Department of Health & Social Care

The Department of Health and Social Care's written evidence to the Senior Salaries Pay Review Body (SSRB) for the 2024 to 2025 pay round

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Contents

Data and evidence sources

The Department of Health and Social Care (DHSC) is committed to ensuring that our evidence to the pay review bodies is transparent and upholds the principles of the Code of Practice for Statistics.

Most data that we use comes from published sources and include links to source material. Where required we describe any transformations to source data. In a small number of cases, we include DHSC analysis of other data sets where such analysis is not possible from other sources. In these cases, we outline the data that has been used and the rationale behind its inclusion.

Our core data sources, and the primary chapters they relate to, are listed below.

Core sources

The electronic staff record (chapter 4)

The electronic staff record (ESR) is the HR and Payroll system used by NHS providers (trusts and foundation trusts (FTs)) in England but does not cover primary care, social care or the independent sector.

The ESR is a comprehensive data set with more than 1.5 million rows of data per month. It provides high quality data on the roles people are employed to do and what they are paid. We acknowledge that there is varying robustness to this data with the quality of some data items (such as reason for leaving) being less than other data items (for example, pay) and it cannot track people moving from secondary care into other parts of the health system. This pack provides information on factors including workforce size, earnings, and turnover.

Over recent senior salary review board (SSRB) rounds, stakeholders have worked to develop an appropriate methodology to identify the remit group on ESR and to identify the range of data that will help to answer the questions set out by the SSRB.

The data used within this publication is available at:

Very senior manager staff numbers - June 2023

Very senior manager staff earnings - June 2023

Very senior manager staff turnover - June 2023

Very senior manager staff absence - June 2023

Labour market data (chapter 4)

Date for the wider economy is primarily sourced from the Office for National Statistics (ONS) who produce a range of statistics on average earnings across the economy, including by occupation group.

Where required we note limitations or caveats with selected data. For example, the annual survey of hours and earnings (ASHE) does not include the self-employed or those who were not paid during the year, and some metrics may have been more impacted by the pandemic and the resultant impact on different sections of the economy.

- ONS data on earnings in the wider economy - labour market overview; annual survey of hours and earnings; inflation and price indices

- the Office for Budgetary Responsibility

The ALB data collection (chapter 5)

As part of the work to develop an evidence base for the SSRB for the 2024 to 2025 pay round and beyond, the department requested in-depth data on their ESMs from 11 ALBs and the Office for Health Improvement and Disparities (OHID) which sits within DHSC. This is referred to henceforth as the ALB data collection.

The ESMs included were in post as of 1 November. ALBs were asked to include any agreed uplifts for the ESM Pay Award for 2023 even if these had yet to be formally applied to ensure the data for the SSRB is the most useful for preparing the 2024 pay round.

1. NHS strategy and introduction

This chapter sets out the wider context for the department's evidence for the 2024 to 2025 pay round and provides an overview of this year's written evidence to SSRB.

For the 2023 to 2024 pay round, the government looked to the SSRB for recommendations on pay for NHS very senior managers (VSMs) and executive and senior managers (ESMs) and, after careful consideration, accepted the pay uplift recommendations in full. This year, the government is again inviting the SSRB to make a pay recommendation for the senior NHS workforce.

Our evidence aims to provide information on the government's approach to the pay and reward of NHS VSMs in provider trusts and integrated care boards (ICBs) and ESMs within DHSC arm's length bodies (ALBs). The evidence should be considered alongside that provided by NHS England.

In making their observations, we expect the SSRB to:

- provide recommendations in line with your terms of reference
- consider the interactions with pay and reward of other staff within the NHS, including those employed on Agenda for Change (AfC) terms and the different medical contracts
- consider the state of recruitment, retention, motivation of VSMs and ESMs, and consider the historic nature of the 2023 to 2024 awards and the government's affordability position. Similarities can also be drawn between ESM roles and Senior Civil Service (SCS) roles within Civil Service organisations given levels of seniority and movement between organisations, so we ask that this is also taken into consideration

The senior NHS workforce

A VSM is defined as someone who holds an executive position on the board of an NHS trust, NHS foundation trust (FT) or ICB, or someone who, although not a board member, holds a senior position typically reporting directly to the chief executive. In some larger trusts, there is a growing number of senior staff being appointed to roles on local non-AfC contracts who may report to other non-board level VSMs further down the organisational structure.

An executive senior manager (ESM) is defined as someone who holds an executive position in one of DHSC's ALBs, or someone who, although not a board member, holds a senior position typically reporting directly to the chief executive.

There are 3,250 (headcount) VSMs and 447 ESMs working across NHS trusts, FTs, ICBs and ALBs. Compared to 2,870 (headcount) VSMs and around 470 ESMs last year.

DHSC recognises that the VSM and ESM workforce plays a vital role in NHS leadership, and that senior pay needs to be set at a level that enables the NHS to recruit, retain and motivate genuinely talented individuals to executive board level roles whilst ensuring value for money for the taxpayer.

The leadership review and recruitment and retention of senior leaders

Strong leadership across health and social care is an important driver of performance. It is key to building a positive organisational culture and an engaged and motivated workforce which will help ensure high quality care and the efficient and innovative use of public resources.

Published in 2022, the Leadership for a collaborative and inclusive future review carried out by Sir Gordon Messenger, focussed on the best ways to strengthen leadership and management across health and its interfaces with the adult social care sector in England. All 7 recommendations were accepted by the government, with planning and implementation currently underway and led by NHS England in partnership with Skills for Care (SfC). Further detail can be found in the NHS England evidence pack.

The NHS Long Term Workforce Plan (LTWP) also outlines the importance of effective leadership within the health system, particular in terms of retention across the NHS workforce, delivering for patients, and meeting key health objectives. This plan forecasts the workforce needs of the NHS for 15 years, providing a roadmap for the government's approach and highlighting the need to prioritise the NHS settlement to deliver key objectives including recruiting more staff, embedding the right culture and improving retention, and working in new ways. Furthermore, the government’s 2023 mandate to NHS England makes it clear that a well-trained and well supported workforce is central to the delivery of its priorities.

Recruitment and retention of senior leaders is therefore crucial to the delivery of high-quality care and pay plays a critical role in achieving this. Chapter 3 explains how the new VSM pay framework will work to ensure that pay is set in a way that attracts the right candidates and encourages retention of those who are performing well in their roles, whilst ensuring appropriate pay restraint and value for money for the taxpayer.

It is important, however, that pay is not seen in isolation from other influencing factors. Pay makes up one part of the overall reward package and, whilst important, there are other benefits which have both financial and nonfinancial value which impact the motivation,

recruitment, and retention of the NHS workforce. While VSM terms and conditions are agreed locally, many are in line with those of AfC and many ESMs also benefit from flexible working conditions, NHS pensions, and performance related pay. The total reward package is detailed in chapter 6.

The NHS settlement

In 2023 to 2024, the financial pressures on the NHS settlement have become more pronounced due to inflationary pressures and the lasting impact of COVID-19 on budgets.

As we enter the final year of the spending review settlement agreed in 2021, and despite additional funding that has been made available in the intervening period, the NHS England and DHSC settlement is stretched. The recurrent impact of the 2023 to 2024 pay awards continues to affect budget capacity in 2024 to 2025 and means flexibility beyond the planned affordability at the 2021 spending review (SR21) is extremely constrained. The ongoing impact of inflation and industrial action is also putting unforeseen pressures on all budgets, including the costs to trusts of covering strike days. Inflation over the course of 2023 has proven more persistent than previously expected and is significantly higher than the assumptions in which the SR21 settlement was made within. These pressures have necessitated the reprioritisation of budgets for 2024 to 2025 even prior to subsequent decisions on this 2024 to 2025 pay award.

While the government has continued to prioritise investment into the NHS, these factors have increased the costs of delivering services and the financial pressures systems are facing. HM Treasury has provided further overarching evidence on the economic impact of the PRB settlements across different workforces.

Chapter 2 of our evidence focuses on how the changing context has impacted the department’s settlement and how NHS finances are being targeted at meeting key priorities.

Chapter 3 presents the wider senior manager pay strategy. Chapters 4 and 5 detail the size and make-up of the current VSM and ESM workforce and sets out how it has changed in the last year. This should be read alongside the data provided by NHS England on VSMs. Finally, chapter 6 presents the total reward package, which includes, but is not limited to, pay, and outlines why this will be of increasing importance in attracting and retaining the senior leadership workforce the NHS needs.

We look forward to receiving your report in May 2024.

2. NHS finances

The way in which VSM and ESM pay uplifts are funded differs from the AfC and medical workforces. Pay uplifts for the aforementioned groups are funded at a local level by NHS trusts and ALB organisations, whilst AfC and medical pay uplifts are funded centrally via the DHSC. Although these staff groups are funded separately, inflationary pressures and the lasting impact of COVID-19 on budgets have nevertheless increased the financial pressures on the NHS at all levels. Therefore, we expect the SSRB to consider the pay and reward of senior managers alongside the context of the pay and reward of these other staff groups. This chapter describes the financial context within which all of these NHS pay awards will need to be met.

The focus for the NHS continues to be recovering overall performance following the COVID-19 pandemic, including addressing the significant elective recovery challenge. This will be achieved through supporting innovation, the adoption of the right digital health technologies, and through ensuring that the workforce is well supported to continue delivering the excellent care it provides. Long-term NHS financial sustainability is essential to achieving these objectives.

However, the financial landscape poses significant challenges. With inflationary pressures continuing to impact the wider economy, the pay awards should be considered in the context of the commitments made within the SR21 settlement. This is leading to unforeseen pressures on budgets. These pressures are compounded by the recurrent impacts of COVID-19 and industrial action on budgets. Taken together, the financial landscape has already necessitated the reprioritisation of budgets for 2024 to 2025.

Although SR21 and subsequent fiscal events have provided new funding for DHSC and NHS England, including substantial additional funding for the elective backlog, the health and social care system still holds significant cost pressures resulting from the lasting impact of the COVID-19 pandemic. This year, exacerbated by the impact of industrial action, it was necessary to provide additional support to the NHS to meet pressures during the winter months. This was included as part of the financial package announced in November 2023, providing systems with £800 million. Furthermore, the ongoing impact of inflation on funding and the costs of delivering services means budgets are continuously being stretched. For example, systems had initially planned to overspend by £720 million in 2023 to 2024 but are now at a significant risk of further overspends.

There is also a system challenge for 2024 to 2025 of meeting the efficiency and productivity savings as set out in SR21, as well as refining and implementing plans to deliver the labour productivity ambition of up to 2% (at a range of 1.5 to 2%), as set out under the LTWP. This is significantly higher than the around 1% per year the NHS has

historically delivered. The current settlement also requires the NHS to deliver annual efficiency savings of at least 2.2% each year.

