



Review Body on Senior Salaries

REPORT No. 80

Report on Locality Pay for NHS Very Senior Managers 2012

Chairman: Bill Cockburn, CBE TD



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Presented to Parliament by the Prime Minister
and the Secretary of State for Health

By Command of Her Majesty

December 2012

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Summary

This report is our response to the Government's request to us to consider whether pay for very senior managers in the NHS in England should be made more market-facing at local level. We will look separately at the same question for senior civil servants. The Government also asked other pay review bodies to consider the same issue for other NHS workers apart from doctors and dentists, for school teachers and public sector prison service staff.

The Government commissioned these reviews because it was concerned that national pay bargaining and pay setting might mean the public sector was paying too much for workers in some parts of the country and possibly not enough in others. If true, this could have damaging effects. For example, if there were areas where the public sector was paying too much, that would be a waste of taxpayers' money. It could also make it hard for the private sector to recruit at prevailing wage rates. This is referred to as 'crowding out'. On the other hand, if the public sector was not paying enough in certain areas, notably those with high living costs, then the quality of public services could suffer because of the failure to recruit sufficient numbers of staff or staff of sufficient quality.

In support of its arguments the Government cited research principally by the Institute for Fiscal Studies which showed that, after making certain allowances for age and qualifications, public sector workers were on average paid 8 per cent more than equivalent private sector workers. However, this figure is both an average across all workers and regions and a snapshot in time. There is evidence to show that, for the most senior posts such as those in our remit groups, public sector pay is lower than that in the private sector.

In addition to the Government's general economic evidence we received evidence specifically on the NHS very senior managers from the Department of Health and Managers in Partnership. We also considered the responses to the Office of Manpower Economics call for evidence and the research commissioned by the Office on practice in large multi-site commercial organisations.

Our review was complicated by the fact that the NHS is currently undergoing reorganisation which will mean that many of the current employers of our remit group will disappear and new employing organisations will be created. One consequence of the changes under way is a lack of hard data on the numbers of very senior managers and where they will be employed. Our conclusions must therefore be subject to the caveat that we need much better information on this remit group to be able to judge whether the pay system and levels are satisfactory.

The Department of Health has also produced a new pay framework based on job evaluation for the very senior managers during the course of this review. We welcome the introduction of this new pay framework which addresses many of the problems found in the previous pay system.

Both the Department of Health and Managers in Partnership argued that the labour market for NHS very senior managers is national rather than local. We agree. We found no evidence of private sector employers being 'crowded out' by the level of pay of NHS very senior managers. Indeed, if anything they are paid less than some other senior managers in NHS organisations such as Foundation Trusts and significantly less than comparable workers in the private sector. We are satisfied on balance that the new pay framework has some flexibility coupled to safeguards provided by remuneration committees and is likely to enable the NHS to recruit and retain sufficient numbers of suitable senior managers. There is no case for geographically differentiated pay because the market for senior managers is national.

Recommendation 1: We recommend that no additional locality pay measures be added to the new NHS very senior managers' pay framework.

As new and better information becomes available on the new pay framework, we may wish to re-evaluate this conclusion.

Recommendation 2: We recommend that the Department of Health collect and provide to us information on the recruitment, retention and motivation of NHS very senior managers.

We are concerned that some very senior managers will remain on the old pay framework which does not include job evaluation. We think this could be unfair and could lead to equal pay claims.

Recommendation 3: We recommend that all NHS very senior managers should be assimilated into and paid according to the new pay framework, on the basis of job weight, once the current NHS reforms have been fully implemented.

Chapter 1

Introduction

Mandate for this review

1.1 In his Autumn Statement¹ on 29 November 2011, the Chancellor of the Exchequer announced that:

“the Government will ask independent Pay Review Bodies to consider how public sector pay can be made more responsive to local labour markets, to report by July 2012...”

1.2 On 7 December 2011 the Chancellor of the Exchequer wrote to our Chairman to ask us to consider how to make pay more market-facing in local areas for the NHS very senior managers (VSMs) who are one of our remit groups (information about the review body and our terms of reference are at Appendix A). His letter set out a number of issues which he asked us to take into account and is reproduced at Appendix B.

1.3 This review does not cover our other three remit groups. The Chancellor of the Exchequer excluded the armed forces and the judiciary from the locality pay remit. The senior civil service (SCS) were included, but the Cabinet Office has told us it will submit evidence in the autumn of 2012 as part of its proposals for wider reform of SCS reward.

1.4 On 23 December 2011 the Secretary of State for Health sent a further letter to our Chairman specifying in more detail the matters which the Government wished us to address. That letter is reproduced at Appendix C.

1.5 The matters the Chancellor of the Exchequer asked us to consider were:

- the need to recruit, retain and motivate suitably able and qualified staff across the UK;
- the difference in total reward between the NHS workforce and those of similar skills working in the private sector by location – and the impact of these differences on local labour markets;
- how private sector employers determine wages for staff in different areas of the country;
- what the most appropriate areas or zones by which to differentiate pay levels should be;
- the affordability of any proposals in the light of the fiscal position – these should not lead to any increase in paybill in the short or long term;
- the need to ensure that proposals are consistent with the law on equal pay;
- whether and how the new approach could be delivered within national frameworks; and
- whether proposals should apply to existing staff, or just to new entrants.

1.6 The additional matters that the Secretary of State for Health asked us to examine were:

- where VSMs in the NHS are employed;

¹ HM Treasury. *Autumn Statement 2011*. Cm 8231. TSO, 2011. Available at: http://cdn.hm-treasury.gov.uk/autumn_statement.pdf (accessed on 10 July 2012).

- whether the market for these is local or national; and
- whether there are private sector employers competing for these workers.

Structure of this report

1.7 In this chapter we set out the latest information on our VSM remit group and the background to our review, in particular the implications for that remit group of the reorganisation of the NHS currently under way. In Chapter 2 we describe how we have carried out this review and summarise the evidence we have received, including that gathered on behalf of several pay review bodies by the Office of Manpower Economics (OME) which provides the secretariat and research support for the pay review bodies. In Chapter 3 we set out our conclusions and recommendations.

Information on the VSM remit group

1.8 VSMS in England are chief executives, executive directors and other senior managers with Board-level responsibility who report directly to the chief executive. They are currently in our remit if they are employed by the following organisations in England:

- Strategic Health Authorities;
- Primary Care Trusts;
- Ambulance Trusts; and
- Special Health Authorities.

VSMS who work in NHS Foundation, Acute, Care or Mental Health Trusts are not part of our remit group. Those organisations are not subject to the Department of Health's VSM pay framework and may set their own pay levels.

Numbers

1.9 The Department estimated in May 2012 that there were around 770 VSMS in our remit group.

Changes to the VSM remit group under the NHS reforms

1.10 When the reorganisation of the NHS resulting from the Health and Social Care Act 2012 is complete, few of the organisations currently employing VSMS will still exist. Primary Care Trusts and Strategic Health Authorities will have been abolished and Ambulance Trusts will become NHS Foundation Trusts, thus moving outside our remit. Moreover, three of the 12 Special Health Authorities are to be abolished,² though some of their functions will transfer to new bodies, and almost all of the remainder³ are expected to change their status, becoming Executive Non-Departmental Public Bodies (ENDPBs). However, the reforms will also create a new set of 'arm's length bodies'. The Department of Health is due to update our remit to include the VSMS employed within the new ENDPBs.

1.11 Under the new NHS structure, Clinical Commissioning Groups (which will replace Primary Care Trusts) will have the freedom to set their own rates of pay for VSMS, as do Foundation Trusts, and so will be outside our remit.

² These three are the NHS Institute for Innovation and Improvement, the National Patient Safety Agency and National Treatment Agency.

³ These nine are the NHS Commissioning Board, the NHS Blood and Transplant Authority, the NHS Trust Development Authority, the Health Education England, the National Institute for Health and Clinical Excellence, the NHS Business Services Authority, the NHS Litigation Authority, the NHS Health and Social Care Information Centre and the Health Research Authority.

- 1.12 In summary, while the broad shape of the reforms is settled, it is not yet clear precisely how many VSMs there will be in our revised remit group, nor where in England they will be employed. The current best estimate is the list at Appendix D of the NHS bodies expected to employ VSMs within our remit in future.
- 1.13 Those bodies have very different functions and the VSMs they employ will not necessarily have conventional VSM job titles and roles. For example, the largest 'arm's length body', the NHS Commissioning Board, will have a Director of Patient and Public Engagement, Insight and Informatics, as well as traditional posts such as Finance Director and Human Resources Director. Below the national directors in the NHS Commissioning Board there will be four regional directors, 27 local area directors and a number of other VSMs in a variety of functions.

The pay of VSMs

- 1.14 The two pay frameworks used for determining the remuneration of VSMs within our remit are available on the Department of Health website.^{4,5} The 2006 pay framework covers existing VSMs in Strategic Health Authorities, Primary Care Trusts, Ambulance Trusts and Special Health Authorities while the new 2012 pay framework will apply to newly recruited VSMs. These pay frameworks are considered briefly in Chapter 2 of this report and described in more detail in Appendix E.

Evidence

- 1.15 In order to carry out this review we invited the relevant parties to provide evidence. The OME also issued a general call for evidence because the Government had asked four of the independent pay review bodies⁶ to consider how to introduce more market-facing local pay for five groups of workers with terms and conditions set by the UK Government.⁷
- 1.16 We are grateful to all those who responded with evidence, both specifically on VSMs and more generally. We summarise and discuss that evidence in Chapter 2 of this report.

