provide an overview and summary of the costing process (CP) standards.

¹ IR – Information Requirements, GL – General Ledger, ICAL – Integrated Costing Assurance Log

Overview of the costing process



The costing process is based on:

- Detailed and accurate data
- Clearly identifiable costs
- Appropriate cost allocation methods



For costing you need:

- ACG Standards
- Spreadsheet Technical Document
- The general ledger (GL) output
- Patient-level feeds
- Relative weight values
- Local information sources



Download the technical document

This is the companion document to the standards. It contains all the information you need to implement the standards that suits Excel format best.



Good costing starts with good source information.

Discuss with your informatics colleagues what information is available to you for costing.



Costs need to be in the 'right starting position with the right label'

Discuss with your finance colleagues:

- How the GL is set up
- How costs are reported in the GL
- What the 'big ticket' items are



When mapping your general ledger, if using method 2 you may find it useful to implement the Automapper application.

Ensure you understand your general ledger by performing regular deep dives; prioritising areas of cost which are complex and not easy to map.

Use the information garnered from our review to inform the processing rules in your costing system.

Costing process – summary

1. The aim of the costing process is to keep an accurate record of Who did What to Whom for What amount?
2. We use RESOURCES to cover the 'who' part, categorising costs based on staff and the resources they use. Resources also cover non-pay items.
3. We use ACTIVITIES to cover the 'what' part and allocate resources to them so that we have costed activities that describe the things done for patients.
4. Activities can be matched to PATIENTS or SERVICES (eg when performed for other healthcare providers or which incident attended by ambulance), covering the 'whom' part.
5. The 'what amount' part should be covered by allocating costs through all the way from resources to PATIENTS (or SERVICES) and will be reported as a cost for each resource-activity combination.
6. There will be various software solutions to achieve this process. We are not prescribing the software solutions you should use and therefore you should contract with a software supplier that suits your organisation's needs. You should also refer them to the minimum software requirements document available on our website.
7. The costing standards cover:
 - how to classify costs and map them to resources
 - appropriate cost allocation methods for allocating resources to activities
 - rules for matching costed activities to patients.
8. Our costing process diagram is a high-level view of what is described in the standards and can be found on our [website](#).

Costing processes

The full costing process standards are available on our [website](#).

CP1: Ensuring the correct cost quantum

Purpose: To set out how the general ledger is used for costing, and to highlight the areas that require review to support accurate costing.

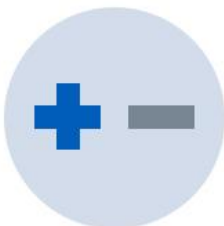


You need the general ledger output containing:

- cost centre and expense code
- monthly or year-to-date income or expenditure value
- period (month).



You must include all income and expenditure in the general ledger output so you can reconcile it to your organisation's reported financial position.



Finance should inform you of any off-ledger adjustments included in your organisation's financial report as you will need to reconcile to this.



The finance team should tell you when it:

- sets up new cost centres and expense codes in the general ledger
- makes material changes in costs or income between expense codes or cost centres.

CP2: Clearly identifying costs

Purpose: To ensure costs are in the correct starting position and correctly labelled for costing.

The notation CP2.2 refers to the tab in the spreadsheet technical document



Do a deep dive analysis of your general ledger, prioritise analysis to the most complex and material items then build your costing system processing rules ensuring costs have the right starting position and label.



Allocate overheads to patient-facing cost centres using the prescribed methods in CP2.2 and the reciprocal allocation method.



Allocate overheads to patient-facing resources using the prescribed methods in CP2.2.



The fully absorbed costs are then mapped to resources ready for the next stage of the costing process.

CP3: Allocating costs to activities

Purpose: To ensure the correct quantum of costs is allocated to the correct activity using the most appropriate costing allocation method.

The notation CP3.3 refers to the tab in the spreadsheet technical document



Identify all the activities your organisation performs from the prescribed list of activities in the Technical Document.



You **must** allocate the resources to the activities using the prescribed methods in spreadsheet CP3.3 in the Technical Document.



Resources need to be allocated to activities in the correct proportion. There are several ways to do this including:

- Based on actual time or costs from the relevant feed
- Using relative weight values created in partnership with relevant departments
- Using local information sources.



The patient-level feeds will:

- Inform what activities have been performed in the costing period (i.e., pathology tests performed)
- Inform the cost allocation methods by providing the cost drivers such as length of stay or duration
- Provide information for weightings such as cost.

CP4: Matching costed activities to patients

Purpose: To achieve consistency in assigning costed activities to the correct patient event.

The notation CP4.1 refers to the tab in the spreadsheet technical document



The patient event always generates the best match.



If your auxiliary feeds do not include the episode or attendance ID, use the prescribed matching rules in spreadsheet CP4.1 in the technical document.



Where the activity is not informed by a patient-level feed, match the costed activity to the correct patient episode, contact or attendance using the cost allocation methods in spreadsheet CP3.3 in the technical document.



Your costing system should produce a report showing the matching criteria used by your system and you should review this at regular intervals.

CP5: Reconciliation

Purpose: To set out the process for reconciling costs and income to the organisation's accounts, and to reconcile the activity counts reported by the organisation.



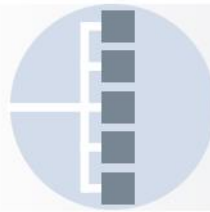
The costs and income outputs must reconcile to the main sources of this information – the general ledger output and the organisation's reported financial position.



You should reconcile the activity outputs to the activity in the source datasets to ensure all the activity put into your costing system has been costed and included in the costing output.



The activity outputs must reconcile to what's reported by your organisation.



Report your costed activity using the five cost groups: own-patient care, other activities, E&T, R&D and cost and activity reconciliation items

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