The financial situation at a local level mirrors the challenging national landscape. It is from these budgets that the affordability of the SSRB recommendations should be assessed. The financial position currently suggests that a significant number of ICSs are headed for an overspend in 2023 to 2024. Although this is premature before the end of the financial year, it indicates that ICS budgets have a limited scope of affordability for the pay and reward of senior managers. Further information on this can be found in Table 2.

Pay awards should be considered within this context.

Economic context

Inflation and the lasting financial impacts of COVID-19 and industrial action are putting unforeseen pressures on all budgets and as a result government borrowing. In this context, the government is committed to price stability and has re-affirmed the Bank of England’s 2% CPI target at the autumn budget.

Inflation has more than halved since its peak in autumn 2022 of over 11% but remained well above the 2% target in January 2024 at 4.0%. This is significantly higher than the assumptions within which the SR21 settlement was made. The expectation at the time was that inflation would peak at 4.4% in Q2 2022. The Bank of England forecast that inflation will return to the 2% target in the second quarter of 2024 before rising slightly again, towards the end of the forecast period.

The Bank of England's resulting increases in its base rate to 5.25%, the highest level in decades and necessary to bring down high inflation, have weighed on economic growth. This has resulted in additional borrowing costs for many mortgage-holders, businesses, and government. The government is committed to supporting the MPC to bring inflation back to target by aligning fiscal and monetary policy. Further borrowing, above what is forecast, would add to inflationary pressure which would in turn put upward pressure on interest rates. Despite initial economic growth at the start of the year, the UK economy formally entered into a technical recession with a contraction of 0.5% across Q3 and Q4 2023.

Funding growth

SR21 took steps to place the NHS on a sustainable footing and to fund the biggest catch-up programme in NHS history. The increase in funding for elective recovery, growing the workforce and allowing the NHS to continue to respond to the lasting impact of the COVID-

19 pandemic, will further enable the NHS to deliver better service and health outcomes for patients.

The government is committed to delivering its manifesto commitments on workforce, ensuring that we can keep growing a diverse and skilled NHS workforce through the LTWP. The government announced £2.4 billion with the publication of the plan to fund additional education and training places over 5 years.

To support elective recovery, the government plans to spend more than £8 billion between 2022 to 2023 and 2024 to 2025. As part of the Autumn Statement 2022, the government announced an additional £3.3 billion for 2023 to 2024 and 2024 to 2025 to support the NHS in England, enabling rapid action to improve emergency, elective and primary care performance towards pre-pandemic levels. The department has also committed to a £5.9 billion investment in capital – for new beds, equipment, and technology.

Table 1 - mandate funding for NHS England

NHS England (NHSE)	NHSE revenue departmental expenditure limits (RDEL) excluding ringfence (RF) (cash) £ billion	NHSE capital departmental expenditure limits (CDEL) excluding ringfence (RF) (cash) £ billion
2013 to 2014	93.676	0.200
2014 to 2015	97.017	0.270
2015 to 2016	100.200	0.300
2016 to 2017	105.702	0.260
2017 to 2018	109.536	0.247
2018 to 2019	114.603	0.254
2019 to 2020	123.377	0.260
2020 to 2021	149.473	0.365
2021 to 2022	150.614	0.337
2022 to 2023	158.521	0.330
2023 to 2024	163.326	0.444
2024 to 2025	165.841	0.219

Source: 2023 to 2024 financial directions to NHS England

Table 1 above shows the closing mandates for NHS England up to 2022 to 2023, the opening mandate in 2023 to 2024, and indicative amounts for future years, in line with the outcomes of SR21 and the Autumn Statement 2022. The 2023 to 2024 and 2024 to 2025 RDEL figures have not yet been adjusted for education and training budgets. The figures are adjusted annually to account for reallocation of resource, additional funding, and changes of responsibility between government bodies. These figures include an increase for pensions revaluation which was provided alongside the LTP settlement. Figures exclude depreciation, annually managed expenditure (AME) and the technical accounting budget, namely capital grants, or Private Finance Initiative.

Financial position

The government's 2023 mandate to NHS England outlines the headline objectives for the NHS. The 2023 to 2024 financial directions to NHS England reflects further funding to deliver manifesto commitments agreed at spring budget 2020, as well as funding to meet considerable pressures arising due to the lasting impact of the COVID-19 pandemic and to support the recovery of elective services in the 2022 to 2023 financial year.

The NHS ended the 2022 to 2023 financial year in a marginal underspend position - a smaller underspend than in 2021 to 2022. A proportion of this underspend is driven by specific ringfenced budgets, and so alternative uses of this spend would not be possible. In the provider sector specifically (as set out in the table below), there is now a significant deficit position of nearly £1 billion, which is a marked deterioration on the year before. Final audited spend in the 2022 to 2023 financial year will be laid before Parliament and available in NHS England's published annual report and accounts.

However, the fiscal and economic environment has pushed the NHS into a challenging financial position in 2023 to 2024 onwards. The 2023 to 2024 pay awards have been financially challenging on the DHSC group in the context of the wider financial and economic context described above and will continue to have a knock-on impact on future years. NHS England are also facing increasing and significant pressures on their budgets through inflation and industrial action. For example, NHS providers are incurring additional pay costs to secure staff cover on strike days and to catch up on lost activity to reduce the elective backlog.

Table 2 shows the breakdown of funding provided to NHS providers since the 2017 to 2018 financial year, including preliminary outturn data for 2022 to 2023.

Table 2 - NHS providers RDEL breakdown

NHS Providers RDEL breakdown (£m)	2017 to 2018	2018 to 2019	2019 to 2020	2020 to 2021	2021 to 2022	2022 to 2023
Gross deficit	2,433	2,755	1,560	158	126	1,001
Gross surplus	-1,337	-1,889	-567	-363	-442	-299
Reporting adjustment	-105	-39	-323	-450	-240	-252
NHS providers SRP (sector reported performance)	991	827	670	-655	-556	450
Plus additional RDEL adjustment	47	-1	338	-77	-39	528
Net NHS providers RDEL NRF	1,038	826	1,008	-732	-595	978

Share of resources going to pay

Table 3 shows the proportion of funding consumed by NHS provider permanent and bank staff spend since the 2016 to 2017 financial year. Note that NHS provider permanent and bank staff spend only covers staff working within hospital and community health settings, excluding agency spend by these organisations.

Table 3 - increases in revenue expenditure and the proportion consumed by pay bill

Year	NHSE RDEL (£ billion)	NHS Provider permanent and bank staff spend (£ billion)	% of spend on staff	Increase in total spend	Increase in provider permanent and bank staff spend
2016 to 2017	105.7	47.7	45.1%	n/a	n/a
2017 to 2018	109.5	49.9	45.6%	3.63%	4.64%
2018 to 2019	114.4	52.6	45.9%	4.46%	5.35%
2019 to 2020	120.5	56.1	46.6%	5.34%	6.75%
2020 to 2021	140.6	62.7	44.6%	16.65%	11.79%
2021 to 2022	146.5	66.2	45.2%	4.21%	5.47%
2022 to 2023	155.7	71.1	45.6%	6.25%	7.39%

Notes:

- 2016 to 2017 to 2019 to 2020 NHS England RDEL represents the budget, while underspend was negligible
- 2019 to 2020 NHS England RDEL excludes £2.8 billion for the revaluation of the NHS pensions scheme
- 2020 to 2021 reflects spend and excludes £6 billion unspent funding and £2.8 billion for the revaluation of the NHS pensions scheme
- 2021 to 2022 reflects spend and excludes £1.3 billion unspent funding and £2.8 billion for the revaluation of the NHS pensions scheme
- 2022 to 2023 represents the budget, as underspend was negligible, excluding £2.8 billion for the revaluation of the NHS pensions scheme

- 2019 to 2020 NHS provider permanent and bank staff has been revised since last year's evidence to the pay review bodies due to recalculation of exclusion for the revaluation of NHS pensions

- 2022 to 2023 NHS provider permanent and bank staff excludes £2.5 billion for the non-consolidated pay award

- figures in the table are correct to the specified level of significance. Percentage increases may not match increases calculated from budget or spend figures as given in the table due to rounding

In 2023 to 2024, the pay awards were above the government's affordability envelope. As a result, a reprioritisation exercise within DHSC group was undertaken to identify the funding necessary (together with additional HMT funding). The DDRB recommended a 6% pay increase for salaried GP practice staff, consultants, and high-street and salaried dentists. Doctors in training (junior doctors) received a permanent pay increase of on average 8.8% - between 8.1% and 10.3% depending on where they are in their training.

The government accepted and implemented the DDRB recommendations in full which was a further £1 billion above provision for DDRB.

Following an agreement between the government and NHS trade unions, non-medical staff working on the AfC contract received a 5% consolidated pay award in 2023 to 2024 and 2 non-consolidated payments relating to 2022 to 2023. In addition, the lowest paid staff have seen their pay matched to the top of band 2, resulting in a pay uplift of 10.4%, or £2,113 in 2023 to 2024.