⁴ Department of Health. *Pay framework for very senior managers in strategic and special health authorities, primary care trusts and ambulance trusts: updated 2 April 2009*. Available at: http://www.dh.gov.uk/en/Publicationsandstatistics/Publications/PublicationsPolicyAndGuidance/DH_097599 (accessed on 10 July 2012).

⁵ Department of Health. *DH pay framework for very senior managers in Arms-length bodies (Special Health Authorities and Executive Non-Departmental Public Bodies)*. May 2012. Available at: <http://www.dh.gov.uk/health/2012/05/pay-framework-albs/> (accessed on 10 July 2012).

⁶ The others were: the NHS Pay Review Body (NHSPRB); the Prison Service Pay Review Body (PSPRB); and the School Teachers' Review Body (STRB).

⁷ These were, in addition to VSMs: NHS workers covered by the Agenda for Change pay system; operational staff in public sector prisons; school teachers; and senior civil servants.

Chapter 2

Evidence

Introduction

- 2.1 To consider the case for making pay more market-facing for very senior managers (VSMs) in the NHS in England we obtained evidence from a wide range of sources. We approached our main stakeholders, commissioned work and put out a general call for evidence. In addition, we considered recent research about locality pay in England.
- 2.2 This chapter describes our evidence gathering process in detail. It comments on recent research showing the public-private pay differentials across England, considers case studies demonstrating current approaches to market-facing pay in the private sector and reviews the economic evidence for locality pay from the Government. This chapter also summarises and comments on the evidence we received from the Department of Health and Managers in Partnership and the responses to the call for evidence.

Evidence gathering process

- 2.3 The Government announced in the Autumn Statement on 29 November 2011 that it would ask the independent pay review bodies to consider how to make public sector pay more market-facing. The Government's request applied to most pay review body remit groups, but excluded doctors and dentists, the armed forces and the judiciary. In December we received letters from the Chancellor of the Exchequer and the Secretary of State for Health which expanded on this remit, listing the issues we were to take into account in relation to VSMs. The Minister for the Cabinet Office and Paymaster General also wrote to us confirming that the Cabinet Office approach to local market-facing pay in the senior civil service (SCS) would be part of the wider reform of SCS reward and that proposals would be submitted to us with other Government evidence on the SCS in the autumn.
- 2.4 In order to collect sufficient evidence for this remit we decided to approach our main stakeholders, but also to look at responses to the Office of Manpower Economics (OME) general call for evidence.⁸ The OME also commissioned research to update knowledge about how multi-site businesses set pay.

Main stakeholders

- 2.5 We wrote formally to our three main stakeholders – the Department of Health, NHS Employers and Managers in Partnership – explaining in detail what information would be helpful to us. Both the Department of Health and Managers in Partnership responded with written⁹ and oral evidence. However, NHS Employers told us that they would not provide evidence as their member organisations will employ few of the VSMs within our remit in the future.

Call for evidence

- 2.6 As explained in Chapter 1, the OME issued a general call for evidence relevant to the four review bodies' remits on market-facing pay at local level. The OME also drew the request

⁸ Office of Manpower Economics. *Call for evidence on how to make pay more market-facing in local areas for certain groups of public sector workers*. 2012. This is available at: <http://www.ome.uk.com/Document/Default.aspx?DocumentUid=A84401E3-5AC4-4880-BA32-B770E743071F> (accessed on 10 July 2012).

⁹ The evidence from the Department of Health can be found at: http://www.dh.gov.uk/en/Publicationsandstatistics/Publications/PublicationsPolicyAndGuidance/DH_134313 (accessed on 10 July 2012). The evidence from Managers in Partnership can be found at: <http://www.miphealth.org.uk/nmsruntime/saveasdialog.aspx?IID=2817&slD=2325> (accessed on 10 July 2012).

for evidence to the attention of a number of organisations.¹⁰ The main purpose of the call was to reach organisations which do not normally give evidence to the review bodies, and in particular to try to elicit real examples of ‘crowding out’, that is private sector bodies facing difficulties with recruitment or retention because of public sector employers offering higher reward for the same pool of workers. The Northern Irish, Scottish and Welsh Governments all made submissions which we have noted but since our VSM remit concerns only England we do not consider those submissions further in this report. There were six other responses to the call for evidence. The OME has published all the responses on its website.¹¹

Commissioned research

- 2.7 OME put out to tender contract work for a research organisation to conduct a number of case studies on geographically differentiated pay in a variety of multi-site businesses. The contractor was also asked to provide a literature review on geographically differentiated pay as part of the project. OME awarded the contract to Incomes Data Services (IDS) which carried out the work between February and June 2012.

The economic and labour market background

Public-private pay differentials

- 2.8 In his Autumn Statement the Chancellor of the Exchequer referred to the assessment of pay differentials between the public and private sectors published in the Institute for Fiscal Studies (IFS) Green Budget 2011:¹²

“... the Institute for Fiscal Studies have found that public sector workers are paid similar wages to private sector workers in some parts of the country, but over 10 per cent more in other locations.”

- 2.9 In February 2012, the IFS published its 2012 Green Budget.¹³ This provided updated estimates of public-private sector pay differentials broken down by region and male and female workers. These estimates were produced using regression analysis which sought to ‘correct’ for differences between the two sectors in individual employee characteristics, such as age, education, and qualifications (and also by gender where results were not calculated separately for males and females). The analysis suggested an average public sector pay advantage of 8.3 per cent for the United Kingdom as a whole, using Labour Force Survey (LFS) data from Q2/2009 through to Q1/2011. As noted by economists at Swansea University,¹⁴ estimates of the average size of the public-private pay differential are sensitive to the inclusion of additional characteristics and to the measure of hours worked.
- 2.10 The Green Budget also included some forecasts. The IFS said that, despite the public sector pay freeze, the public-private differential was likely to increase in 2011-12 but then, as a consequence of the Government’s continuing pay policy for the public sector, to decrease from 2012-13, reaching pre-recession levels by 2014-15.

¹⁰These included: Confederation of British Industry, Trades Union Congress, EEF Ltd, British Chambers of Commerce, British Retail Consortium, Federation of Small Businesses, Institute of Directors, Chartered Institute of Personnel and Development, and Institute for Fiscal Studies.

¹¹ Responses to the call for evidence can be found at: <http://www.ome.uk.com/Article/Detail.aspx?ArticleUid=43ac3584-4142-4883-aa81-7485c1a29970> (accessed on 10 July 2012).

¹²The Institute for Fiscal Studies. *The IFS Green Budget: February 2011*. Available at: <http://www.ifs.org.uk/publications/5460> (accessed on 10 July 2012).

¹³The Institute for Fiscal Studies. *The IFS Green Budget: February 2012*. Available at: <http://www.ifs.org.uk/publications/6003> (accessed on 10 July 2012).

¹⁴Blackaby, D.H., Murphy, P.D. and O’Leary N.C. *An investigation of the IFS public-private sector pay differential: A robustness check*. June 2012. Department of Economics Discussion Paper Series. Swansea University.

2.11 Looking at more senior employees, the IFS Green Budget stated:

“The estimated [public sector] premium falls gradually along the conditional distribution and is negative (but not statistically different from zero) among men at the 80th and 90th percentiles of the distribution.”

The results in the IFS Green Budget indicate that there is no public sector premium for workers¹⁵ at the 90th percentile and the trend implies that for a higher percentile (e.g. 95th) the premium would be negative. This suggests that VSMs, who are at the 95th percentile and above, are likely to be paid less on average than their private sector counterparts.

2.12 The Office for National Statistics (ONS) published similar analysis in March 2012,¹⁶ and found a UK public sector pay advantage of 8.2 per cent (with 95 per cent confidence intervals of 7.7 per cent to 8.7 per cent).¹⁷ This was broadly consistent with the IFS aggregate finding. The ONS used data from the Annual Survey of Hours and Earnings (ASHE)¹⁸ and also from the LFS¹⁹ for its calculation. For the 92nd percentile and above (the top 8 per cent of earners), the ONS article showed that the private sector pay per hour is higher than public sector pay per hour. Like the IFS research, this suggests VSMs are paid less on average than their private sector counterparts, which accords with the evidence we have received previously.

2.13 Both the LFS and the ASHE used by the IFS and the ONS are sample surveys so earnings estimates produced from them are subject to sampling error.²⁰

OME commissioned research

2.14 IDS interviewed nine companies in March and April 2012. It reported the results in *Case Studies On Geographically-Differentiated Pay*²¹ along with an analysis of geographical pay differentiation. Both parts of its work have been useful to us.

2.15 IDS produced nine case studies, covering a range of national organisations. These organisations had a limited number of geographical pay bands/zones. There was one exception, a professional services firm, which benchmarked pay for its posts against that for similar businesses with the result that pay within the organisation varied from region to region. For the other eight organisations, the typical number of geographical pay bands was four, and the range was from two to five. The organisations made no attempts to recognise small differences between labour markets.

2.16 The report showed that the national organisations interviewed controlled pay from the centre. The reason organisations gave for making decisions at this level was the need to control the paybill. The majority of those interviewed used zonal pay. The companies told IDS that they were not entirely happy with the data sources they used when setting pay.

¹⁵ This is the result for all workers, men and women. The premium is negative for men and positive for women.

¹⁶ Office for National Statistics. *Estimating differences in public and private sector pay – 2012*. March, 2012. Available at: http://www.ons.gov.uk/ons/dcp171776_261716.pdf (accessed on 10 July 2012).

¹⁷ “The estimate provided is such that there is 95 per cent certainty that from all samples possible the pay gap in 2011 would be between 7.7 per cent and 8.7 per cent.”

¹⁸ ASHE was the main source of data used. It is the ONS’ principal source for earnings estimates, collected in April of each year, and uses data on 181,000 employees.

