

## Locum Employer's Pension Contributions

This is general guidance for locums and practices. For tailored advice you should seek personal financial assistance.

From 1 April 2013, GP practices will take on the costs of locum employer's pension contributions in England and Wales, which have until now been paid by PCOs.

Whenever this has been proposed in previous years it has been resisted in negotiation by GPC. When it was proposed again towards the end of last year, the BMA made clear to the Government our strong objections, through our responses to the consultation on the GP contract, as well as to the consultation on the draft pension regulations, which bring about the change. We expressed our concerns about the potential effects this would have on practices and on individual locum GPs.

However, despite this, the Department of Health has now confirmed that practices will take over responsibility for funding employer's pension contributions for the locums they engage from 1 April 2013. The current funding is being moved from PCO budgets and for GMS practices will be transferred into Global Sum Equivalent payments. An average GMS practice with around 7,000 patients will receive an extra £1,000 a year as a result.

Although practice funding is being increased as a result of these changes, the actual employer contribution will be paid through the locum. Locums themselves will be responsible for making the payments to the Area Team at the same time as they pay their employee contributions. The Department of Health has stated that it expects locums to increase their fees as a result.

The Department of Health has also stated that it is for the NHS Commissioning Board to decide how locum pension costs will be handled for PMS and APMS practices. We have made clear to the NHS CB that we will expect the Board to provide a similar increase in baselines to cover these practices' use of locums.

As money associated with locum pension payments is being distributed to all GMS practices through Global Sum Equivalent funding, these arrangements take no account of the different levels of reliance that practices have on locums. The increased costs for practices with above-average locum use will not be covered by the small increase in practice funding. In particular, single-handed and smaller practices are likely to be unfairly affected. We have repeatedly made this point to the Department of Health. However, under the new arrangements based on our calculations an average practice with approximately 7,000 patients should not lose out financially if their locum cover costs are less than around £7,900 per year.

### Advice for Practices

**Practices are required to pay the 14% employer's pension contribution on top of any locum fees when the locum GP is contributing to the NHS pension scheme for the period paid for by the practice.** Under the new pension regulations, it is the 'employing authority' (i.e. the practice) that must pay the employer's contribution. Therefore, practices must pass on the 14% to any locums they engage from 1 April onwards. This applies to any contracts already agreed with locums for work from April onwards; the locum will add the 14% to any previously agreed charges on their invoice.

Please note that the employer's pension contribution is based on the locum's pensionable income only, which is 90% of their total fee. The remaining 10% is regarded as covering expenses. Once they have been paid by a practice, the locum must then make the payment to the NHS Commissioning Board; they cannot keep the fee.

The Pensions Agency has said that they will report any practices refusing to pay the 14% contribution to the Pensions Regulator. Failure to pay could result in legal action.

GP partners should consider this increased cost when claiming back locum cover, for example for CCG work. Practices would also be advised to review their locum insurance policies to ensure that they have sufficient cover.

Locum forms A and B will still be used. When the practice receives the completed form A from the locum, they will be asked to state the locum fee paid, the total employer's pension contribution paid, and the total amount paid to the locum (i.e. the sum of the fee and the employer's pension contribution). The forms will include a legal disclaimer to state that practices must pay the 14% employer's contribution. Practices should retain copies of the forms for audit purposes.

Locum GPs who are not part of the NHS pension scheme will not receive the employer's contributions. The change does not affect locum GPs who work through locum agencies that are not recognised NHS employing authorities and who therefore cannot pension their income. Similarly, individual locums trading as limited companies cannot pension their income.

The change to employer's pension contributions will not affect the current arrangements for longer term locums. After 6 months of continuous work with a practice, the locum is regarded as a Type 2 Practitioner for the purposes of the pension scheme. The practice then administers and pays their pension contributions as they would for a salaried GP. Locum forms A and B cannot be used in this situation. Practices should also take advice about the taxation position of long term locums and consider use of the ESI on the HMRC website. <https://esi2calculator.hmrc.gov.uk/esi/app/summary.page?pf=true>

### **Advice for Locums**

**Locums should show the 14% employer's contribution as a separate charge on their invoices.** It is important that invoices clearly show the rate and amount of the employer's contribution. We have developed a template pro forma invoice for locums to use (see attached).