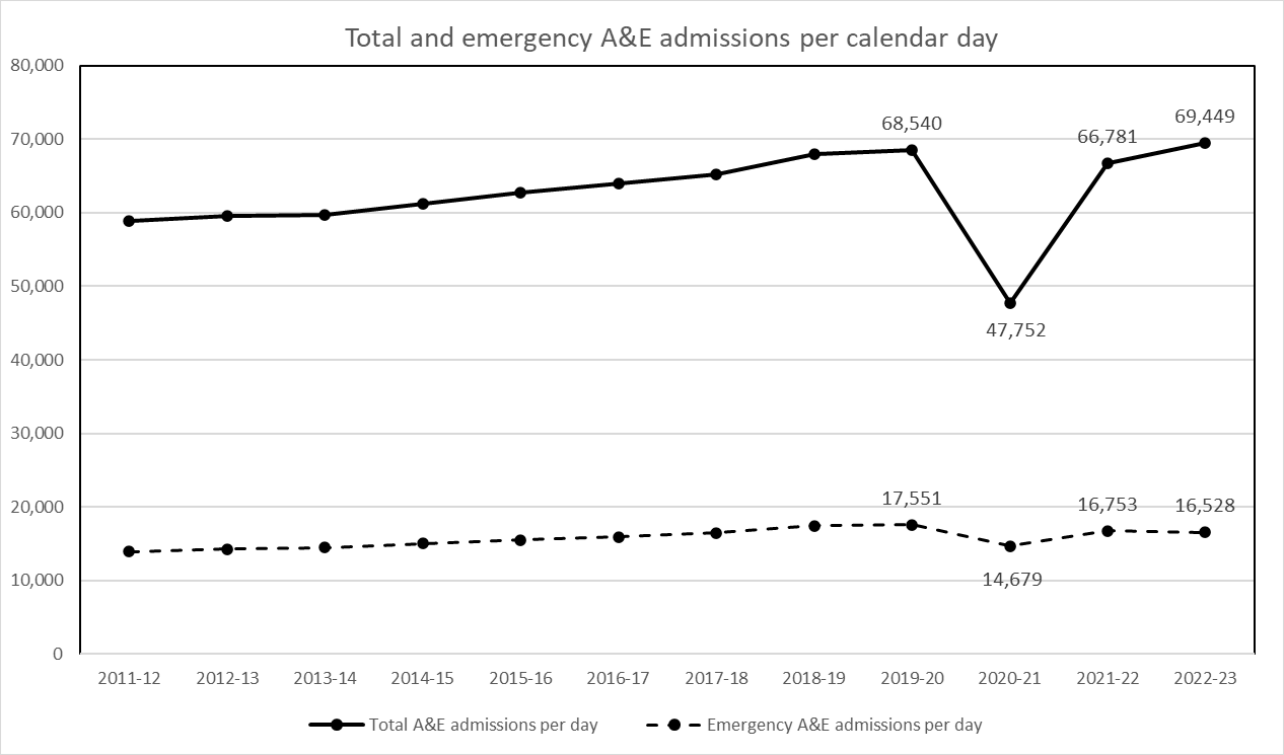
This resulted in an impact of 5.2% in 2023 to 2024 on the AfC paybill following negotiations with the NHS Staff Council: 2.2% (equivalent to £1.6 billion) above what was provisioned for pay at SR21.

Demand pressures

Activity and demand levels in the health system for elective care dropped dramatically in 2020 to 2021, as numbers of self-presenting patients reduced and the NHS freed up capacity to manage COVID-19 demand, including the suspension of all non-urgent elective operations.

Demand for non-elective care in 2022 to 2023 has returned to levels seen before the COVID-19 demand spike.

Figure 1 - Total and emergency admissions per calendar day



Source: [A&E attendances and emergency admission statistics]

Figure 1 shows the total attendances and emergency admissions to NHS England per calendar day between 2011 to 2012 and 2022 to 2023.

In 2019 to 2020, there were 68,540 A&E attendances and 17,551 emergency admissions per day. In 2022 to 2023, there were 69,449 A&E attendances and 16,528 emergency admissions per day. This equates to a 1% increase in attendances and a 6% decrease in emergency admissions between 2019 to 2020 and 2022 to 2023.

Table 4 - total referral to treatment (RTT) pathways completed per working day

Year	RTT clock starts	RTT total completed pathways and unreported removals	Waiting list at year end (31 March)
2011 to 2012	59,771	59,897	2,443,952
2012 to 2013	63,085	62,150	2,677,497
2013 to 2014	66,281	64,806	3,052,280
2014 to 2015	69,473	68,853	3,209,293
2015 to 2016	73,252	71,403	3,675,298
2016 to 2017	77,956	77,085	3,897,530

2017 to 2018	79,764	78,945	4,102,999
2018 to 2019	82,231	81,272	4,345,467
2019 to 2020	79,712	79,552	4,386,297
2020 to 2021	55,824	53,595	4,950,297
2021 to 2022	74,916	69,322	6,365,772
2022 to 2023	79,511	75,665	7,331,186

Source: NHS England consultant-led referral to treatment statistics. Data adjusted for non-submitting trusts and exclusion of sexual health services from 2013. Clock start data was not submitted prior to 2016. Therefore, clock start figures and un-reported removals figures are based on estimated clock start figures for 2015 to 2016 and earlier.

In recent years, pay review bodies have asked about the scale of increases to care backlogs. During the first wave of the COVID-19 pandemic, activity levels dropped to around 40% of normal levels. This reduction in activity meant that patients who would have normally been treated were not, and therefore the waiting list has grown to over 7 million, an increase from 4.4 million at the start of COVID-19.

The Elective Recovery Delivery Plan looks to boost activity levels to around 30% higher than they were before COVID-19, and therefore help reduce the overall waiting list in the longer term. Activity has been recovering to pre-COVID-19 levels and, including the impact of advice and guidance, the estimated year to date (YTD) figure for 2023 to 2024 is 111.5% compared to pre-pandemic levels. Excluding adjustments for advice and guidance the estimated YTD figure is 102.5% compared to pre-pandemic levels. The impact of the more than 40 days of industrial action in 2023 to 2024 has also created a further loss of elective activity as well as unavoidable financial costs, estimated to be around £1 billion. To cover these costs, £800 million has been allocated to systems and the elective activity target for 2023 to 2024 has been adjusted to a national average of 103%, to be maintained for the remainder of the financial year.

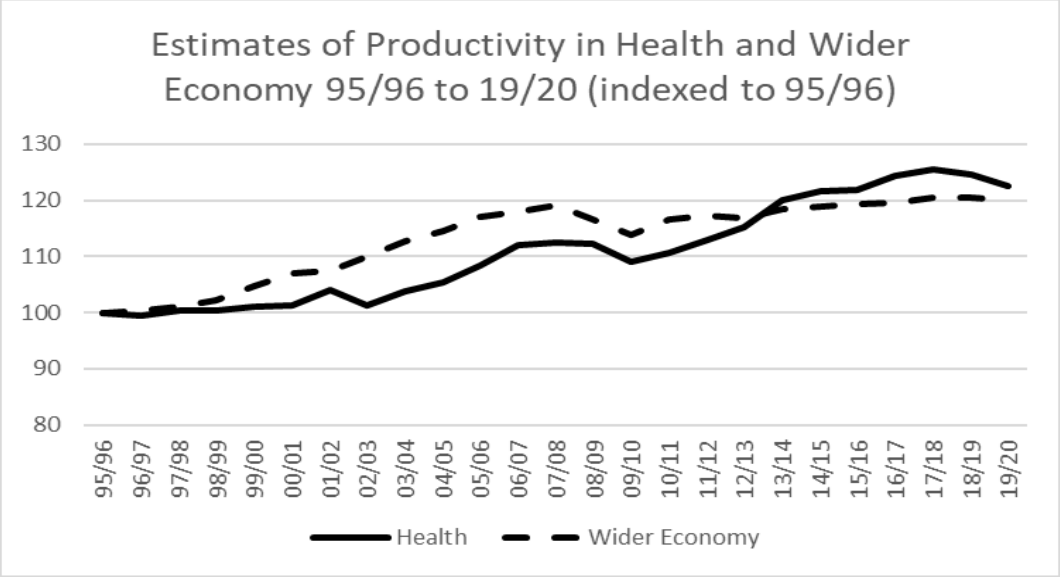
Productivity in the NHS

Historically, the NHS had been able to achieve productivity improvement in the acute sector through a combination of medical and operational advancement (for example, moving planned care from overnight stays to day-case settings, with surgical techniques becoming less invasive) and reducing lengths of stay for medical admissions, meaning the NHS was able to deliver more care with our workforce and infrastructure. Productivity improvements will build on the achievements of the 2016 Carter Review and the

operational productivity programmes which saw a saving of £3.57 billion by January 2020. Productivity continues to be a priority as looking ahead, the NHS will serve an increasingly older population with more complex needs.

NHS productivity has increased on average by 0.8% per annum from 1995 to 1996 until 2019 to 2020. This is a similar level to wider economy productivity growth – health was lower prior to the 2008 financial crash but higher from the 2008 financial crash to the COVID-19 pandemic in 2020.

Figure 2: productivity growth in health and the wider economy up until 2019 to 2020. productivity measures are indexed to 1995 to 1996 = 100



Note: The latest figure is 2020 to 2021, it is not included in this graph as an outlier (see below)

The graph tracks the estimates of productivity in health and the wider economy for each year from 1995/96 to 2019/20. The productivity growth for both health and the wider economy generally shows a gradual incline from 100 to above 120 for the time period. In the last 7 years, health productivity has overtaken the wider economy but has started to decline slightly in the since year 2017/18.

Table 5 - average productivity growth in health and the wider economy, both prior and after the financial crash

Years	Health	Wider economy
1996 to 1997 - 2007 to 2008	1.0%	1.5%
2008 to 2009 - 2019 to 2020	0.7%	0.1%

NHS productivity fell by 25.6% in 2020 to 2021. This was the result of increasing inputs (for example, staff) to cover the risk of surges in COVID-19 patients and reductions in the number of outputs (for example, operations) due to infection controls and limiting elective treatments. It is important to note that infection controls and lockdowns implemented throughout the COVID-19 pandemic have delivered health benefits (for example, fewer COVID-19 cases) that are not captured in our usual measures of productivity.

Formal ONS NHS productivity estimates are currently only published up until 2020 to 2021. The post-pandemic environment the NHS is facing is still materially different from the pre-pandemic environment. Although the formal measure has a long lag time, the ONS publish a total public sector productivity measure to shorter time scales, of which the health sector comprises 40%. The latest publication (April to June 2023) showed public sector productivity is recovering but is still 6.3% below the equivalent pre-pandemic level. The ONS's experimental 'nowcast' statistics suggest health productivity is 5.5% below the pre-pandemic level. It should be noted that this is an untested methodology which is giving lower figures than those suggested by the Institute for Fiscal Studies and Institute for Government. It is likely that NHS productivity has improved since 2020 to 2021 but is still well below the pre-pandemic level.

While public service productivity remains at low levels, this creates challenges for the NHS. As a result of the COVID-19 pandemic, there are currently large backlogs for elective care due to issues such as the direct effects of managing COVID-19, delays to discharge and longer non-elective length of stay (therefore constraining elective capacity), higher staff sickness and absence, use of agency staff and wider vacancies, and opportunity loss as a consequence of industrial action. Reductions in productivity result in reductions in outputs in the NHS, which means less of the elective backlog can be tackled.

The government is clear that recovering and increasing productivity will be crucial to recovering the performance of the NHS. In June 2023, the Chancellor announced that the Chief Secretary of the Treasury would lead a major public sector productivity programme across all government departments. This is currently underway.

In addition, the LTWP is underpinned by an ambitious labour productivity assumption of 1.5 to 2%, over double the long-run historical average for the NHS. This sets an ambitious target to be delivered.

As part of the £8 billion funding announced at SR21, the government has invested in programmes to help the NHS achieve an ambitious productivity trajectory while recovering key services. Key productivity programmes supported by this investment are:

- improving patient pathways
- surgical hubs

- expanding community diagnostic centres (CDCs)
- making outpatient care more personalised
- digital productivity programmes

Productivity improvements going forward now need to come from a combination of delivery of the same care in lower cost settings for example, moving treatment from theatres into outpatient settings, moving hospital admissions to hospital at home, delivering large-scale skills mix opportunities as well as upskilling and retaining our staff, and reducing the administrative burden on clinicians through technological advancement, such as artificial intelligence (AI) and robotic process automation.