¹⁹ The LFS was also used as a secondary source of earnings data because it has additional information to that found in the ASHE dataset, for example, information on the qualifications of those in the sample. This is a continuous sample survey covering 43,000 responding households in the UK each quarter.

²⁰ That is, had a different sample been selected in exactly the same way it might have produced slightly different results.

²¹ Incomes Data Services. *Case Studies On Geographically-Differentiated Pay: A research report for the OME*. June 2012. Available at: <http://www.ome.uk.com/Document/Default.aspx?DocumentUid=D72AD341-ED22-4370-881C-8FB2112F33DC> (accessed on 10 July 2012).

One commented that the regions were too broad and another was not convinced that the jobs they compared with required the same skill sets.

- 2.17 Most of the organisations in the survey said that labour markets had loosened in 2008 and in response three of the nine had removed payments for some or all hot spots outside London. All the companies were asked whether they were planning to make further changes to their local pay arrangements. Several companies said that they could reduce or remove location payments, but wished to proceed cautiously, in order to maintain stability and consistency. Also, a few organisations commented that it would be difficult to reduce or remove location payments in the face of opposition from their recognised trade unions.
- 2.18 IDS made a number of observations about pay for senior employees in the case study organisations:
- Pay progression for middle and senior managers is based on their performance assessment and, in some cases, on comparison of their pay with the market median.
 - Where local pay is subsumed into basic pay as part of the pay benchmarking process (i.e. benchmarking against the market is done on basic pay in the local area), all employees receive the geographical differential for their role.
 - Where differentials vary they are highest for the most junior staff and lowest, approaching or at zero, for the most senior staff.
 - All employees receive London allowances in three of the four organisations that pay them; at the other firm (a communications company) only non-management staff receive them.
 - In contrast to London allowances, zonal pay arrangements tend to be confined to more junior staff in shops and bank branches.

While the report does not contain a great deal of evidence about the pay for the more senior employees, the overall implication is that the locality pay differentials are smaller but that senior staff do tend to receive London allowances.

- 2.19 We found these case studies a valuable source of information about actual pay practice in parts of the private sector. The studies give an overall picture of a private sector where national companies have national pay structures with only limited pay variation outside of London and the South East. Locally-determined pay is all but non-existent. The studies also show that pay for senior managers has, in general, less geographical differentiation than pay for more junior staff.
- 2.20 Alongside the case studies, the IDS reviewed previous literature on geographical pay differentiation in the private sector. The literature review includes a number of general observations which support the case study findings:
- Multi-site private sector companies tend to operate with national pay structures with some geographical variation in pay, but with a maximum of four or five pay zones.
 - There is little regional variation in pay in the private sector outside of London and the South East.
 - Multi-site private companies control pay centrally because that provides simplicity, avoids the costs of duplication, allows for better paybill control, creates consistency and avoids poaching and leapfrogging.
 - Industrial sector and industrial skills are more important than geography when determining pay levels in the private sector.

Economic evidence from the Government

- 2.21 The Government's economic evidence²² referred to a number of data sources and research papers. These included regional ONS measures such as regional labour market indicators, 2010 data on regional price levels and regional gross value added.
- 2.22 The Government presented evidence on national pay structures. It referred to earlier case studies research by IDS, noting that employers with multiple sites across the UK tend to retain national bargaining structures to avoid duplication of effort and to reduce payroll management costs. The Government's economic evidence also described the local pay model for HM Courts Service (now HM Courts and Tribunals Service) staff as an example of where locality pay has successfully been introduced into the public sector. The Courts staff pay structure originally had five regional pay ranges: inner London, outer London and South East hotspots (typically to the south west of London), hotspots (e.g. Manchester, Edinburgh, Brighton), national plus (e.g. Norwich, Exeter, Newcastle), and national. The Ministry of Justice allocated locations to pay ranges (zones) based on an analysis of economic data and local salary surveys. It now has four ranges as the national and national plus ranges were merged. However, the data for more senior HM Courts Service staff (SEO, grade 7 and grade 6) did not support a need for five pay ranges and a three range model was applied (inner and outer London and national). There are no VSM equivalents in terms of job weight in the Courts Service pay model.
- 2.23 The Government evidence also referred to the pay arrangements in Academy schools and Foundation Trusts; the latter are employers of VSM equivalents. Both Academy schools and Foundation Trusts are public sector bodies that have the freedom to set their own pay. However, the Government noted that they tend not to use this flexibility and instead have kept to the parameters of national pay agreements.
- 2.24 Overall, we found the Government economic evidence provided a useful general picture of pay and employment in regions. However, the evidence did not specifically focus on the senior level of employment relevant to VSMs.

Research on 'crowding out'

- 2.25 In June 2012 Giulia Faggio and Henry G. Overman published a paper *The Effect of Public Sector Employment on Local Labour Markets*²³ which investigated 'crowding out'. Their work referred to an earlier paper by Burdett:²⁴

"Under a reasonable set of assumptions, Burdett (2012) shows that public sector employment crowds out private sector employment in regions where public pay is higher than the outside private option. In contrast, in regions where private employers offer a wage at least as large as the public sector, an increase in public sector workers would raise total employment leading to a multiplier effect²⁵."

The Faggio and Overman paper concludes that over the specific period 2003 – 2007 additional public sector employment had no impact on overall private sector employment. However, if the private sector was divided into 'tradeable' (manufacturing)

²² *Government Evidence to the Pay Review Bodies: Economics of Local Pay*. March 2012. Available at: <http://www.ome.uk.com/Article/Detail.aspx?ArticleUid=a782b32d-b08b-423b-8061-361211188711> (accessed on 10 July 2012).

²³ Faggio, G. and Overman H. G. *The Effect of Public Sector Employment on Local Labour Markets*. June 2012. SERC Discussion Paper 111. Available at: http://www.labourmarketnortheast.co.uk/assets/files/news/publicsector_locallabourmarkets_jun12.pdf (accessed on 10 July 2012).

²⁴ Burdett, K. *Towards a Theory of the Labor Market with a Public Sector*. 2012. *Labour Economics* 19, 68-75.

²⁵ The multiplier effect is where the creation of a job can result in other jobs being created. It comes about because when a new job is created in an area, additional jobs may be generated as a result of increased demand for locally produced goods and services.

and 'non-tradeable' (services and construction) then crowding out occurred in the 'tradeable' section. Over a longer time frame (1997 – 2007) there was evidence of 'crowding out' on overall private sector employment.

- 2.26 The conclusions of this work suggest to us that, while 'crowding out' can occur, it does so only when public sector jobs are paid more than comparable private sector ones.

The new VSM pay framework

2.27 The Department of Health published a new pay framework for VSMs in the NHS in May 2012. This pay framework applies to newly created posts and to new appointments to existing posts in 'arm's length bodies' (Special Health Authorities and Executive Non-Departmental Public Bodies (ENDPBs)).

2.28 Existing VSMs in 'arm's length bodies' and all VSM posts in Strategic Health Authorities, Primary Care Trusts and Ambulance Trusts will remain on their previous pay arrangements. However, we expect the number of VSMs outside the new pay framework to reduce rapidly as Strategic Health Authorities and Primary Care Trusts are due to be abolished in 2013 while Ambulance Trusts are expected to become Foundation Trusts provided that they meet the criteria for Foundation Trust status.

2.29 Under the pay framework remuneration comprises:

- basic pay (a spot rate chosen from within a 10 per cent range),
- eligibility for a non-consolidated performance-related bonus which is not pensionable,
- (where appropriate) a recruitment and retention premium (RRP) of up to 10 per cent (and possibly more in exceptional circumstances) which may be pensionable and count for other payments linked to basic pay such as performance-related bonus payments if it is long-term, and
- (where appropriate) an additional responsibilities payment of up to 10 per cent which is pensionable.

In addition, the NHS pension scheme applies to VSMs (see Appendix E, paragraphs 21 – 23).

'Arm's length body' remuneration committee

2.30 Each 'arm's length body' will have a remuneration committee that oversees VSM remuneration. The committee's responsibilities include agreeing the process for linking objectives to pay, monitoring pay arrangements, determining annual, performance-related bonuses and agreeing any additional responsibilities payments. The remuneration committee needs to seek approval from the Department of Health remuneration committee for all recruitment salaries of chief executives, executive directors and other VSMs paid more than £142,500 and for proposed RRP awards.

The Department of Health remuneration committee

2.31 The Department of Health remuneration committee oversees the work of the 'arm's length body' remuneration committees, taking a 'grandparent' role. It is responsible for maintaining the VSM pay framework, setting annual limits on performance-related bonuses and publishing annual pay scales. As stated above, it is also responsible for approving all proposed RRP awards and also all recruitment salaries of chief executives, executive directors and other VSMs paid more than £142,500.

Pay framework flexibility

- 2.32 'Arm's length bodies' may attach a RRP to a VSM post when market pressures lead to difficulties in recruiting or retaining staff at the normal basic pay rate for the post. This means RRP could be used as a form of locality pay in any area where the 'arm's length body' had difficulties in recruiting or retaining suitably-qualified VSMs. 'Arm's length body' remuneration committees need the approval of the Department of Health remuneration committee to use RRP and are generally expected to do so only when recruiting for specialist posts or where a recruitment exercise has already failed. Up to 10 per cent of basic pay is available for RRP and more in exceptional circumstances provided total pay is less than £142,500. The premia can be one-off, fixed-term or long-term, depending on job market conditions.