The 14% rate is charged on 90% of the total locum fee. This is the pensionable part of the fee, as 10% is regarded as being used to cover expenses.

The process for making the payments will be as follows:

- The employer's contribution (based on 14% of 90% of the fee paid to the locum) must be paid to the locum along with the fee.
- Locums themselves will be responsible for forwarding the payment to the Area Team. They will pay their employee's contribution and forward the employer's contribution at the same time. Forms and cheques should be sent to their local Area Team and *cheques should be made payable to the NHS Commissioning Board.*
- 'GP Locum Form A', which validates that a locum has worked for a practice, will still be used. The form will include a statement to say that the locum wishes to pension the income and will also detail the amount of employer's contribution to be paid.
- The same deadlines for payment will still apply – the locum will still be required to send the cheque, accompanied by the form, by the 7th day of the month following the month in which the income was earned.
- 'GP Locum Form B' (a record of all locum work undertaken and recognised in that month) will also be retained.

Locums must pass on the employer's pension contribution. Failure to do so could result in inter alia legal action against the locum by the Pensions Regulator, HMRC or under the Fraud or Theft Acts.

Updated versions of the Locum A and Locum B forms will be available on the NHS Pensions Agency website shortly. However, the current forms will still be available for locums to use for work completed before 1 April.

It is essential that GP locums capture all work that they have completed up to the end of March on their March 2013 Form B to ensure that the employer's contributions for this work is not paid by practices/locums. They should not declare work completed before April on either their April Form B or

May Form B. As now, the '10 week rule' will apply, so locums will not be able to pension work that was undertaken more than 10 weeks previously. However, for March this deadline will be extended by a period yet to be determined to ensure that all work undertaken before 1 April has been captured.

It is possible for a locum to opt to pension income earned from only certain contracts as a locum; unlike other scheme members, locums do not have to pension all of their income if they do not wish to. This option only applies to doctors who work solely as locum GPs. Note also that it is not possible for a locum to pension only part of their fee for a particular piece of work, they must either pension the full amount or none for each contract worked. We would expect that this would only be a preferred option for locums near to the end of their careers, particularly former partners who have chosen to become locums to reduce their work commitment before retirement, or for tax reasons (if they are close to exceeding either the Annual Allowance or the Lifetime Allowance), and not for any other purposes.

Locum GP BMA members with questions about their pensions should contact the [BMA Pensions Department](#).

**INVOICE**

Dr \_\_\_\_\_  
Address  
UK

Practice Manager  
GP Practice  
Address  
UK

**Invoice Date:** \_\_\_\_\_

**Re: Invoice for locum work**

**Invoice Reference:** \_\_\_\_\_

**DATES:** \_\_\_\_\_

ITEM	RATE	NUMBER	SUB - TOTAL
2.5 hr surgery	£		£
Additions (eg. a home visit)	£		£
<b>Subtotal</b>			£
<b>Pensionable Income (90% of subtotal)</b>			£
<b>Employer's Pension Contribution (14% of Pensionable Income)*</b>			£

**TOTAL (subtotal plus employer's pension contribution) £** \_\_\_\_\_

Please make cheques payable to 'Dr \_\_\_\_\_'

**BACS details**

Dr. \_\_\_\_\_  
Sort code  
Account number

Please note that if payment is not made within 28 days, \_\_\_% interest will be charged.

Yours sincerely,

Dr. \_\_\_\_\_

\*The Employer's Pension Contribution will be paid by Dr. \_\_\_\_\_ to the NHS Commissioning Board within 7 days of the month end. Locum Form A will be given to the practice and must be signed and returned to the locum with payment to confirm that the locum work has been undertaken for them and that the payment has been received from the practice.