Affordability

Previously in this chapter we have set out the economic and NHS financial landscape for 2024 to 2025 which builds on the challenging position following the 2023 to 2024 pay round.

The SR21 settlement provided DHSC with a budget allocation for each year of 2022 to 2023, 2023 to 2024 and 2024 to 2025. Since this point, the financial landscape has changed with both inflation and pay awards across the economy substantially higher than anticipated and planned for at the Spending Review 2021. The resulting financial pressures have been compounded by the costs of recovering services disrupted so significantly by COVID-19 and by the direct and indirect costs of industrial action. All of these have a recurrent financial impact into 2024 to 2025, which has necessitated the reprioritisation of budgets for 2024 to 2025, even prior to the submission of this evidence and subsequent decisions on the pay award. The pay award should be considered in the context of the SR21 settlement and its underpinning assumptions, as well as changes to the broader context since.

If further reprioritisation would also be required, this would impact on NHS priorities, these NHS priorities are currently to support ambulance services, tackle the elective backlog, establish a strong care sector, and improve access to primary care. Pay awards above affordability may also necessitate further government borrowing at a time when inflation remains above target and headroom against fiscal rules is historically low.

Meeting the DDRB recommendations and the AfC pay for 2023 to 2024 deal has necessitated challenging decisions on how the NHS budget could be allocated and with recurrent impacts into 2024 to 2025. For example, funding for investment in service transformation is being reallocated to fund pay awards. To put this into context, each additional 1% of pay for the whole Hospital and Community Health Service (HCHS)

workforce costs around £1.1 billion per year allowing for the full system costs beyond the substantive workforce. The previous 2 years have provided recommendations above what was considered affordable at SR21 by £1.4 billion and £2.6 billion respectively and so required reprioritisation of budgets to allow. The £2.6 billion in 2023 to 2024 is comparable to the amount (£2.4bn) announced in June 2023 for the LTWP. However, these costs were also higher than SR21 had planned due to increased workforce growth and changes in workforce mix. This will have the same knock-on impact into 2024 to 2025. While every effort was made to protect frontline services, and the department went as far as possible in making further efficiencies by looking at all areas of central and corporate spend, meeting the DDRB recommendations and AfC pay deal for 2023 to 2024 necessitated some tough decisions.

As part of our decisions around wider affordability across the NHS, the government has increased the rates of the immigration health surcharge. These rates have remained unchanged for the last 3 years despite high inflation and wider pressures facing the system. The increase is intended to ensure that the surcharge reflects the genuine cost to the NHS of providing healthcare to those who pay it.

These are challenging times for everyone, and our focus is ensuring a fair pay award which recognises the vital importance of public sector workers whilst minimising inflationary pressures and managing the country’s debt. It is therefore essential that within this fiscal and economic climate, pay remains fair but affordable.

3. Senior manager pay

Scrutiny of senior manager pay

VSMs and ESMs are not typically covered by a national contract which is subject to national collective bargaining; they hold local contracts of employment with their employer. Medical directors, however, who are employed on consultant contracts, have their pay framework and other terms agreed through the Joint Consultants Committee.

It is right that senior manager pay is properly scrutinised at a national level to ensure value for money, transparency, and consistency. Senior manager pay is determined using national guidance, but additional scrutiny is put in place where pay does not comply with the thresholds as set out in the guidance framework, including DHSC oversight.

For NHS trusts and foundation trusts (FTs), DHSC oversight is required for any VSM paid over £150,000. Ministers review all cases that propose paying £150,000 or above where the proposed pay does not fall within the parameters of the framework ('non-routine' cases). Where the proposed pay is £150,000 or above but does fall within the parameters of the framework ('routine' cases), these cases are reviewed and signed off at DHSC director level. FTs have legislative freedom to set their own pay rates for VSMs, so although they are required to submit pay cases, they are not legally required to comply if the minister does not agree to the proposed salary. Where the department does not agree with the rationale for the remuneration level offered, the minister will inform the FT. There is currently a separate arrangement for ICBs whereby the threshold for DHSC scrutiny is set to £170,000.

DHSC is grateful to the SSRB for the recommendations made with regards to the clearance process of VSM cases. The pace and manner with which these cases are handled has an impact on recruitment and retention of the VSM workforce. DHSC is working with cross-government partners to expedite pay cases through the system. A number of adjustments have been made to streamline the clearance process, including batching of pay cases, which allows Ministers to clear multiple cases at once. This means that some cases will be cleared more quickly, and some may take longer.

Pay guidance for ICBs, FTs and trusts will be consolidated in the upcoming new VSM Pay Framework which will help further improve clearance times. We have developed this new framework with NHS England to support effective and transparent oversight of senior manager pay. This will help reduce excessive pay competition between providers and help deliver value for money for the taxpayer, while ensuring the right candidates are attracted to the right roles. Further details on the new VSM pay framework can be found below.

With regards to ESMs, there is a separate pay framework for this workforce given the difference in the nature of roles in ALBs compared to NHS trusts, FTs and ICBs, and the subsequent disparate earning levels across these 2 groups. The ESM pay framework has been in place since 2016 and salary ranges have not been updated since. NHS England and other ALBs who employ staff on AfC terms and conditions use a minimum salary of £100,000 rather than the specified framework minimum of £90,900. This means that there is a significant overlap with the highest bands of the AfC pay structure which is currently a maximum of £114,949 for a number of ALBs.

NHS senior pay strategy

Pay needs to fairly and proportionately recognise the responsibilities and complexities of senior leadership roles, in order to be able to recruit and retain the best talent and ensure effective leadership across the health and social care system. This is balanced with the need to ensure value for money to the taxpayer.

The government accepted last year's pay recommendations made by the SSRB in full, and implemented the pay increase of 5.0 per cent, with an additional 0.5% of the paybill in each employing organisation to be used as a pot to address specific anomalies. This uplift was implemented for VSMs in October 2023, backdated to April 2023. The department wrote to ALBs in August to instruct them to implement the uplift for ESMs.

The department and NHS England has been working closely together towards publishing and implementing a new VSM pay framework which is now in the final stages of clearance. We are grateful for the part the SSRB played in providing comments during the drafting stages and look forward to your reflections on the current version (see annex A).

The new framework has been updated to realise a number of key ambitions. These are to:

- place all NHS organisations (NHS trusts, FTs and ICBs) on the same pay framework
- address issues around pay equity and transparency
- ensure salaries sufficiently attract the right candidates, particularly within challenged trusts, whilst implementing pay restraint where appropriate and limiting overall pay inflation at a senior level across the NHS system
- streamline the approvals process

In order to achieve these ambitions, the new framework includes a range of changes, including:

1. Mechanisms to encourage VSMs to take on roles in the most challenged NHS trusts, for example, the framework allows a 15% pay premium (compared to 10% at present) for those working in “very challenged trusts” (defined as category 4 in the system oversight framework (SOF).

2. Ensuring that VSMs only receive more than one type of pay premium, unless in exceptional circumstances; introducing time limitations on pay premia for working in struggling trusts; additional wording to guide renumeration committees in determining whether a pay increase is appropriate; and a requirement for FTs to note VSM salaries that are not compliant with the framework in their annual reports.

3. Removal of 'earn-back' which has now been replaced with a clause that prevents VSMs who are subject to performance management arrangements from receiving pay uplifts.

4. A different method for calculating the pay thresholds for different roles. The current method uses a median calculation which means that pay is based on what those currently in the role get. This had the potential to create inequalities between some higher paid roles. Instead, the new framework has determined a minimum and operational maximum, with an exception zone, based on job evaluation against existing pay rates so that pay matches the complexity and responsibilities of the role.

5. Pay benchmarks have been redrawn to cover organisational size and complexity more appropriately – this has created a new largest provider band (over £1 billion turnover), mainly for provider group structures, and ensures the 70% of FTs (who can opt to disregard DHSC pay ‘opinion’) are able to remain within the framework’s ranges. For ICBs, it benchmarks VSM pay against population size weighted against various criteria, for example socioeconomic geography (with struggling areas allowed to pay higher salaries). For providers, the criteria for higher pay in struggling areas continues to be based on existing criteria, such as the single oversight framework (SOF) rating and/or the CQC rating of ‘requires improvement’.

We know that recruitment and retention of VSMs is difficult, with many VSM roles being open for long periods before recruiting someone into them. Overall staff turnover remains high for this cohort, with a rate of around 15% in 2022 to 2023. This compares to 17 per cent in 2021 to 2022. Although staff turnover has dropped 2 percentage points in the last year it remains higher than the wider HCHS sector and may be impacted by organisational change over the last 2 years, since the creation of ICBs as well as the impact of the pandemic on staff movement. We recognise some of the unique retention challenges facing the VSM cohort. For example, 40 per cent of the cohort are aged over 55 (as highlighted in previous years), and are therefore potentially eligible for retirement, paired with the challenges of the wider context that senior leaders have been operating in.

The new pay framework is intended to ensure that pay is set at a level that attracts the right candidates in a timelier way and encourages retention of those who are performing well in their roles, whilst balancing this with the need for appropriate pay restraint. The current draft of the pay framework has not yet been adjusted to take account of the SSRB's pay recommendation for 2023 to 2024, but the intention is to do so before publication, uplifting all pay bands by 5%. The department is still considering the long-term approach to adjusting pay thresholds in light of annual pay recommendations from the SSRB going forward.

With regards to recruitment and ensuring that salary levels are sufficient, the new framework allows for government to continue to approve exceptional pay cases where an additional pay premium is needed, for instance, because of specific skill shortages or particularly challenging geographies, providing sufficient justification is given. Taken together, the measures outlined above should allow NHS organisations to operate within the bounds of the framework more easily, limiting the need to come to the department for approval and ensuring resource is targeted at reviewing the most exceptional cases.

We acknowledge the SSRB’s suggestion that it is likely that there has been an overall deterioration of morale over the last 2 years according to stakeholder surveys and the overall trend seen in other parts of the health workforce. NHS England have worked with NHS organisations to improve job role coding of their most senior staff to the benefit of all with an interest in NHS workforce information. The National Staff Survey team now include job role within their anonymised extract from ESR to create the invite list for the staff survey and have committed to producing a bespoke aggregate extract based upon a selection of senior level job roles to provide a proxy view for VSM responses to the Staff Survey. While this information is not currently available, we hope to be able to supply some meaningful information to the review body at a later stage in the pay round once the 2023 staff survey results have been published, hopefully in March 2024.