Responses to our requests for evidence

Department of Health

- 2.33 The Department of Health, on behalf of the Government, told us that it did not believe the evidence it had collected showed any need for additional locality pay measures to be added to its new VSM pay framework. Therefore, the Department proposed leaving its new pay framework for VSMs in 'arm's length bodies' unchanged. As we note above, the new VSM pay framework already allows limited flexibility for VSM employers to pay RRP where necessary to fill vacancies. The Department of Health asked that, if we did see a case for rejecting its proposal and including more market-facing pay arrangements in the pay framework, then we should consider an approach which is consistent with the Agenda for Change arrangements²⁶ for the bulk of NHS staff apart from doctors, dentists and the most senior managers.
- 2.34 The Department of Health told us it was advised by PricewaterhouseCoopers (PwC) that there is a single national market for managers at the very senior level of VSMs. A database of around 67,000 jobs in 300 companies showed that for salaries over about £110,000 there are no significant regional differences in pay. The Department of Health told us in oral evidence that it expected very few, if any, VSM posts to be paid less than £100,000.
- 2.35 PwC told the Department of Health that organisations rarely, if ever, made local adjustments to salaries at VSM level other than for London weighting. PwC recommended to the Department of Health, when developing the new pay framework, that a premium of up to £5,000 could be applied for VSM posts in London. However, the Department of Health rejected this recommendation for the new framework as the Department saw London weighting as immaterial for posts at VSM pay levels.
- 2.36 The Department of Health evidence compared total remuneration for VSM-equivalents in NHS Trusts across regions. Posts in the North East were paid above the national average, even when organisation size was taken into account while those in the South West were paid the least. Therefore, there appeared to be no obvious relationship between pay and location.
- 2.37 The Department of Health provided us with no evidence of 'crowding out'. Instead it stated VSM pay "lags rather than leads the market price for senior NHS talent and does not exert any significant upwards pressure on pay in those sectors".

²⁶The Agenda for Change pay system currently has provision for three levels of high cost area supplement. The DH proposals to the NHS Pay Review Body for Agenda for Change staff were:

- to increase the number of geographical areas which receive a supplement in addition to national pay rates,
- keep national pay rates to the minimum level to recruit and retain and,
- where localised problems arise, use local recruitment and retention premia.

- 2.38 The Department of Health reported to us that chief executives in Foundation Trusts had higher total earnings (in 2011) than chief executives in non-Foundation Trusts.²⁷ In addition, the Department noted that the levels of pay in the private sector for organisations of comparable size to those managed by VSMs in the NHS were very significantly higher.²⁸ This is consistent with the results published by IFS and ONS for senior employees.

Managers in Partnership

- 2.39 Managers in Partnership told us a new local pay approach was not needed. Instead it favoured replication of the Agenda for Change mechanism for recognising local differences in labour markets.²⁹ Managers in Partnership saw a need for consistency between Agenda for Change and VSM pay frameworks. If Agenda for Change continued as a national framework then so should the VSM pay framework. In oral evidence, Managers in Partnership noted that the RRP in the new pay framework could be used to address geographical variation, but said it would have liked the maximum flexibility to be higher than 10 per cent. Overall, Managers in Partnership set out a clear preference for national pay determined by job evaluation but with geographical variation in areas with high living costs or recruitment and retention difficulties.
- 2.40 Managers in Partnership told us that the recruitment market for VSMs is national. It said: "Our members are happy to move to different parts of the country to pursue their career ... and VSMs often choose to commute some distance to their place of work, crossing regional boundaries in the process." Managers in Partnership also said that the NHS "cannot afford to risk losing those managers in areas of the country which have depressed economies" by adopting local pay.
- 2.41 Managers in Partnership contributed to the project to produce the job evaluation scheme for the VSM pay framework. It considered job evaluation to be the best mechanism for ensuring fair rates of pay and therefore that VSM pay systems comply with the law on equal pay. Managers in Partnership suggested the job evaluation scheme that was developed for VSMs in 'arm's length bodies' could be extended to all those on VSM pay.
- 2.42 Managers in Partnership argued that this is the wrong time to make radical changes to the planned VSM pay framework, such as introducing locality pay. It said the morale of VSMs was lowered already by uncertainty and redundancies and would fall further if the accepted method of pay determination was altered just when remaining VSMs were expected to provide leadership for great structural change in the NHS. It also warned on practical grounds of system overload if the NHS tried to implement local pay through a smaller, hard-pressed workforce.
- 2.43 Finally, Managers in Partnership told us in oral evidence that statutory Clinical Commissioning Groups (CCGs) would be set up which would employ senior managers outside the VSM pay framework. Like Foundation Trusts, CCGs would have the freedom to set pay. Managers in Partnership explained that the Department of Health was due to issue pay guidance for CCGs, based on the VSM pay framework. The pay guidance³⁰ was published in June along with Frequently Asked Questions (FAQs).³¹ This guidance

²⁷ This was using data from the IDS NHS Boardroom Pay Report 2012.

²⁸ This was using data from the Will Hutton Fair Pay Review 2011.

²⁹ The Agenda for Change approach is effectively zonal pay (inner London, outer London, London "Fringe") plus recruitment and retention premia.

³⁰ NHS Commissioning Board. *Clinical Commissioning Groups: Remuneration guidance for Chief Officers (where the senior manager also undertakes the accountable officer role) and Chief Finance Officers*. June 2012. Available at: <http://www.commissioningboard.nhs.uk/files/2012/06/Remuneration-guidance-final.pdf> (accessed on 10 July 2012).

³¹ NHS Commissioning Board. *Clinical Commissioning Groups HR Frequently Asked Questions (FAQs)*. June 2012. Available at: <http://www.commissioningboard.nhs.uk/files/2012/06/Remuneration-FAQs-Final.pdf> (accessed on 10 July 2012).

suggests that Chief Officers (where they also undertake the role of accountable officer) could be paid between £90,000 and £130,000 so these posts could be in competition with posts in our remit group. We understand there will be 212 CCGs.

- 2.44 In general, Managers in Partnership agreed with many of the points made by the Department of Health. It agreed that the market for VSMs was national and also supported using the VSM pay framework as it stood. However, Managers in Partnership indicated that it would have supported adding high cost area supplements or at least greater flexibility to pay RRP.

Responses to the call for evidence

- 2.45 Of the responses to the general call for evidence, five were relevant to us. These were from the Trades Union Congress (TUC), the Institute of Directors (IoD), the Local Government Association (LGA), the Confederation of British Industry (CBI) and Mercer. The remaining responses to the call for evidence were a paper on the effect of labour markets on hospital performance (relevant for the NHS Pay Review Body) and responses from the Northern Irish, Scottish and Welsh Governments. However, our remit extends only to VSMs in England.
- 2.46 The TUC argued that it would be unfair for a public sector worker in one area, performing the same duties and with the same skills and qualifications, to be paid less than a similarly qualified public sector worker doing an equivalent job elsewhere in the country. It pointed out the economies of scale in national bargaining and, referring to IDS work, said that, when looking at large multi-site private sector firms, these tended to be dominated by national pay structures with limited higher rates in London and the South East. The TUC also argued that pushing down public sector pay in “struggling areas” would harm private sector economic development in those areas as the public sector workers would have less money to spend on private sector goods and services. The TUC rejected the Government’s concerns about ‘crowding out’, commenting that, with high unemployment, an otherwise healthy private sector would be able to recruit irrespective of public sector wages.
- 2.47 The IoD surveyed its members to ascertain their views on decentralising public sector pay in November 2011 and provided us with results on its members’ previous recruitment difficulties:³²
- 27 per cent of responding members said they had found it difficult to recruit because of competition with public sector wages. However, only a quarter of these said it was a frequent problem.³³
 - 57 per cent said public sector competition had never been a problem for recruitment.
 - The remaining 16 per cent did not know if public sector competition had caused them difficulties.

The IoD survey results do not show what type or what seniority of roles caused members difficulties when recruiting candidates. Given the IFS evidence that public sector pay is generally lower than private sector pay for the most senior employees, any private sector recruitment difficulties are likely to be for roles not competing with or comparable to VSMs.

³²The question asked was: “It has been argued that national public sector pay scales make it difficult for SMEs in some parts of the UK to attract skilled staff because they can’t compete with the public sector on wage levels. In your experience, has this been a problem?”

³³In other words, 7 per cent of all the members surveyed said it was a frequent problem.

- 2.48 The IoD concluded its response by confirming that it was in favour of making public sector pay more market-facing in local areas for certain public sector workers. The IoD noted that a significant minority of members had found it difficult to compete with public sector pay and decentralisation would lead to increased private sector employment.
- 2.49 The LGA told us it did not think the market for senior posts was national:
- “The LGA does not consider that there is a specific level of pay above which the market tends to be national. While at higher salary levels there is likely to be a greater degree of candidate mobility, this is still likely to be strongly influenced by a range of factors that are local in nature.”
- 2.50 The LGA also provided us with information about its own approach to pay. The LGA works on a system which is predominantly national pay bargaining (pay spines and rates of increase set nationally) but where grading structures and the positioning of jobs within grades are determined locally. The LGA said this allows for more local flexibility than exists in some other parts of the public sector. The LGA said it saw a clear case for the annual pay bargaining cycle in its sector to be carried out at national level to achieve economies of scale and best use of authorities’ resources. Referring to previous IDS work on geographical pay differentiation, the LGA noted that IDS research identified limited use of local pay bargaining within national companies because of the cost of duplication of effort.
- 2.51 The CBI said that in order to be fair and efficient the public sector should be able to pay differently at local level, according to need and responding to local labour market conditions. It saw local market-facing public sector pay as a requirement for “long-term economic rebalancing and taxpayer value, rather than to generate immediate cost savings”. The CBI asserted that ‘crowding out’ was taking place; high wages in the public sector were impacting on hiring in the private sector. However, it did not provide examples of this effect.
- 2.52 The CBI said it supported pay bargaining devolved to a local level, rather than local pay controlled at a national level. This was a different approach from that proposed by the Department of Health and in most of the other responses we received, including the IDS research. The CBI said: “Although local pay negotiations involve some trade-off in terms of administration, expense and time taken to negotiate at an individual level, these costs [are] ... more than offset by benefits of allowing local managers to decide what is most efficient and effective.” It went on to argue: “Bargaining must be local, not regional or national, as differences in earnings are more often found within regions than between them.”
- 2.53 Mercer told us it believed that whether there is a national or a local pay market depends on two main criteria:
- The number of positions – the scarcer a job, the more likely it is to have a national market.
 - The size of the job – the larger a job, the more likely it is to have a national market. Mercer asserted that people in jobs with greater impact and requiring more skills and competence are more likely to put their career ahead of personal and lifestyle choices and will be paid more, making it easier, from both personal and financial perspectives, to move.

