

PWYLLGOR CYLLID FINANCE COMMITTEE

DYDDIAD Y CYFARFOD: DATE OF MEETING:	13 March 2020
TEITL YR ADRODDIAD: TITLE OF REPORT:	Pensions Contribution Technical Accounting Update
CYFARWYDDWR ARWEINIOL: LEAD DIRECTOR:	Huw Thomas, Executive Director of Finance
SWYDDOG ADRODD: REPORTING OFFICER:	Rhian Davies, Assistant Director of Finance

Pwrpas yr Adroddiad (dewiswch fel yn addas) Purpose of the Report (select as appropriate)
Ar Gyfer Trafodaeth/For Discussion

ADRODDIAD SCAA SBAR REPORT
<u>Sefyllfa / Situation</u>
The purpose of the report is to provide the Finance Committee with a technical accounting update regarding the increase in the NHS Employers Pensions Contribution 2019-20.
<u>Cefndir / Background</u>
In April 2019, the revaluation of the Public Sector pension schemes resulted in an increase of 6.3% in the employer contribution rate for the NHS Pensions Scheme (14.38% to 20.68%).
A transitional approach was agreed with the Business Services Authority (BSA), whereby the BSA collected 14.38% from NHS Wales bodies, the outstanding 6.3% being paid centrally by Welsh Government (WG) on behalf of these organisations (the BSA is an executive non-departmental public body of the Department of Health which provides some support services, e.g. management of the NHS pension scheme, to the NHS in England and Wales).
However, following discussion with Wales Audit Office (WAO) and WG in February 2020, it was agreed that the 2019-20 Annual Accounts of NHS Wales bodies must account for employer contributions of 20.68% in full and on a gross basis.
<u>Asesiad / Assessment</u>
All Health Boards will be required to separately account for any amounts paid on their behalf to ensure that the true costs of the pension contributions incurred by NHS Wales bodies are included in NHS Accounts.

Approach for Local Health Boards to follow (proposed by the All Wales Technical Accounting Group - TAG).

The All Wales TAG met following discussions between WG and WAO and agreed a process for year-end to ensure consistency of approach across NHS Wales.

The approach agreed by TAG is:

- All Health Boards will record expenditure in their accounts relating to the full 20.68%, therefore including the 6.3% paid by WG.
- The expenditure should be debited to the appropriate salaries and wages lines in notes 3.1 and 3.3 (the expenditure analysis notes in the accounts).
- The additional employer contributions should be recognised in note 9.1 (Employee Costs). Additional footnotes will also be added to the Statements and other notes affected.
- This will be nullified by a corresponding increase in the Revenue Resource Limit.

The notional transactions will be outside the NHS Wales agreement process.

The effect on the financial outturn for the body will be neutral and as the expenditure has been paid by WG, the costs and funding will be notional with no corresponding cash transfers to cover the adjustments.

Revenue Resource Limit (RRL) adjustment

As the full year figures will not be available by the time the draft accounts are being prepared, the adjustment will be based on Month 10 payments made to the BSA and grossed up to a full year 12 month total (as in NHS England). This 12 month total will be added to the RRL for LHBs to include and will be issued in a separate Allocation Letter as a Resource-only uplift.

The respective amounts to accrue for NHS Wales bodies will be issued after 20th March 2020. Schedules received from BSA will be issued to these organisations to allow them to validate the specified uplift.

Argymhelliad / Recommendation

The Finance Committee is asked to note the technical changes required to the end-of-year accounts due to the pensions provision.

Amcanion: (rhaid cwblhau)

Objectives: (must be completed)

Committee ToR Reference:
Cyfeirnod Cylch Gorchwyl y
Pwyllgor:

4.5 Provide assurance on financial performance and delivery against Health Board financial plans and objectives and, on financial control, giving early warning on potential performance issues and making recommendations for action to continuously improve the financial position of the organisation, focusing in detail on specific issues where financial performance is showing deterioration or there are areas of concern.

Cyfeirnod Cofrestr Risg Datix a Sgôr Cyfredol: Datix Risk Register Reference and Score:	735 (score 16) Ability to deliver the Financial Plan for 2019/20 646 (score 12) Ability to achieve financial sustainability over medium term
Safon(au) Gofal ac Iechyd: Health and Care Standard(s):	7. Staff and Resources
Amcanion Strategol y BIP: UHB Strategic Objectives:	All Strategic Objectives are applicable
Amcanion Llesiant BIP: UHB Well-being Objectives: Hyperlink to HDdUHB Well-being Statement	Improve efficiency and quality of services through collaboration with people, communities and partners

Gwybodaeth Ychwanegol: Further Information:	
Ar sail tystiolaeth: Evidence Base:	Monitoring returns to Welsh Government based on HDdUHB's financial reporting system.
Rhestr Termau: Glossary of Terms:	WAO – Wales Audit Office WG – Welsh Government YTD – Year to date BSA – Business Services Authority TAG – Technical Accounting Group RRL – Revenue Resource Limit
Partïon / Pwyllgorau â ymgynhorwyd ymlaen llaw y pwyllgor cyllid: Parties / Committees consulted prior to Finance Committee:	Finance Team Management Team

Effaith: (rhaid cwblhau) Impact: (must be completed)	
Ariannol / Gwerth am Arian: Financial / Service:	Financial implications are inherent within the report.
Ansawdd / Gofal Claf: Quality / Patient Care:	Not applicable

Gweithlu: Workforce:	Not applicable
Risg: Risk:	Not applicable
Cyfreithiol: Legal:	HDdUHB has a legal duty to deliver a breakeven financial position over a rolling three-year basis and an administrative requirement to operate within its budget within any given financial year.
Enw Da: Reputational:	Adverse variance against HDdUHB's financial plan will affect its reputation with Welsh Government, the Wales Audit Office, and with external stakeholders
Gyfrinachedd: Privacy:	Not applicable
Cydraddoldeb: Equality:	Not applicable