The annual pay uplift for VSMs and ESMs is different to the medical and AfC workforces in that salaries are determined locally through pay Remuneration Committees (RemComs). Uplift recommendations made by the SSRB were accepted by the government for 2023 to 2024 as part of the pay setting process, and NHS trust RemComs are responsible for implementing these uplifts in accordance with the VSM pay framework guidance. The exception to this is where an employer proposes to pay an annual uplift above the recommended amount, in which case the regular pay-setting process, outlined above, applies.

Where an ESM is paid above the highest end of the agreed pay bands, which is referred to as the exception zone maximum, pay awards should be paid as a non-consolidated award to avoid expanding, instead of narrowing, pay discrepancies.

ESM DHSC Renumeration Committee

The responsibility for overseeing the implementation of the ESM pay framework and a consistent approach to ESM pay across the ALBs falls to the DHSC Remuneration Committee. Salaries for ESMs and the creation of all new ESM roles are approved at the discretion of the DHSC Remuneration Committee with the exception of replacement salaries for ESM1 and ESM2 roles up to the operational maximums, which are delegated to ALB pay committees.

The DHSC Remuneration Committee reviewed 39 business cases relating to ESM roles in 2023, with 24 at ESM1, 10 ESM2 and 4 ESM3. 12 cases were approved, 18 were approved with amendments or conditions attached, 4 cases are awaiting further information before a decision is made and 3 cases were rejected by the committee.

Conditions and amendments set by the committee had a range of impacts from specific details on the appointments such as: notice periods; term length and performance pay, to more far-reaching conditions such as restrictions on the overall ESM headcount of the organisation and approaches to future recruitment.

Following the recommendations from the SSRB in 2023, DHSC officials have commenced work to revise the ESM pay framework, with an ambition of publishing an updated framework in 2024, subject to HMT approval.

The scope of the revisions has not yet been agreed but following early discussions with ALBs and HMT our ambition is that changes will:

- address the current cross over between AfC Band 9, the maximum of which is £114,949 and the salary minimum for ESMG1 which is set at £100k for NHS employers

- provide further clarification on the implementation of the framework on areas such as recruitment, the evaluation process, allowances, and promotions

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4. Very senior managers

Workforce numbers

We estimate there are just under 3,250 (headcount) VSMs working across the NHS trusts and ICBs in England. This represents an increase of around 370 compared to the same period last year. Table 6 shows a table with an estimate of VSMs in trusts, FTs and ICBs in June 2022.

Table 6: estimated number of VSMs in trusts, FTs and ICBs

	NHS trusts and FTs	NHS trusts and FTs	ICBs	ICBs
	Headcount	FTE	Headcount	FTE
June 2020	1,734	1,696	x	x
June 2021	2,038	1,966	x	x
June 2022	2,183	2,096	691	464
June 2023	2,485	2,371	768	538

Source - NHS England workforce statistics (VSM staff numbers - June 2023). Note: ICBs replaced clinical commissioning groups (CCGs) in 2022[1]

There are limitations in identifying VSMs and ESMs through administrative data systems. Together with the department, NHS England is making progress in attributing VSMs and ESMs on the Electronic Staff Record (ESR). We expect the completion of this work to follow development of the new framework.

Because the definition that has been used to identify VSMs includes an earnings threshold, it may not be suited to identifying workforce trends over time. (Due to wage growth, we would expect more staff to earn over a given threshold in 2022 to 2023 than would have done 10 years ago.) As an alternative, table 7 shows how the number of people with a 'job role' that indicates they are a member of the executive team has changed since 2010, with a small increase over the past year.

[1] This includes non-medical staff who are not on AfC and who have earnings of at least £110,000 per annum or medical staff who are not on AfC and have a job role of: Board Level Director, Chief Executive, Clinical Director, Clinical Director - Dental, Clinical Director - Medical, Director of Nursing, Finance Director, Medical Director, or Other Executive Director.

Table 7: board level time series for staff working in NHS trusts and FTs 2010 to 2023

Month	Headcount	Full time equivalent
June 2010	2,206	2,122
June 2011	2,074	1,992
June 2012	2,011	1,924
June 2013	1,454	1,424
June 2014	1,469	1,435
June 2015	1,491	1,459
June 2016	1,525	1,492
June 2017	1,568	1,525
June 2018	1,588	1,549
June 2019	1,618	1,578
June 2020	1,658	1,617
June 2021	1,676	1,626
June 2022	1,734	1,683
June 2023	1,802	1,745

Source - NHS England workforce statistics (VSM staff numbers - June 2023)

Table 7 shows a time-series of staff with 'board level' job roles. Note: board level includes Sustainability Officer, Deputy Chief Executive, Estates and Facilities Director and Improvement Director

Very senior manager earnings

Table 8 shows average pay and earnings for VSMs based on the staff definition used in Table 47, including the 12-month periods to June 2022 and June 2023 and the percentage difference between them.

Average earnings for the cohort are over £145,000, which is broadly similar to the previous year. These statistics will not yet take into account the impact of the 2023 to 2024 pay award which allowed for basic pay for VSMs to increase by 5%, with an additional 0.5% to address pay anomalies and disparities locally. The changes will include the impact of any changes in the composition of the workforce over the period and where they sit on the relevant pay framework.

Table 8: average pay and earnings measures for VSMs in NHS trusts based on staff definition used in Table 7

	12 months to June 2022	12 months to June 2023	% change to June 2023
Mean annual basic pay per FTE	£140,153	£141,747	+1.1%
Mean annual earnings per person	£143,836	£145,868	+1.4%
Mean annual basic pay per person	£134,401	£135,273	+0.6%
Mean annual non-basic pay per person	£9,435	£10,596	+12.3%

Source: VSM earnings - June 2023

Following the creation of ICSs under the Health and Care Act 2022, the newly appointed (ICBs have resulted in fewer chief executives providing system leadership across larger geographic areas, each with more individual responsibility in terms of the population size and budgetary expenditure. This has resulted in higher individual salaries to reflect the complexities of these leadership roles and increased responsibilities.

Diversity analysis

It is possible to split the number of VSMs in trusts and ICBs according to various demographic groups including gender, ethnicity and age. The data suggests that most VSMs are white with only 11% of VSMs in trusts being from ethnic minorities, although this represents an increase of 2 percentage points since last year. This figure is 15% for VSMs in ICBs. There is now an even gender split. Around 80% of VSMs in trusts and ICBs are aged between 45 and 64, which is not unexpected given the level of experience required to be equipped for these roles.

Table 9: VSM diversity analysis, June 2023

Group	Proportion in trusts	Proportion in ICBs
Ethnicity**:** white	84%	75%
Ethnicity: ethnic minorities	11%	15%
Ethnicity: not stated and/or unknown	5%	10%
Gender: male	51%	46%
Gender: female	49%	54%
Age 25 to 34	1%	1%
Age 35 to 44	15%	18%
Age 45 to 54	44%	47%
Age 55 to 64	37%	32%
Age 65 and above	3%	3%

Source - VSM workforce statistics - June 2023

Table 9 shows a table outlining diversity information by ethnicity, gender and age band for VSMs

NHS England has supplied information on average basic pay per FTE for VSMs broken down by gender and ethnicity group. Table 10 shows this data for VSMs working in NHS trusts as of June 2023, as well as the resulting gender pay gaps (GPG) and ethnicity pay gaps (EPG). The GPGs are calculated by comparing the difference in basic pay between female and male staff of the same ethnicity who are in the same role. Similarly, the EPGs are calculated by comparing the difference in basic pay between staff of minority ethnic groups to white staff of the same gender, who are in the same role. Where data is not available, these comparisons cannot be made.

The GPG appears to be heightened for VSMs of mixed/multiple ethnic groups, with female staff in this group receiving 13% less basic pay than male staff on average. Most other ethnic groups also see a GPG for either VSMs or non-AfC grade staff. The exception to this is the Asian/Asian British ethnic group, where data shows that across both grades female staff receive higher basic pay than male staff.

EPGs are also present within both grades, with those of minority ethnic groups receiving up to 12% less basic pay than white members of staff in the same grade. Whilst EPGs are present for males and females, this data shows that they affect female staff across more ethnic groups.

Table 10: gender and ethnicity pay gap for non-medical VSMs in NHS trusts in England based on monthly basic pay per FTE, June 2023

Grade	Ethnic group	Female	Male	GPG	Female EPG	Male EPG
Very senior manager	Asian or Asian British	£11,739	£11,330	4%	0%	-7%
Very senior manager	Black African, Caribbean, black British	£11,658	£12,242	-5%	-1%	0%
Very senior manager	Mixed or multiple ethnic groups	£10,820	£12,452	-13%	-8%	2%
Very senior manager	White	£11,727	£12,228	-4%	-	-
Very senior manager	Other ethnic group	£10,334	-	-	-12%	-
Very senior manager	Unknown	£11,734	£12,504	-6%	0%	2%
Non AfC grade	Asian or Asian British	£10,678	£10,470	2%	-5%	-6%
Non AfC grade	Black, African, Caribbean, black British	£10,553	-	-	-6%	-
Non AfC grade	White	£11,191	£11,167	0%	-	-
Non AfC grade	Unknown	£12,062	£12,345	-2%	8%	11%

Source - VSM earnings statistics - June 2023

Turnover

As part of the data pack submitted to the SSRB, the following table provides information on the number of VSMs who have left the NHS from different types of organisation between July 2022 and June 2023 and the implied leaver rate. In trusts, the leaver rate, which only includes people who left the trust sector entirely, is around 10%, which is similar to last year. The leaver rate is shown to be higher in ICBs (24.9%) and ALBs (19.9%) which may reflect the impact of organisational change over the period following the creation of ICBs.

Table 11: estimated turnover by organisation type - 12-months to June 2023

	Trusts	ICB	ALBs
2022 headcount	2,183	691	453
2023 headcount	2,485	768	462
Leavers	245	182	91
Leaver rate	10.5%	24.9%	19.9%

Source - VSM turnover statistics - June 2023

From the same data source, we can consider the stated "reasons for leaving" for those who have left VSM roles. The most common "reasons for leaving" for those exiting the trust sector are shown below with voluntary resignation being the most common reason (42%) followed by reasons linked to retirement (30%) and the end of fixed term contracts (12%). In the ICB sector there is a higher proportion of individuals with a stated reason for leaving relating to redundancy (26%) which is likely to be one reason for the higher overall leaver rate and is likely to reflect the impact of organisational change over this period.