Mercer also noted that the likelihood of a job having a national market was affected by the supply and demand of the labour market, the individual propensity to move, and the strength of transport links.

2.54 Mercer summarised its views on pay systems stating:

“... the arguments are strongly in favour of regional pay, and furthermore that pay decisions should be made locally enabling local public services to adapt jobs, pay systems and the underlying talent and HR processes to local needs”.

Mercer thus held the same view as the CBI, that setting local pay should be devolved to a local level.

Chapter 3

Conclusions and recommendations

Introduction

- 3.1 While the comments made in evidence to us were not always in agreement, on balance we see general consensus that very senior managers (VSMs) in the NHS are recruited in a national market and paid less than their private sector comparators.
- 3.2 We agree with the Department of Health that the evidence shows no need for additional locality pay measures to be added to its new VSMs pay framework as the new VSM pay framework already allows limited flexibility for VSM employers to pay Recruitment and Retention Premia (RRP) of up to 10 per cent, or more in exceptional circumstances provided total pay is less than £142,500.

Recommendation 1: We recommend that no additional locality pay measures be added to the new NHS very senior managers' pay framework.

Our remit

- 3.3 We listed in Chapter 1, paragraphs 1.5 and 1.6, the matters we were asked to take into account. Taking those items one by one our comments and conclusions are as follows.

Recruitment, retention and motivation

- 3.4 This is key to all our work. Our overriding concern is to recommend levels of remuneration which are sufficient – but no more than sufficient – to recruit, retain and motivate enough suitably able and qualified people to carry out the responsibilities of the posts within our remit.
- 3.5 Given the restructuring of the NHS, many new VSM posts will be created and the recruitment process will show whether the salary levels have been set sufficiently high. At the same time, many VSM posts are disappearing, notably from Strategic Health Authorities and Primary Care Trusts. The Department of Health told us (although the hard data on numbers of VSM posts remain unsatisfactory) that it expects the number of redundant VSMs to exceed that of new posts so, to the extent that the skills required are much the same, there is unlikely to be any difficulty in filling the new posts. We also note that the Department has been advised by consultants in setting the salaries to match job evaluation scores.
- 3.6 However, the picture is complicated by the creation of new bodies, notably the Clinical Commissioning Groups, and the growth of Foundation Trusts. Both types of body will need to employ specialist managers and may compete with the bodies employing VSMs while not being constrained by the VSM pay framework. The Chief Officer posts in Clinical Commissioning Groups are likely to be very similar to posts for our remit group and paid between £90,000 and £130,000. There are expected to be 212 Clinical Commissioning Groups with a number of roles in each, although the Chief Officer would be the most senior and some Clinical Commissioning Groups might share a Chief Officer. The Department of Health said in evidence that chief executives of Foundation Trusts were paid on average more than chief executives in non-Foundation Trusts (see paragraph 2.38 above). It will be essential as the NHS reforms take effect for the Department to collect sufficient information to enable it and us to judge whether VSM salaries are sufficient to recruit, retain and motivate.

Recommendation 2: We recommend that the Department of Health collect and provide to us information on the recruitment, retention and motivation of NHS very senior managers.

3.7 Such information should include – but not be limited to –

- data on numbers and pay of VSMs,
- data on filling vacancies,
- use of RRP,
- source and destination of VSMs (both organisational positions and geographical locations),
- reasons for leaving as given in exit interviews or surveys,
- relative levels of pay in bodies employing VSMs and other NHS organisations including Foundation Trusts and Clinical Commissioning Groups,
- information on motivation from staff surveys, and
- feedback on the work of ‘arm’s length body’ remuneration committees.

Difference in total reward between the NHS workforce and those of similar skills working in the private sector by location – and the impact of these differences on local labour markets

3.8 We have not been able to obtain detailed comparative information on relative earnings by location, not least because we do not know where all VSMs will be employed. Nevertheless, it is clear that the majority will be in London and Leeds. There is general evidence to show that the most senior public sector workers (at the 92nd percentile and above) are typically paid less than private sector comparators. Public sector pensions, even after the reforms currently being implemented, are on average worth more than those in the private sector, but research which we commissioned jointly with the Review Body on Doctors’ and Dentists’ Remuneration and summarised in our 2010 report³⁴ concluded that “private sector workers paid at similar levels often have a variety of benefits such as bonuses, long-term incentive plans, cars, private health insurance and other benefits which equal or outweigh the additional value of public sector pensions” (paragraph 1.13).

3.9 As noted above, we have seen no evidence of ‘crowding out’ of the private sector by NHS bodies employing VSMs. Indeed ‘crowding out’ by VSMs is extremely unlikely to occur, especially at a time of high unemployment, because there are few VSMs and they tend to be paid less than private sector comparators. This is not to say that ‘crowding out’ by the public sector could not occur in different labour market conditions but we have found no evidence of it in relation to VSMs at this time.

How private sector employers determine wages for staff in different areas of the country

3.10 It is clear, not least from the IDS research reported in Chapter 2, that most large private sector employers set pay nationally with a limited number of geographical variations – at most five zones and often fewer. Moreover, most large firms do not bargain locally, despite the CBI’s assertion that this is the best model. In addition, it is clear that the prevalence of geographically variable pay declines with increasing job weight and salary. We have previously noted that the market for jobs paying £100,000 a year or more tends to be national. The submissions from IDS, Mercer and the Department of Health

³⁴ Review Body on Senior Salaries, *Thirty-Second Report on Senior Salaries 2010*, Cm 7804. Available at: http://www.ome.uk.com/SSRB_Reports.aspx (accessed on 10 July 2012).

all concur. We therefore conclude that the Department's proposition that VSMs be remunerated at national rates accords with general private sector practice.

- 3.11 There remains some question of whether the national rates will be sufficient in London where the cost of living (notably for housing and transport) is significantly higher than in most of the rest of the country. PricewaterhouseCoopers (PwC) suggested that VSMs in London could be paid an allowance of £5,000 but the Department rejected this on the grounds that almost all VSMs will in future be paid at least £100,000 and London weighting would be immaterial at that level. We note that the new pay framework starts at around £70,000, and there could be a case for a London allowance at this level. However, it will also be possible to offer RRP if it proves impossible to recruit at the basic salary. On balance, therefore, we agree with the Department's proposal and encourage employing organisations to seek to recruit at basic salary level. If that fails, the relevant remuneration committee could consider an RRP but it is important that the use of such premia be carefully controlled and not become routine.

The most appropriate areas or zones by which to differentiate pay levels

- 3.12 For the reasons given above, we are satisfied that the market for VSMs is likely to be national and that no structural geographical basic pay differentiation is appropriate. We repeat that it will be essential to monitor recruitment and retention to check whether that assumption is borne out.
- 3.13 Workers below VSM level are covered by the Agenda for Change pay system which currently has provision for three levels of high cost area supplement resulting in four pay zones. We understand that our colleagues on the NHS Pay Review Body who have received a similar remit were invited by the Department of Health to indicate what a suitable number of pay zones might be. The proposed options in the evidence included five, six and nine pay zones. In the event that geographically based difficulties in recruiting and retaining VSMs emerge, then it might be appropriate to consider modifying the VSM pay framework to incorporate elements of the Agenda for Change system. However, that will be necessary only if, against expectation, the new pay framework proves not to be sufficiently flexible.

Affordability of proposals

- 3.14 The Department of Health told us that the new pay framework was developed on the basis that it should not increase the overall VSM paybill. PwC was able to demonstrate this by evaluating all current VSM roles and showing a hypothetical overall saving of 2.29 per cent; although its calculations did not include pay protection for staff in post and therefore, in practice, there would be a small associated cost. Since we do not propose any change to the new pay framework developed by the Department of Health, affordability is not an issue.

Need to ensure that proposals are consistent with the law on equal pay

- 3.15 We note that some evidence has argued that introducing geographically differentiated pay could infringe the principle of equal pay. We find that argument hard to understand since differences in pay justified by objective factors, such as labour market conditions or cost of living, would not be inconsistent with the law on equal pay and in any case are unlikely to affect men and women differently either within an area or across the country as a whole. However, given that we agree that pay for VSMs should be set nationally, we do not need to examine this point further.

Whether and how the new approach could be delivered within national frameworks

- 3.16 Self-evidently, the Department's pay framework is national.

