



Department
of Health

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Dear Martin,

Senior Salaries Review Body (SSRB) Remit 2017/18 - Arm's Length Bodies (ALB) Executive and Senior Managers (ESM)

I am writing as a follow up to the letter from the Chief Secretary to the Treasury (CST), Greg Hands on 13 July 2016 to the Secretary of State (SofS) setting out the SSRB remit for ALB ESMs for the 2017/18 pay round. I have now taken responsibility for this group of ALB staff.

I should first wish to add my own thanks to that of the CST for the robust and independent advice that the Government receives from the SSRB on ESM pay. I can assure you that we value this advice very highly and attach considerable importance to the role of the SSRB, informed as it is by expert, impartial and independent judgement.

Context for the 2017/18 remit

I ask that when considering your recommendations, it is done within the context of the Government's public sector pay policy, announced at Summer Budget 2015 and reaffirmed in the Autumn Statement and Spending Review 2015:

- the government will need to ensure public sector pay restraint;
- the government will fund an average pay award of 1 per cent a year, up to 2019/20; and
- pay awards are targeted to address recruitment and retention pressures.

It is clear that in the next few years ALBs will face significant challenges to deliver efficient operating models in the context of aspiring to create a multi-professional workforce and prioritisation of work programmes with reduced administration budgets.

Detail of Remit

The Department has introduced a new ALB ESM Pay Framework in order to address a number of design and implementation issues associated with the use of the previous ALB Very Senior Manager (VSM) Pay Framework which arose from the 2012 health and care system reforms. The basis for introducing this framework will be set out in this year's evidence to the SSRB.

As part of the discussions with a number of ALB HR directors involved in the development of the new Pay Framework, it was decided that it would be appropriate to redefine ALB VSMs as ALB ESMs to draw a sharper distinction between ALB senior managers and VSMs in the wider NHS (which are not in the remit of the ESM Pay Framework).

Officials met with Margaret Edwards at the end of July to discuss the issues you raised in your Thirty-Eighth Annual Report on Senior Salaries 2016, and to ensure that our evidence to you will address all your concerns and provide a comprehensive data picture to support our workforce strategy and pay proposals.

Within the context of a challenging financial landscape we would welcome your recommendations on the best use of the average 1% pay award committed by government. We do not expect an across the board 1% pay award to ESMs but expect that the 1% is used to address retention issues and to reward individual performance.

The Government decided to target the annual average 1 per cent pay award. Accordingly the ESM average 1% pay award for 2016/17 has been implemented by awarding a consolidated cash payment only to ESMs that have met or exceeded their performance rating. A consolidated cash award rather than a percentage increase means that the award is targeted towards lower paid ESMs. Our rationale for this approach is that a consolidated cash payment will better reward and recognise the contribution of this group of ESMs and address retention issues.

With this in mind, and within the context of the CST's request of targeting the pay awards for 2017/18, I would welcome your independent advice and ideas about how ALBs might use their ESM paybill creatively to target pay awards.

As always, my officials will be happy to work closely with your secretariat to ensure you have all the information you need to assist your task of providing independent input to this important review.

Yours sincerely,



PHILIP DUNNE