Table 12: very senior managers reasons for leaving by organisation type: 12-months to June 2023

Reason for leaving	Proportion in trusts	Proportion in ICB	Proportion in ALBs
Voluntary resignation	42%	13%	45%
Retirement	30%	3%	18%
End of fixed-term contract	12%	21%	12%
Redundancy	7%	26%	12%
Unknown	7%	23%	4%
Other	2%	15%	9%

Source - VSM turnover statistics - June 2023

It remains the case that there is movement of VSMs and ESMs between different organisation types. For example, over the last 12-months there were relatively high numbers of individuals moving to the new ICB organisations which replaced CCGs during 2022.

Table 13: very senior manager movement between organisation type between 30 June 2022 and 30 June 2023, headcount

Very senior managers who:	Headcount
Left a trust and joined an ALB	8
Left an ALB and joined a trust	15
Left a trust and joined an ICB	53
Left an ICB and joined a trust	9
Left an ICB and joined an ALB	1
Left an ALB and joined an ICB	15

Source: VSM turnover statistics - June 2023

Since 2021, NHS England has managed a quarterly collection and reporting service on board level vacancies across NHS Providers and Integrated Care Boards (ICBs), on behalf

of the National Talent Board and Regional Talent Boards This data collection is in place to help systems identify vacancies and to develop and deploy talent. The main goal is to understand both the short and long-term workforce needs at a regional, system and national level, and to better understand the talent pool within the NHS. Information on this data collection is available at https://digital.nhs.uk/data-and-information/data-collections-and-data-sets/data-collections/board-vacancies-and-commercial-spend-collection

Labour market context

We believe that a key objective of pay policy for any remit group is to remain competitive with comparator markets and the wider economy in general. This helps to ensure that individuals have the appropriate incentives to join, and remain in, senior leadership positions within the NHS. This section therefore explores some comparators between the NHS and the wider economy.

Earnings percentile analysis

One way to assess any change in the competitiveness of VSM pay is to place it in terms of the overall income distribution and look for changes across time.

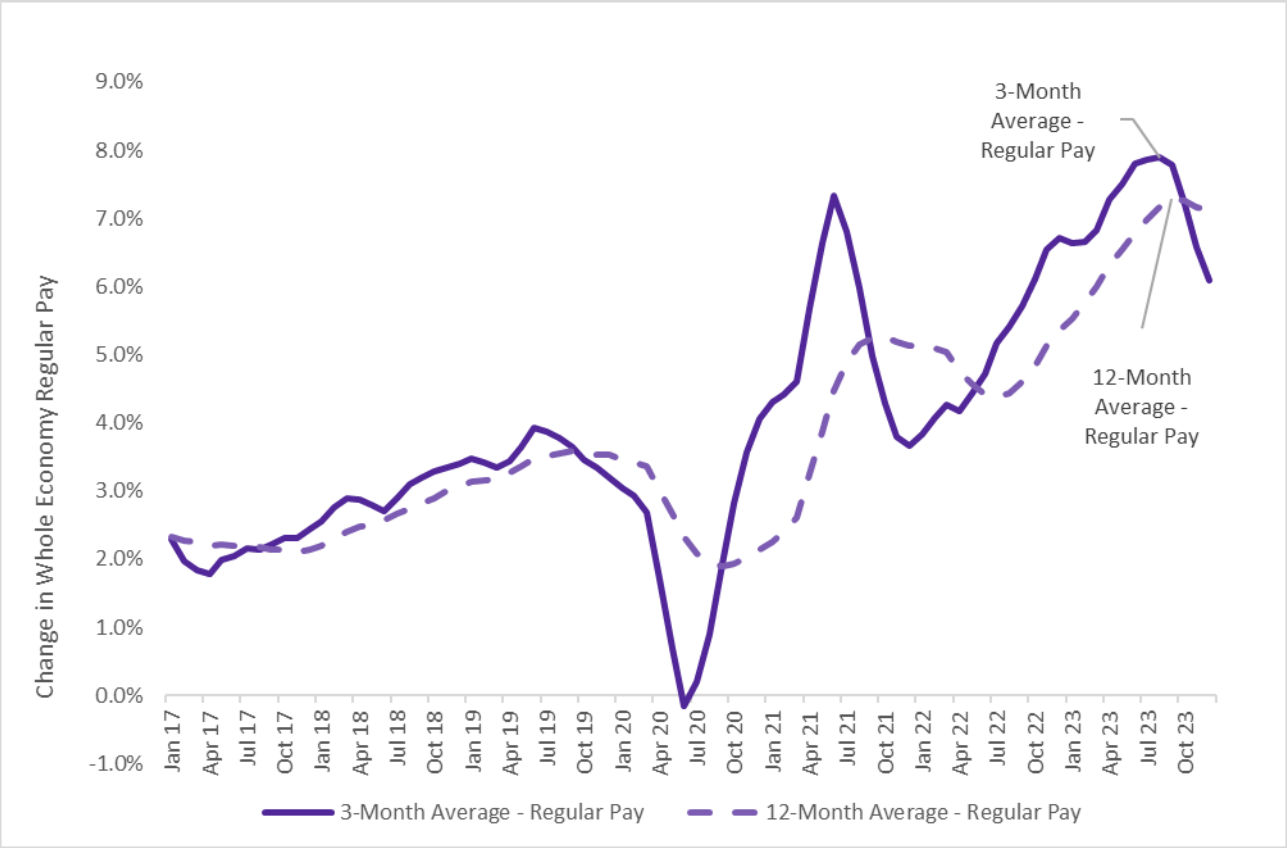
As shown in table 8 average earnings for VSMs are over £145,000 in NHS trusts which places them towards the very top of the UK income distribution - a position which has been maintained for many years. This is to be expected given the skills and experience of the group.

Comparison with the wider economy - average weekly earnings

Office for National Statistics (ONS) publish data on average weekly earnings which is the lead measure on average weekly earnings per employee and is based on data collected from the monthly wages and salaries survey. These estimates cover more than just pay settlements and will include the impact of factors such as changes in average working hours, or the composition of the workforce. The latter was particularly important during the COVID-19 period when the furlough scheme was reducing the pay of millions of employees. Although we are now out of the period when these "base effects" should be having a direct impact on pay figures.

Figures for the period to December 2023 show that across the whole economy, average total pay increased by 5.8% compared with the same period 12-months ago and average regular pay (excluding bonuses) increased by 6.2%. These growth rates should not be impacted by the one-off payments made to civil servants in July and August 2023. As shown in figure (x), there is some evidence that the pace of growth may now be declining following a recent peak in September 2023.

Figure 3: increase in average weekly earnings, 3-month and annual growth rates between January 2017 and December 2023



Source: Office for National Statistics, average weekly earnings

Data on pay growth is broader than just pay settlements as it includes the impact of pay drift or changes to workforce composition. Current estimates of average pay settlement may point to pay settlements being lower than headline wage growth. The most recent pay survey from XPertHR shows a median basic pay award in the 3 months to the end of December 2023 of 6%, although this is based on a limited number of pay settlements between October and December 2023. Information from the Bank of England Decision Maker Panel estimated year ahead wage growth of 5.2% in January 2024 which was unchanged from the previous month. Please see HMT's economic evidence for more commentary on the relationship between average earnings growth and settlement.

High income professions

As indicated in the earnings percentile table, medical staff are towards the top of the income distribution and so it is also instructive to consider how earnings have changed for other professions with similarly high earnings as well as general changes for that section of the income distribution. We note that the data in this section considers general changes

in earnings which will include the impact of both pay settlements and workforce composition effects.

As part of the monthly earnings release, the ONS include real-time information drawn from the PAYE system which includes information on the wage distribution. The most recent data, which includes the period to December 2023, shows that while monthly pay has increased across the pay distribution, growth has been lowest at the very top, with the smallest growth being in the 99th percentile. Conversely, the largest growth was seen in the 25th percentile, followed by the 10th percentile. This may reflect the 9.7% increase to the national living wage (NLW) from April 2023, as well as the targeted nature of some pay settlements in this pay cycle.

Table 14: monthly pay by percentile from PAYE real time information - 3 month moving average - ONS

Date	10th	25th	50th	75th	90th	95th	99th
December 2023 (£ per month)	764	1,351	2,317	3,570	5,388	7,292	15,096
December 2023 (% growth)	6.9%	7.8%	6.3%	5.0%	4.6%	4.0%	3.8%

Source - Earnings and employment from Pay As You Earn Real Time Information, seasonally adjusted. Monthly pay by percentile from PAYE RTI, UK, all industries, seasonally adjusted, £ per month, 3 month moving average

Data from the Annual Survey of Hours and Earnings (ASHE) can also be used to assess how earnings may have changed for jobs with similar experience or qualification requirements toward the top of the income distribution. For NHS VSMs, the most natural comparator might be the ASHE group of 'Chief Executives and Senior Officials', which includes chief executives, senior civil servants and elected representatives.

Table 15 shows the change in average (median / mean) earnings for 'chief executives and senior officials' since 2018. The most recent data shows an increase in earnings in 2023 with the median increasing by over 10% and the mean increasing by around 3%, which is less than the pay award made to VSMs in 2022 to 2023 (4.5%)

Table 15: change in average (median / mean) earnings for 'chief executives and senior officials' since 2018

ASHE Group	2023 2023 SOC20	2022 2022 SOC20	2021 2021 SOC10	2020 2020 SOC10	2019 2019 SOC10	2018 2018 SOC10
ASHE - chief executives and senior officials - median gross earnings	80,256	72,379	74,273	79,633	91,646	90,000
Change	10.9%	N/A	-6.7%	-13.1%	1.8%	4.3%
ASHE - chief executives and senior officials - mean gross earnings	113,577	110,256	116,020	111,760	142,199	137,815
Change	3.0%	N/A	3.8%	-21.4%	3.2%	12.9%

Source - annual survey of hours and earnings: https://www.ons.gov.uk/employmentandlabourmarket/peopleinwork/earningsandworkinghours/datasets/occupation4digitsoc2010ashetable14.

Note, this table is based on the 4-digit ASHE code of 'chief executives and senior officials'. Information on the Standard Occupation Coding matrix is available at https://www.ons.gov.uk/methodology/classificationsandstandards/standardoccupationalclassificationsoc/soc2020/soc2020volume2codingrulesandconventions. Change figures for 2021 are 'N/A' due to changes in SOC coding matrix.

5. DHSC arm's length bodies (ALBs) executive and senior managers

As set out in chapter 1, ESMs hold executive positions in DHSC's ALBs. ALBs range in size, budgetary control and breadth of responsibility but all ALBs have a national role and are key components in the health and social care system. They undertake a wide and diverse range of functions, encompassing highly specialised services on the one hand, to responsibilities affecting the entire health and social care system on the other. This level of responsibility is reflected in the size, budgets, and complexity of each ALB.