Whether proposals should apply to existing staff, or just to new entrants

- 3.17 The Department has proposed that existing VSMs should continue to be covered by the old pay framework with the new pay framework applying only to those newly recruited. We have some concerns about this approach. While we agree that there is no point in transferring VSMs whose posts are to disappear to the new framework, it would be unfair if those whose posts remain find themselves working alongside newly recruited VSMs who are paid more for jobs with the same weight. This would be likely to engender claims of discriminatory treatment. The new pay framework corrects many of the problems found in the old pay framework and, in particular, has the advantage of linking pay closely to the results of job evaluation. Also, PwC demonstrated that it did not increase the paybill overall; although its calculations did not include pay protection for staff in post and therefore, in practice, there would be a small associated cost. We recommend that, once the NHS reforms are fully implemented, all VSMs should be assimilated into the new pay framework.

Recommendation 3: We recommend that all NHS very senior managers should be assimilated into and paid according to the new pay framework, on the basis of job weight, once the current NHS reforms have been fully implemented.

Where VSMs in the NHS are employed

- 3.18 As noted above, given the changes currently taking place the Department was unable to give us precise information on where VSMs will be employed, but most will be in London and Leeds.

Whether the market for these is local or national

- 3.19 The evidence clearly points to a national market.

Conclusions

- 3.20 When we began this review, we had not seen the new pay framework which the Department has developed for VSMs. We welcome the new framework and the clear linkage between job evaluation and salary. This is a more flexible system and addresses defects we had identified with the old framework. In particular, we welcome the fact that the new framework allows some variation when setting starting salaries.
- 3.21 It will be important for remuneration committees and the HR staff who advise them to look closely at local labour markets when setting the starting salaries for posts. Even though we accept that the market for VSMs is national, we note that there are already regional differences in the pay of senior managers in Foundation Trusts. This suggests that it may well be possible to pay towards the bottom of the range for a given job weight in some parts of the country, even if in others it may be necessary to pay more and even to add RRP in high cost areas.
- 3.22 We look forward to receiving thorough and consistent information about how remuneration committees have applied the new framework. This will enable us to judge how well it is working in practice, as well as whether remuneration committees are achieving value for money in filling vacancies and negotiating with preferred candidates. We expect that the Department of Health remuneration committee will review the performance and decisions of the local remuneration committees and take appropriate action if needed. Feedback on this process should be part of the information provided to us every year.

Appendix A

Review Body on Senior Salaries: background and terms of reference

The Review Body on Top Salaries (TSRB) was appointed in May 1971 and renamed the Review Body on Senior Salaries (SSRB) in July 1993, with revised terms of reference. The terms of reference were revised again in 1998 as a consequence of the Government's Comprehensive Spending Review, in 2001 to allow the devolved bodies direct access to the Review Body's advice and in 2007 to add certain NHS managers to the remit.

The Review Body exists to advise the United Kingdom and devolved Governments on the pay of senior public servants. It conducts annual reviews of the pay of the salaried judiciary, senior civil servants, senior military officers and certain NHS managers. From time to time Government Ministers have also asked it to carry out reviews of many other groups' remuneration, such as Members of Parliament and devolved assemblies, the Greater London Mayor and Assembly, tribunals judiciary and senior public servants in Northern Ireland.

Value of our independent process

The SSRB currently consists of six individuals from varying walks of life, including business, human resources and economics, and including both public and private sector experience. It has independent status and as such is required to be politically impartial. Each member of the SSRB is recruited through an open process following advertisement in the national press and regulated by the Commissioner for Public Appointments. The SSRB is supported by a secretariat based in the Office of Manpower Economics (OME), an independent body which is staffed by civil servants but does not report to Ministers.

In discharging its remit the SSRB insists on an open and transparent process to which stakeholders are invited to contribute. This combination of independent support, a range of professional experience and well-trying process allows the review body to study the evidence, receive views from all parties and consider all sides of any particular argument. As a result the SSRB can make balanced, evidence-based recommendations underpinned by sound rationale and taking into account all relevant factors and information.

The terms of reference³⁵ are:

The Review Body on Senior Salaries provides independent advice to the Prime Minister, the Lord Chancellor, the Secretary of State for Defence and the Secretary of State for Health on the remuneration of holders of judicial office; senior civil servants; senior officers of the armed forces; very senior managers in the NHS³⁶; and other such public appointments as may from time to time be specified.

The Review Body also advises the Prime Minister from time to time on the pay and pensions of Members of Parliament and their allowances³⁷; on Peers' allowances; and on the pay, pensions and allowances of Ministers and others whose pay is determined by the Ministerial and Other Salaries Act 1975. If asked to do so by the Presiding Officer and the First Minister of the Scottish Parliament jointly; or by the Speaker of the Northern Ireland Assembly; or by

³⁵ The terms of reference are currently under review, in particular to take account of the creation of the Independent Parliamentary Standards Authority which is now responsible for remuneration of MPs.

³⁶ NHS Very Senior Managers in England are chief executives, executive directors (except medical directors), and other senior managers with Board-level responsibility who report directly to the chief executive, in: Strategic Health Authorities, Special Health Authorities, Primary Care Trusts and Ambulance Trusts. The Health and Social Care Act 2012 contains provisions on the abolition of the Strategic Health Authorities and Primary Care Trusts.

³⁷ Under the Parliamentary Standards Act 2009 (as amended) responsibility for setting MPs' pay, allowances and pensions has now passed to the Independent Parliamentary Standards Authority which has a duty to consult SSRB (among others) on some matters.

the Presiding Officer of the National Assembly for Wales; or by the Mayor of London and the Chair of the Greater London Assembly jointly; the Review Body also from time to time advises those bodies on the pay, pensions and allowances of their members and office holders.

In reaching its recommendations, the Review Body is to have regard to the following considerations:

the need to recruit, retain and motivate suitably able and qualified people to exercise their different responsibilities;

regional/local variations in labour markets and their effects on the recruitment and retention of staff;

Government policies for improving the public services including the requirement on departments to meet the output targets for the delivery of departmental services;

the funds available to departments as set out in the Government's departmental expenditure limits;

the Government's inflation target.

In making recommendations, the Review Body shall consider any factors that the Government and other witnesses may draw to its attention. In particular it shall have regard to:

differences in terms and conditions of employment between the public and private sector and between the remit groups, taking account of relative job security and the value of benefits in kind;

changes in national pay systems, including flexibility and the reward of success; and job weight in differentiating the remuneration of particular posts;

the need to maintain broad linkage between the remuneration of the three main remit groups, while allowing sufficient flexibility to take account of the circumstances of each group; and

the relevant legal obligations, including anti-discrimination legislation regarding age, gender, race, sexual orientation, religion and belief and disability.

The Review Body may make other recommendations as it sees fit:

to ensure that, as appropriate, the remuneration of the remit groups relates coherently to that of their subordinates, encourages efficiency and effectiveness, and takes account of the different management and organisational structures that may be in place from time to time;

to relate reward to performance where appropriate;

to maintain the confidence of those covered by the Review Body's remit that its recommendations have been properly and fairly determined; and

to ensure that the remuneration of those covered by the remit is consistent with the Government's equal opportunities policy.

The Review Body will take account of the evidence it receives about wider economic considerations and the affordability of its recommendations.

Members of the Review Body are:

Bill Cockburn CBE TD *Chairman*
Professor Richard Disney
Martin Fish
Professor David Metcalf CBE
Professor Alasdair Smith
Bruce Warman

The Secretariat is provided by the Office of Manpower Economics.

This report was submitted to the Government on 17 July 2012.

Appendix B

The letter from the Chancellor to the SSRB Chairman



HM Treasury, 1 Horse Guards Road, London, SW1A 2HQ

7 December 2011

Bill Cockburn, CBE TD
Chair
Pay Review Body - Senior Groups
Office of Manpower Economics
6th Floor
Victoria House
Southampton Row
London
WC1B 4AD

A handwritten signature in blue ink that reads 'Jen M. Cockburn'.

Following my recent announcements at the Autumn Statement, I am writing to set out the Government's view on the critical role of the Senior Salaries Review Body in the years ahead.

The Government continues to value the independent and expert view that the Review Bodies provide. You will be aware that, at the Autumn Statement, I announced that the public sector pay freeze will end after 2012-13 – but that in order to support fiscal consolidation, for each of the following two years the Government will seek public sector pay awards that average at 1 per cent. The relevant Ministers will write to you in advance of the 2013-14 pay round, in line with normal process.

However, when it comes to setting pay policy after the freeze, the Government is concerned not only with the appropriate annual uplift, but also ensuring that overall public sector pay systems are the most appropriate for the modern labour market. In particular, as Review Bodies have noted in the past, there is substantial evidence that the differential between public and private sector wages varies considerably between local labour markets. This has the potential to hurt private sector businesses that need to compete with higher public sector wages; lead to unfair variations in public sector service quality; and reduce the number of jobs that the public sector can support for any given level of expenditure.

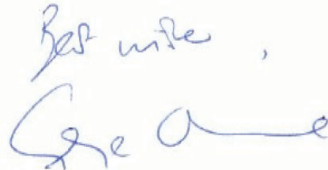
The Government believes that there is a clear case for seeking to correct these problems, where they exist, ensuring that public sector pay does not distort local markets. Therefore – following my announcement in the Autumn Statement, I am now writing to ask that you consider how to make pay more market-facing in local areas for the Senior Civil Service and NHS senior managers. The judiciary and senior military have been excluded from this process.

In taking forward this analysis, you should take into account:

- the need to recruit, retain and motivate suitably able and qualified staff across the UK;
- the difference in total reward between your remit groups and those of similar skills working in the private sector, by location – and the impact of these differences on local labour markets;
- how private sector employers determine wages for staff in different areas of the country;
- what the most appropriate areas or zones, by which to differentiate pay levels should be;
- the affordability of any proposals in light of the fiscal position – these should not lead to any increase in paybill in the short or long-term;
- the need to ensure that proposals are consistent with law on equal pay;
- whether and how the new approach could be delivered within national frameworks; and
- whether proposals should apply to existing staff, or just to new entrants.

