



To: Chairs  
Chief Executives  
HR Directors

*Sir David Nicholson  
NHS Chief Executive*

Of: Strategic Health Authorities  
Primary Care Trusts

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Dear Colleague

**Process for Making Severance Payments to Very Senior Managers in Strategic Health Authorities and Primary Care Trusts**

In my letters to you dated 1<sup>st</sup> November 2007, *Process for Making Severance Payments to Senior Managers*, I clarified the process to be followed when a NHS Trust, Primary Care Trust (PCT) or Strategic Health Authority (SHA) wishes to terminate the contract of employment of its chief executive and/or directors.

This letter sets out the new process to be followed for very senior managers (VSMs) in SHAs and PCTs with immediate effect.

Chief executives and directors who report directly to the chief executive in SHAs and PCTs are normally, defined as VSMs. However, following the clustering of SHAs and PCTs a number of VSMs no longer report directly to the (cluster) chief executive. For the purposes of this letter VSMs are defined as all those who remain on the VSM pay framework regardless of whether they report directly to the (cluster) chief executive or not.

In summary, the former process involved PCTs seeking SHA remuneration committee approval where there was a proposal to make a termination payment to their chief executive or directors and for SHAs to submit such proposals for SHA chief executives and directors to DH.

The process was developed at a time when such occurrences were rare. However, the current reforms and subsequent movement of staff mean that there may be an increase in the number of cases over the coming months. I am sure you can appreciate that it is vital for me to have an overview of VSM capacity and any proposed changes to this during this critically important period for the NHS.

I have therefore decided that DH approval is required for all PCT VSM severance

proposals in addition to the SHA VSM proposals for which I already act as grandparent. In practice, this means that PCT cluster remuneration committees should continue to process cases and send them to SHA cluster remuneration committees for approval as usual. However, SHAs should send both PCT and SHA VSM proposals to DH following SHA cluster remuneration committee approval. No termination or termination payment should be agreed with an individual until DH sign off has been received.

I expect SHA cluster remuneration committees to have ensured that business cases evidence that the individual's employer has met their requirement, where appropriate, to identify and advise the individual of any suitable alternative employment (SAE) and that the individual has not unreasonably refused to apply for or accept SAE with their own or another NHS employer.

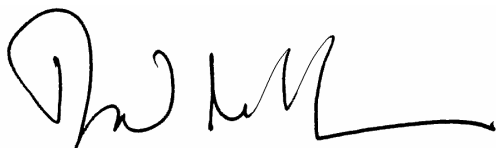
For the purposes of this letter, a termination payment is any severance payment, whether or not covered by a compromise agreement, pay in lieu of notice, garden leave, a redundancy or voluntary redundancy payment including early retirement on the grounds of redundancy. It is unlikely that any SHA or PCT VSMs would leave under the mutually agreed resignation scheme (MARS) at this stage. However, where there is such a proposal I expect SHAs to retain final sign off for PCT VSMs but any MARS proposals for SHA VSMs will need DH sign off.

Please note that any proposal to make a 'novel or unusual' payment, including any non-contractual payment (other than MARS) will continue to require HM Treasury approval in accordance with the Treasury guidance *Managing Public Money*. This requirement applies to all staff, not just VSMs, regardless of cost. Organisations should not approach Treasury directly. All proposals to make such payments should continue to be sent to DH following SHA remuneration committee support.

I understand that you would want to give your staff certainty with regard to termination arrangements as soon as possible and that you would not wish to see the additional sign off requirement for PCT VSMs cause undue delay. I will, therefore, aim to ensure sign off is secured where appropriate and any decision is communicated to SHAs within 5 working days of receiving a proposal from SHAs.

If you require further information please contact Nic Greenfield, Director of NHS Pay, Pensions and Employee Relations at [nic.greenfield@dh.gsi.gov.uk](mailto:nic.greenfield@dh.gsi.gov.uk).

Yours sincerely

A handwritten signature in black ink, appearing to read 'D Nicholson', with a long horizontal flourish extending to the right.

**Sir David Nicholson KCB CBE**  
**NHS Chief Executive**