ESM pay is governed by the ESM pay framework which was first implemented in 2016 in place of the VSM pay framework which had previously been used for ALBs. Following an increase in the number of ALBs and roles arising from the 2012 health and care system reforms, the VSM framework was becoming impractical due to the large number of grades in the framework which did not have an obvious fit for ALB roles which were more nationally focussed. The ESM framework reduced the fragmentation of 41 pay levels and created a smaller number of grades with broader pay bands and clusters roles of broadly similar levels of responsibility and accountability. The framework is based on a job evaluation system implemented independently on behalf of ALBs and DHSC by the NHS Business Services Authority (NHSBSA).

As of the 1 November 2023 there are 447 ESMs working in DHSC's ALBs and within the core department.

Annual pay uplift

The remuneration and annual performance-related pay of ALB CEOs and their executive directors paid under the terms of the ESM pay framework, is determined by the DHSC Remuneration Committee. The Committee operates within the parameters set by the Cabinet Office and in light of the government's response to the SSRB's recommendations for any pay round.

For the 2023 to 2024 pay round, the government accepted the SSRB's pay recommendations or VSMs and ESMs. These were:

- an increase of 5% from 1 April 2023an additional 0.5% of the ESM and VSM paybill in each employing organisation is used as a pot to address pay anomalies

This was communicated to ALBs on 21 August, with advice that for each organisation, this means:

- an across the board increase of 5.0 per cent for all ESMs is to be applied to basic pay and backdated to 1 April 2023, except where an ESM is paid at or above the exception zone maximum where this is to be applied as a one-off payment equal to 5.0 per cent of basic pay

- ALBs can calculate a ‘pot’ worth 0.5 per cent of the ESM paybill in the organisation and use this to address any pay anomalies

- ESMs undertaking performance improvement plans should not receive pay increases including annual pay awards

- funding for uplifts will need to come from existing budgets

All ALBs had implemented their 2023 to 2024 ESM pay uplifts by 1 November 2023. Only ESMs in post from 1 April 2023 were eligible for the 2023 to 2024 ESM pay award and this year, it was clearly set out that the 0.5% was a pot that could be distributed unevenly to address pay anomalies as determined by ALB Remuneration Committees. The following table sets out how each ALB applied the 0.5%.

Organisation	0.5% distribution
CQC	No anomalies identified, 0.5% not used
DHSC: OHID	No anomalies identified, 0.5% not used
HRA	No anomalies identified, 0.5% not used
HTA	No anomalies identified, 0.5% not used
HFEA	No anomalies identified, 0.5% not used
HSSIB	Not eligible as the organisation established in October 2023
NICE	Used to uplift the 2 lowest paid ESM roles
NHSBT	Paid to lowest paid ESMG1 to address overlap with Agenda for Change Band 9 and gender disparity
NHSBSA	Applied to 3 ESMs who sit on the board to acknowledge additional accountability
NHSCFA	Only 1 ESM in organisation, therefore no anomalies and 0.5% not used.
NHSE	Review and identification of potential anomalies not yet conducted (as of Nov 2023), 0.5% may yet be used.

NHSR	Applied to 2 ESMs to recognise additional responsibilities undertaken.

Table 16 (see table 17 for list of organisation abbreviations)

Data return analysis

The following analysis has been conducted against data sourced from the ALB data collection, which has been submitted to the SSRB separately, and the ALB data collections provided to the SSRB in previous years.

ALBs included

Table 17 shows a table outlining a list of organisations that have submitted data for this report. Since the collection of the 2023 to 2024 evidence, Health Education England and NHS Digital has merged with NHS England.

Table 17: ALBs that have submitted data for this report

Arm's length body	Abbreviation
Care Quality Commission	CQC
Department of Health and Social Care: Office for Health Improvement and Disparities	DHSC: OHID
Health Research Authority	HRA
Human Tissue Authority	HTA
Human Fertilisation and Embryology Authority	HFEA
Health Service Safety Investigations Body	HSSIB
National Institute for Health and Care Excellence	NICE
NHS Blood and Transport	NHSBT
NHS Business Service Authority	NHSBSA
NHS Counter Fraud Authority	NHSCFA
NHS England	NHSE
NHS Resolution	NHSR

Source: ALB data collection

Pay analysis

Given the specialist nature of the ALBs, there are not necessarily common and comparable roles to be found across all organisations. The ESM pay framework clusters roles into 4 ESM grades. These 4 ESM grades each have a broad pay band.

This approach seeks to cluster roles at similar levels in the management hierarchy of the larger ALBs while also being able to reflect the responsibilities of executive director and CEO roles of the smaller organisations.

Table 18: ESM pay bands

Role Grade	Pay bands		
	Minimum	Operational max	Exception zone (maximum)
ESM 1	£90,900	£113,625	£131,300
ESM 2	£131,301	£146,450	£161,600
ESM 3	£161,601	£176,750	£191,900
ESM 4	£191,901	£207,050	£222,200

Source: ESM Pay Framework v1.0 2021

Where organisations operate AfC and staff are employed on NHS terms and conditions, for advertising purposes ALBs may use £100,000 as the band minimum for ESM 1.

Below is a summary of the average basic pay and average total pay for all ESMs. Following very little change between 2020 to 2021 and 2021 to 2022 due to the one-year public sector pay pause, average basic pay has increased by around 2.4% in 2022 to 2023, most likely due to the partial implementation of the annual pay uplift.

Since 2023, the average pay has increased by 5.45%. This will be largely due to the annual pay uplift for 2023 to 2024 and any implementation of pay uplifts for 2022 to 2023 not captured in last year's return.

Some ESMs benefit from additional payments, such as additional responsibilities allowances, along with other payments that are included in the average total pay calculation.

Table 19: basic and total pay by year

Year	Average basic pay	Average total pay
2020 to 2021	£125,470	£126,890
2021 to 2022	£125,284	£126,390
2022 to 2023	£128,263	£129,637
2023 to 2024	£135,249	£138,737

Below is a summary of the average basic pay and average total pay broken down by ESM grade and compared with the ESM pay ranges.

Table 20: basic and total pay by ESM grade for 2023 to 2024

Grade	Band minimum	Operational maximum	Exception zone maximum	Average basic pay	Average total pay
ESM 1	£90,900	£113,625	£131,300	£124,885	£128,399
ESM 2	£131,301	£146,450	£161,600	£151,312	£154,752
ESM 3	£161,601	£176,750	£191,900	£197,362	£200,875

Source: ALB data collection. ESM 4 not included due to low numbers.

The data collected on average basic and total pay indicates that there is a significant gap between the ESM salary band minimums and the average pay for each ESM grade. As with the data collected for the 2023 to 2024 evidence, average base pay across all the ESM grades is higher than the operational maximum of the ESM salary range, and for ESM 3, average base pay is above the exception zone maximum. Since the pay ranges were established in 2016, consolidated pay awards have been made, which will have resulted in the inflation of ESM salaries, it follows that this would have a greater increase above the range for those in ESM 3 and in receipt of higher salaries as ESM pay awards are a percentage of total base pay.

Allowances

ESMs may have different allowances included within their total remuneration package. A number of these are Clinical Excellence Awards or legacy allowances that are not available to new starters (for example, vehicle allowance) and are protected payments. The average allowance received was £18,718. The most prevalent allowance within the data sample was an additional responsibility allowance which 6% of ESMs had included within their total package. The average additional responsibilities allowance was £13,617.

Diversity analysis

Ethnicity breakdown

Table 21: Proportions of white and minority ethnic ESM employees

Ethnicity	Proportion 2020 to 2021	Proportion 2021 to 2022	Proportion 2022 to 2023	Proportion 2023 to 2024
White	79%	81%	78%	80%
Ethnic minorities	8%	7%	9%	11%

Not stated	14%	12%	13%	9%

Source: ALB data collection.

The known proportion of ESMs from an ethnic minority background has increased by 2% since last year.

Gender

Table 22: proportions of male and female ESM employees

Gender	Proportion 2020 to 2021	Proportion 2021 to 2022	Proportion 2022 to 2023	Proportion 2023 to 2024
Male	52%	48%	47%	49%
Female	47%	52%	53%	51%

Source: ALB data collection.

The proportion of women in ESM roles has decreased slightly since last year to 51%. There is a higher ratio of women to men at ESM 1 (54%:46%) and a lower ratio at ESM 2 (45%:55%). The ratio at ESM G3 is 50%:50%, although it is worth noting the small sample size at ESM 3 (only 5%] of ESMs are ESM 3). Overall, there is a disparity between average male and female pay as shown in table 23, with average pay for male ESMs increasing slightly more compared to average pay for female ESMs.

Table 23: average basic and total pay for ESM employees by gender

ESM grade	Female average basic pay	Female average total pay	Male average basic pay	Male average total pay
Total 2022 to 2023	£127,776	£129,188	£127,524	£128,721
Total 2023 to 2024	£134,607	£137,066	£135,930	£140,508

Source: ALB data collection.

Age

Table 24: average age by ESM grade

ESM grade	Average age	Age range
ESM1	51	33 to 68
ESM2	53	38 to 68
ESM3	56	48 to 68

This is the first year we have collected age data which indicates that there is a correlation between age and seniority within the ESM grades, with the age range narrowing with seniority.

Motivation and morale

ALBs use a range of differing surveys and methods to understand the engagement levels of their employees. For organisations with a lower ESM headcount (less than 10), it is difficult to provide anonymised data. For the ALBs with larger headcounts, the data available shows that there is a consistently and significantly higher level of engagement for ESM colleagues as identified through staff surveys when compared with the wider workforce.

Non-consolidated awards

When applying the 2023 to2024 ESM pay award, the department asked ALBs that for those ESMs with salaries at or above the top of the agreed ESM pay ranges (which is referred to as the exception zone maximum - see table 20) or where the 5% uplift would take salaries above the exception zone maximum, the award should be applied either partially or fully as a non-consolidated single payment.

This approach is in line with the application of the SCS pay award and avoids an increased number of ESM salaries sitting outside the pay ranges. Across the ESM workforce, 74% received a consolidated uplift, 11% received the award as a non-consolidated payment and 15% received a combination of a consolidated and non-consolidated award.

Performance related pay for ESMs

The DHSC Remuneration Committee approved the use of non-consolidated performance-related pay (NCPRP) in ALBs, although not all ALBs choose to use this as part of their approach to total reward.

Historically, non-consolidated payments are only made to top performers. Usually, these awards can be no more than 5% of an employee’s reckonable pay.