The Minister for the Cabinet Office will follow this letter with further details in relation to this approach for senior civil servants. The Secretary of State for Health will write in relation to NHS senior managers, asking if you could submit initial findings by 17 July 2012. It will then be possible to feed these findings into the evidence provided by Government and other parties, to the 2013-14 pay round.

I am copying this letter to the Chief Secretary to the Treasury, the Secretary of State for Health and the Minister for the Cabinet Office.

A handwritten signature in blue ink, appearing to read "Best wife, George". The signature is written in a cursive, flowing style.

GEORGE OSBORNE

Appendix C

The letter from the Secretary of State for Health to the SSRB Chairman

*From the Rt Hon Andrew Lansley CBE MP
Secretary of State for Health*



POC1_668028

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Chair
Review Body on Senior Salaries
Office of Manpower Economics
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London
SW1A 2NS*

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23 DEC 2011

Dear Bill,

SSRB REMIT

As you are aware, the Chancellor of the Exchequer set out in his Autumn Statement that the Government is concerned not only with the appropriate annual uplift for each remit group, but also with ensuring that overall public sector pay systems are the most appropriate for the modern labour market. In particular, he highlighted that the Government is concerned that inappropriate differentials between public and private sector wages could hurt private sector businesses; lead to unfair variations in the quality of public services; and, reduce the number of jobs that the public sector can support for any given level of expenditure.


The Chancellor therefore wrote to you on 7 December 2011 to ask the SSRB to consider how to make pay more market-facing for NHS very senior managers. In particular, he has asked that you take into account the issues set out in Annex A. The Chancellor advised you that I would write to confirm the remit for this work. This letter sets out that remit.

As you know, the programme of reform in the NHS means that by April 2013 the employers of very senior managers within the terms of your remit will be exclusively arms-length bodies (Special Health Authorities and Executive Non-departmental Public Bodies). A new pay framework for very senior managers in these bodies is being developed, based on job evaluation. The framework and job evaluation system does not currently recognise or provide for any local differentiation beyond the discretionary award of recruitment and retention premia so I would ask you to consider

how the pay framework can be made more flexible and responsive to local labour markets to achieve the objectives set out in the Chancellor's letter. The matters the Review Body will need to examine should include where very senior managers will be employed, whether the market for these posts is local or national and whether there are private sector employers competing for these workers. My department will provide you with the evidence it has on these issues but you will no doubt wish to seek evidence from other sources.

I should like to take the opportunity to emphasise the value that the Government and I place on the independent and expert view of the SSRB. Thank you for your work. I look forward to receiving your report in due course.

I am copying this letter to Jon Restell of Managers in Partnership and Dean Royles of NHS Employers.

Yours ever,


ANDREW LANSLEY CBE

Appendix D

Organisations expected to employ VSMs on 1 April 2013

Arm's Length Body	Number of VSMs	Location
NHS Commissioning Board	Potential VSM workforce up to 200 in total: CEO; 9 national directors; 4 regional directors; 27 local office directors; other VSMs.	CEO in London and national directors split between London and Leeds. Substantial VSM presence in Leeds but also in locations throughout the country yet to be determined.
Care Quality Commission	8 VSMs	5 in London. 3 in national roles, with individuals based in Leeds, Newcastle and Bristol.
Monitor	21 VSMs currently but by 1 April 2013 Monitor will have assumed new role as sector regulator – implications for VSMs as yet unknown.	All in London.
NHS Blood and Transplant Authority	9 VSMs	All in Watford apart from 1 in Bristol and 1 in Birmingham.
NHS Trust Development Authority	C.40 VSMs	CEO and c.9 national directors likely to be in London. C.30 others around country in all regions except North East.
Health Education England	Up to c.70 VSMs	Unknown but a presence likely in all regions.
National Institute for Health and Clinical Excellence	5 VSMs	4 in London, 1 in Manchester.
NHS Business Services Authority	5 VSMs	All in Newcastle.
NHS Litigation Authority	4 VSMs	All in London.
Human Fertilisation and Embryology Authority	5 VSMs	All in London.
NHS Health and Social Care Information Centre	6 VSMs	All in Leeds.
Health Research Authority	C.3 VSMs	All in London.
Human Tissue Authority	5 VSMs	All in London.

Appendix E

The pay framework for very senior managers

The 2006 pay framework for VSMs

1. The Department of Health published the previous very senior manager (VSM) pay framework in July 2006³⁸ before VSMs were added to our remit. This followed a consultation in 2003 and field testing in Strategic Health Authorities in 2005. While new VSMs automatically joined the framework, not all existing VSMs moved to it and some remained on their old pay arrangements.
2. The 2006 pay framework fixed chief executives' spot rate salaries according to the type of organisation and a weighting factor which varied with organisation type.³⁹ In addition, the remuneration system included development pay, additional payments for additional responsibilities, recruitment and retention premia (RRP), annual performance bonus and pension.
3. VSMs were added to our remit in July 2007. We first received evidence on this group later that year from the Department of Health, NHS Employers and Managers in Partnership. Both NHS Employers and Managers in Partnership reported that they had not been adequately consulted on the introduction of the 2006 pay framework and felt that the arrangements did not offer sufficient local autonomy and flexibility. They also told us that they were dissatisfied with the performance management arrangements, arguing that chief executives' pay in Strategic Health Authorities and Primary Care Trusts should not be determined solely by the local area characteristics and that the pay of directors' posts should be based on job weight rather than linked to chief executives' pay. In response to these criticisms the Department of Health proposed commissioning an independent review of the pay framework.

Independent review

4. The independent review was formally commissioned on 7 March 2008 and carried out over the following months. The Department of Health presented the published report⁴⁰ to us as part of its evidence in late 2008. The report proposed changes to the existing pay framework, most crucially to use job evaluation and to give (local) remuneration committees greater autonomy including responsibility for performance pay allocations. The report also recommended consideration of a differential set of spot rates for London.
5. The Department of Health responded to the report by commissioning a job evaluation approach. It awarded the contract to PricewaterhouseCoopers (PwC) and as a system was developed, the Department began to draft a new VSM pay framework in consultation with Managers in Partnership and others. After the NHS reforms began, it was clear that the remit group would change significantly and the new pay framework would need to be applied to new roles in new organisations while existing organisations were abolished. This 'arm's length body' pay framework was eventually completed and published in May 2012.

³⁸ Department of Health. *Pay framework for very senior managers in strategic and special health authorities, primary care trusts and ambulance trusts: updated 2 April 2009*. Available at: http://www.dh.gov.uk/en/Publicationsandstatistics/Publications/PublicationsPolicyAndGuidance/DH_097599 (accessed on 10 July 2012).

³⁹ The organisation weighting factor used for banding for Strategic Health Authorities and Primary Care Trusts was weighted population, i.e. the size of the resident population weighted for age and deprivation. The factors used for Ambulance Trusts were expenditure on emergency services and activity. The factor used for Special Health Authorities was a combination of current grant in aid and national impact.

⁴⁰ *Evidence on Very Senior Managers*. Annex A: The NHS Very Senior Managers' pay framework: an independent evaluation. Department of Health, 2008. Available from: http://www.dh.gov.uk/en/Publicationsandstatistics/Publications/PublicationsPolicyAndGuidance/DH_090068 (accessed on 10 July 2012).

The new pay framework

6. The new pay framework for VSMs applies to newly created posts and to new appointments to existing posts in 'arm's length bodies' (Special Health Authorities and Executive Non-Departmental Public Bodies (ENDPBs)).
7. Existing VSMs in 'arm's length bodies' and all VSM posts in Strategic Health Authorities, Primary Care Trusts and Ambulance Trusts will remain on their previous pay arrangements (for the majority this will be the 2006 pay framework). However, we expect the number of VSMs on this pay framework to reduce rapidly as Strategic Health Authorities and Primary Care Trusts are due to be abolished in 2013 while Ambulance Trusts are expected to become Foundation Trusts provided that they meet the criteria for Foundation Trust status.

Principles

8. The Department of Health says that it based the new pay framework on five principles which were informed by and consistent with the principles set out in the Hutton Review of Fair Pay in the public sector.⁴¹ These principles are:
 - Executive remuneration should fairly reward individuals' contribution to their organisation's success and should be sufficient to recruit, retain and motivate executives of sufficient calibre. However, organisations should be mindful of the need to avoid paying more than is necessary in order to ensure value for money in the use of public resources.
 - Executive remuneration must be set through a process that is based on a consistent framework and independent decision-making using accurate assessments of the weight of roles and individuals' performance in them.
 - Executive remuneration should be determined through a fair and transparent process via bodies that are independent of the executives whose pay is being set, and who are qualified or experienced in the field of remuneration. No individual should be involved in deciding his or her own pay.
 - There should be a coherent approach to senior pay across all 'arm's length bodies', including all Department of Health Special Health Authorities and ENDPBs.
 - There should be appropriate delegated authority to 'arm's length body' remuneration committees within a clear framework.

Remuneration

9. Under the pay framework remuneration comprises:
 - basic pay (a spot rate chosen from within a 10 per cent range),
 - eligibility for a non-consolidated performance-related bonus which is not pensionable,
 - (where appropriate) a RRP of up to 10 per cent (and possibly more in exceptional circumstances) which may be pensionable and count for other payments linked to basic pay such as performance-related bonus payments if it is long-term, and
 - (where appropriate) an additional responsibilities payment of up to 10 per cent which is pensionable.

In addition, the NHS pension scheme applies to VSMs (see paragraphs 21ff).

⁴¹ Hutton, W. *Hutton Review of Fair Pay in the public sector: final report*. March 2011. Available at: http://www.hm-treasury.gov.uk/indreview_willhutton_fairpay.htm (accessed on 10 July 2012).

'Arm's length body' remuneration committee

10. Each 'arm's length body' will have a remuneration committee that oversees VSM remuneration. The committee's responsibilities include agreeing the process for linking objectives to pay, monitoring pay arrangements, arranging the job evaluation of any new or significantly changed roles, determining annual, performance-related bonuses and agreeing any additional responsibilities payments. The remuneration committee needs to seek approval from the Department of Health remuneration committee for all recruitment salaries of chief executives, executive directors and other VSMs paid more than £142,500 and for proposed RRP awards. The remuneration committee is also responsible for ensuring pay policy is administered in accordance with the framework and ensuring compliance with Government policy on transparency, disclosure and fairness.

The Department of Health remuneration committee

11. The Department of Health remuneration committee oversees the work of the 'arm's length body' remuneration committees, taking a 'grandparent' role. It is responsible for maintaining the VSM pay framework, providing advice on the interpretation of the framework and moderating any dispute that may arise. It is also responsible for setting annual limits on performance-related bonuses and publishing annual pay scales. As stated above, it is also responsible for approving all proposed RRP awards and also all recruitment salaries of chief executives, executive directors and other VSMs paid more than £142,500, although any salary higher than £142,500 will also need approval from the Chief Secretary to the Treasury. Finally, the Department of Health remuneration committee is responsible for considering each body's proposals for its own allocation to one of six organisation bands to determine the broader range for its chief executive's pay.

Basic pay

12. The new pay framework uses the proposed six band classification system from our *Report on a pay structure for NDPB chief executives*⁴² for evaluating the posts of Non-Departmental Public Bodies (NDPB) chief executives as a starting point for setting the basic pay of 'arm's length body' chief executives. So far, all bodies evaluated have been placed in the top four bands. Table E1 shows these four bands and the organisations allocated to them.

Table E1: Salary bands for chief executives in current and new 'arm's length bodies'

Organisation	SSRB Band	Floor £	Ceiling £
Care Quality Commission Monitor	F	175,000	225,000
NHS Commissioning Board			
Health Education England National Institute for Health and Clinical Excellence			
NHS Blood and Transplant Authority NHS Business Services Authority NHS Litigation Authority NHS Trust Development Authority	E	150,000	200,000
NHS Health and Social Care Information Centre	D	125,000	175,000
Health Research Authority	C	100,000	150,000

Source: Department of Health

⁴² Review Body on Senior Salaries. *Report on a pay structure for NDPB chief executives*. July 2011. Available from: http://www.ome.uk.com/NDPB_Report.aspx (accessed on 10 July 2012).

13. Each 'arm's length body' chief executive role is then assessed to place it in a narrower salary range within the band to which the 'arm's length body' is assigned using a version of PwC's Monks job evaluation system specifically tailored for VSM posts. All other VSMs are also job evaluated and placed in salary ranges according to their evaluation. The pay framework provides for jobs to be placed in 41 possible ranges from £69,750–£77,500 to £198,000–£220,000. Each range has a 10 per cent variation (i.e. the bottom of the range is set at 90 per cent of the top value). It is then for each 'arm's length body' remuneration committee to advise on the appropriate spot rate from within the range "taking into account the prevailing economic climate, local market conditions and the requirement to obtain the best possible value for money". The Department of Health said in evidence that it expected the majority of VSMs to be paid a spot salary of £100,000 or more given the size of the roles they would occupy.
14. Where an individual is expected to develop into the role, the 'arm's length body' remuneration committee can consider the option of development pay. This means paying a starting salary at the lowest point on the pay range for a defined period not exceeding two years.

Annual review

15. As we noted in Chapter 1, the Department of Health is due to update our standing annual remit to include the VSMs employed on the new pay framework. When this has taken place, we shall review and make recommendations in our main report on the remuneration of VSMs employed on the new pay framework, in parallel with our recommendations on the remuneration of senior civil servants, senior officers in the armed forces, salaried judicial office holders and any VSMs still paid on the 2006 pay framework.
16. According to the new framework, all VSMs are eligible to be considered for an annual uplift in salary (subject to overall pay policy) and those who have been in post for at least three months are eligible for consideration for a performance-related bonus. Those who have been in post for over six months will be eligible for consideration for a full year's performance-related bonus. Those who have been in post for three to six months are eligible to be considered for 50 per cent of the recommended performance-related bonus. The performance category in which a VSM is placed determines the annual uplift and bonus payments as set out in Table E2.

Table E2: Performance award categories for VSMs

Category	Award
A	Eligibility for an annual uplift, consolidated into salary plus a non-consolidated bonus
B	Eligibility for an annual uplift, consolidated into salary but no bonus
C	No annual uplift and no bonus

Source: Department of Health

Performance-related bonus

17. The Department of Health remuneration committee delegates responsibility to the 'arm's length body' remuneration committee for awarding annual performance-related bonuses to VSMs. These bonuses will be subject to limits set by the Department of Health remuneration committee annually. The limits include:
 - a cap on the maximum that may be paid to any individual, expressed as a percentage of basic pay;

- a cap on the total value of performance-related pay awards across the organisation, expressed as a percentage of the basic pay of all eligible staff; and
- a cap (if still required) on the maximum percentage of eligible staff that may receive performance-related bonuses.

Recruitment and retention premia

18. 'Arm's length bodies' may attach a RRP to a VSM post when market pressures lead to difficulties in recruiting or retaining staff at the normal basic pay rate for the post. 'Arm's length body' remuneration committees need the approval of the Department of Health remuneration committee to use RRP and are generally expected to do so only when recruiting from a specialist field or where a recruitment exercise has already failed. This means RRP could be used as a form of locality pay in any area where the 'arm's length body' had difficulties in recruiting or retaining suitably-qualified VSMs.
19. Up to 10 per cent of basic pay is available for RRP and more in exceptional circumstances where total pay is less than £142,500. The premia can be one-off, fixed-term or long-term, depending on job market conditions. One-off or fixed-term RRP do not count towards any other payment (such as pension) but long-term RRP are pensionable and also count for other payments linked to basic pay such as performance-related bonus payments. Individuals do not retain their RRP when moving post and it may not necessarily be paid to the next post holder.

Additional responsibilities payment

20. 'Arm's length body' remuneration committees may approve additional payments where individuals temporarily take on significant additional responsibilities. The period of time when these temporary responsibilities apply is between three and 12 months. The maximum amount payable is 10 per cent of basic pay and this is pensionable. If the additional responsibilities last longer than 12 months, then the post is job evaluated with the additional responsibilities included and the salary is set accordingly.

Pension scheme

21. We believe most VSMs are members of the 2008 NHS pension scheme, although some may be in the earlier scheme. Changes to the NHS pension scheme in England and Wales came into effect on 1 April 2008. Existing NHS staff could choose to transfer to the new scheme. Both schemes are defined benefit schemes linked to final salary but the new scheme has higher minimum and normal pension ages and a higher accrual rate but no automatic lump sum. Further details are set out in Table E3.

Table E3: NHS pension schemes available to VSMs

	NHS pension scheme prior to 1 April 2008	NHS pension scheme from 1 April 2008
Accrual rate	1/80th	1/60th
Lump sum	3/80ths of pension for each year of service	Option to exchange part of pension for cash at retirement, up to 25 per cent of capital value. Some members may have a compulsory amount of lump sum
Normal pension age	60	65
Minimum pension age	50	55
Employer contribution	14 per cent	14 per cent

22. Following completion of Lord Hutton’s review of public sector pensions in 2010,⁴³ the Government consulted NHS pension scheme members on increased employee contribution rates⁴⁴ and implemented a new set of tiered employee contribution rates from 1 April 2012.⁴⁵ Those which apply to VSMs are set out in Table E4.

Table E4: NHS pension scheme contribution rates applicable to VSMs from 1 April 2012

Pensionable pay (whole-time equivalent) paid in 2010-11	Contribution rate (from 1 April 2012)
£110,274 plus	10.9 per cent
£69,932 - £110,273	9.9 per cent
Less than £69,932	8.9 per cent

Source: Department of Health / HM Treasury

23. The Department of Health is discussing with trades unions further proposed increases to employee contributions in 2013-14 and 2014-15. Work is also under way on a revised NHS Pension Scheme for introduction in 2015 for which the Government has proposed:
- a career average scheme;
 - an accrual rate of 1/54ths;
 - revaluation each year in line with the CPI plus 1.5 percentage points; and
 - pension age linked to the State Pension Age.⁴⁶

⁴³ HM Treasury. Independent Public Service Pensions Commission. *Final Report*. 10 March 2011. Available at: http://cdn.hm-treasury.gov.uk/hutton_final_100311.pdf (accessed on 10 July 2012).

⁴⁴ Department of Health. *NHS Pension Scheme Consultation on proposed increases to employee contribution rates effective from April 2012* (28 July 2011–21 October 2011). Department of Health, 128799, July 2011. Available at: http://www.dh.gov.uk/prod_consum_dh/groups/dh_digitalassets/documents/digitalasset/dh_128799.pdf (accessed on 10 July 2012).

⁴⁵ NHS Business Services Authority. *NHS Pension Scheme – Consultation on Draft Regulations – 8 December 2011*. News Article. Available at: <http://www.nhsbsa.nhs.uk/3511.aspx> (accessed on 10 July 2012).

⁴⁶ Further information can be found at: <http://www.dh.gov.uk/health/files/2011/12/NHS-Pension-Scheme-heads-of-agreement1.pdf> (accessed on 10 July 2012).



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