For the 2023 to 2024 pay round, the DHSC Remuneration Committee agreed that:

- there was no formal restriction on the percentage of ESMs who could be given an award. However, they still expected to see differentiation in performance and a spread of performance ratings

- if ALBs proposed to pay awards to more than 40% of ESMs, a business case had to be submitted to the DHSC Remuneration Committee

- individuals could receive a non-consolidated award of up to but no more than 5% of their reckonable pay (the exception to this being if a higher percentage has been agreed previously as part of a total remuneration package approved by DHSC Remuneration Committee and Ministers and/or HM Treasury where appropriate)

- any money spent on non-consolidated performance-related payments must come from existing budgets

At the time of data collection, only 6 organisations gave evidence to show they are using the flexibilities surrounding performance-related pay with only 3.6% of ESMs receiving any performance-related pay. The average award was £7,467, an increase on last year's average of £4,844. One additional ALB indicated their intention to use the flexibilities surrounding performance-related pay following discussions at their internal Remuneration Committee but, as decisions had not yet been taken, were unable to submit the amounts at the time of data collection.

Whilst performance of ESMs is monitored across the board for ESM roles, the uptake of performance pay is low across the ALBs. Two of the largest ALBs; CQC and NHS England do not utilise performance pay for their ESM cohort. In NHS England, the staff below ESM1 are on AfC terms and conditions which has no provision for annual performance payments, NHS England therefore do not use the performance pay to ensure a consistent approach with their wider workforce. CQC has indicated that they do not currently have a mechanism in place to award performance pay across their workforce.

Recruitment and retention of ESMs

Evidence provided by the ALBs indicated that the most difficult ESM roles to recruit and retain are digital, technology and data posts due to the high demand for suitable candidates and the limitations on pay compared to other sectors. In addition, both clinical and national director roles were referenced as being difficult to recruit to as suitable candidates are often sourced from equivalent roles across NHS trusts which offer higher salaries. Finance roles were also noted as being difficult to recruit due to increases in the complexity of the work itself.

6. Total reward

Introduction to total reward

Pay makes up one part of the overall reward package, and whilst important, there are other benefits which have both financial and non-financial value and impact the motivation, recruitment and retention of VSMs and ESMs, and should therefore be considered by the SSRB.

The total reward package in the NHS is generous. Whilst arrangements for VSMs and ESMs are for employers to decide locally, terms and conditions are in many cases broadly similar to those offered under AfC. These often include:

- a holiday allowance which goes up to 33 days annual leave per year on top of public holidays; sickness absence arrangements, of up to 12 months of payment (well beyond the statutory minimum)
- access to a defined benefit pension scheme with an employer contribution rate of over 20%
- enhanced parental leave; and support for learning, development and career progression

These benefits are above the statutory minimum and exceed those offered in other sectors. VSMs may also benefit from local arrangements, such as car and relocation allowances. ESMs within the ALBs may also benefit from flexible and hybrid working conditions, including the ability to work from home, allowances and performance-related pay. Comparisons with the wider labour market should not just be limited to pay but include the full reward package. The SSRB has previously found that these additional benefits, in general, are competitive.

Over the past year the department has made a number of changes which are likely to have a positive impact on the reward package of senior staff. These include new retirement flexibilities for late career staff and measures to support those impacted by pension tax.

Wider benefits

Other than the national reward elements, employers have the flexibility to enhance their local reward package, which benefits senior NHS staff, too. Offers often include a range of

benefits and discounts that have financial value to staff and may support recruitment and retention.

Although the range of benefits offered varies, some popular flexible benefits can include salary sacrifice schemes, options to buy and sell annual leave, and a range of discount vouchers, including the Blue Light Card, which is available to all NHS staff at a cost of £4.99 for 2 years. Some also offer travel benefits such as season ticket loan and cycle to work scheme, as well as health and wellbeing benefits, including discounted gym memberships. Many trusts have also partnered with third party providers offering staff up to a 20% discount on shopping, insurance, and travel. Staff may also be entitled to cashback on purchases at specified retailers using prepaid cards.

The overall value to staff will vary depending on the specific benefits options offered and the level of benefits taken up.

The NHS Pension Scheme

The NHS Pension Scheme remains a valuable part of the total reward package available to NHS staff and is one of the best pension schemes available.

Eligible NHS staff will now belong to one of the 2 existing schemes, both of which are defined benefit schemes. The final salary scheme, or legacy scheme, is made up of the 1995 and 2008 sections and is now closed to new members. All new staff join the 2015 scheme, a career average revalued earnings (CARE) scheme which provides benefits based on average earnings over a member's career. The key differences between the 2 schemes, other than the way benefits are calculated, are different normal pension ages and accrual rates, as shown in the table below.

Table 25: comparison of retirement ages and accrual rates for members of the 1995 Section, 2008 Section and 2015 Scheme

Scheme or section	Normal pension age (NPA)	Accrual rate
1995 Section	60	1/80th
2008 Section	65	1/60th
2015 Scheme	State Pension age	1/54th

The 2015 scheme was introduced as part of wider reforms implemented by regulations made under the Public Service Pensions Act 2013. As part of these reforms, public service

pension scheme members within 10 years of retirement were originally given transitional protection, and so remained in their legacy pension schemes. In December 2018, the Court of Appeal found this protection to be discriminatory against younger members. This has become known as the ‘McCloud judgment'. The government accepted the judgment applies to other public service schemes, including the NHS.

The public service pension schemes remedy (the ‘remedy’) for this discrimination has 2 parts, both of which have now been delivered. The first and prospective part closed the legacy public service pension schemes on 31 March 2022 and ensured equal treatment for all public service pension scheme members by moving all active members into the reformed public service pension schemes on 1 April 2022. The second and retrospective part of the remedy removed the effect of the transitional protections from 1 October 2023.

One key benefit of the 2015 scheme is that for active members, the pension they earn is increased every April by the Consumer Price Index (CPI) in the year before, plus an additional 1.5%. This is known as ‘in-service revaluation’. This means that pension benefits keep up with rises in the cost of living. In April 2023, this rise was 11.6%.

GAD calculates that scheme members can generally expect to receive around £3 to £6 in pension benefits for every £1 contributed.

The department keeps the rules of the pension scheme under review to ensure it continues to help the NHS attract and retain the staff needed to deliver high quality care for patients. In the past year it has made a number of changes in this area, including new retirement flexibilities for late career staff, and changes in relation to pension taxation.

NHS Pension Scheme membership

The department continues to monitor scheme membership rates through ESR.

NHS Pension Scheme contributions

Members and employers are required to pay towards the cost of benefits built up in the NHS Pension Scheme. At present employers contribute 20.6% of each member’s pensionable earnings, plus a charge of 0.08% to fund the administration of the scheme. This is far more generous than most pension schemes offered in the private sector.

Member contributions have historically been tiered based on earnings, with higher earners paying more than lower earners. However, the scheme has moved from final salary linked to a career average revalued earnings (CARE) model, and all members have been accruing CARE benefits from 1 April 2022.

New retirement flexibilities

As signalled in our plan for patients, over the past year the department has introduced a package of new retirement flexibilities for staff who are members of the 1995 Section of the NHS Pension Scheme.

On 1 April 2023, the department abolished the rule that pension scheme members could only work up to 16 hours a week in the first month after returning from retirement without affecting their pension. Also on 1 April 2023, it removed the rule that prevented retired staff who return to NHS work from re-joining the scheme and building up more pension.

On 1 October 2023, the department also made a new ‘partial retirement’ option available to staff in the 1995 Section as an alternative to full retirement. This means that staff can now draw down some or all of their pension whilst continuing to work and build up further pension.

These new flexibilities have made retirement more flexible and should help to support VSMs and ESMs with their work/life balance later in their careers.

At the same time, on 1 October, we also amended the partial retirement rules for the 2008 Section and the 2015 Section scheme so that members of these schemes can now take up to 100% of their benefits and continue working if they wish. This means that the rules are aligned across the 1995 Section, 2008 Section and the 2015 Scheme.

Pension tax

As discussed in previous evidence submissions, the generosity of the NHS Pension Scheme and well-remunerated careers has meant that some VSMs and ESMs previously exceeded the Annual Allowance (AA) and Lifetime Allowance (LTA) for tax-free saving. The department is aware that experience of pension tax is important to the retention of these staff.

At the spring budget, the Chancellor announced that from 6 April 2023, the annual allowance for tax-free pension saving would increase by 50% to £60,000 and the lifetime allowance would be removed. The minimum tapered annual allowance would also increase from £4,000 to £10,000 and the adjusted income threshold for the tapered annual allowance would increase from £240,000 to £260,000.

The department's view is that these changes will help to ensure that many experienced VSMs and ESMs are not incentivised to leave the NHS for tax reasons.

For the minority who will still receive annual allowance charges, the ‘scheme pays’ facility allows them to meet the cost of a tax bill from the value of their pension benefits, without

needing to find funds upfront. Where a member uses scheme pays, the member's tax charge is paid through a deduction to their pension benefits at retirement.

As well as the tax changes announced at budget, in April 2023 the department also amended the revaluation date for career average pension benefits in the NHS Pension Scheme for scheme year 2022 to 2023 and future scheme years.

This moved the revaluation of career average accrued pension and earnings in a scheme year by 5 days, from 1 April, at the end of a tax year, to 6 April, at the start of the following tax year. This means that that the same rate of CPI will then be used for the revaluation and the calculation of pension benefit growth for annual allowance purposes. This ensures that the annual allowance operates as intended in relation to NHS pensions, and a high inflation environment does not create higher tax charges.

In addition, from this year open and legacy public service pension schemes for the same workforce are now considered linked for the purposes of calculating annual allowance charges. This allows members, including VSMs and ESMs, to offset any negative real growth in legacy scheme pension benefits against their annual allowance, meaning that high earners will have increased headroom against their annual allowance in future. This is likely to be particularly beneficial for NHS staff who now have increased years of service in the 1995 Section as a result of the McCloud remedy.

The department is also working with NHS England to encourage NHS trusts to develop appropriate local solutions and has asked NHS England to support NHS trusts to explore local flexibilities that are available to them within the NHS Pension Scheme. These local solutions include employer contribution recycling, where employers pay the unused portion of employer contribution as additional pay where staff opt-out of the scheme because they have exceeded their allowances for tax-free pension saving.

NHS England are also delivering a retention programme focused on employers making flexible employment offers to staff, engaging their high earners on pension tax issues and promoting the value of the pension scheme. This includes comprehensive communications and piloted seminars to engage staff on flexible retirement options and pension tax.

Communicating the package

So that staff can unlock the full value of their reward package, ensuring that they receive clear and accurate communications is important.

Total reward statements (TRS) are provided to all NHS staff and give staff a better understanding of the benefits they have or may have access to as an NHS employee. TRS

provide personalised information about the value of staff employment packages, including remuneration details and benefits provided locally by their employer.

NHS Pension Scheme members also receive an annual benefit statement (ABS), which shows the current value of their scheme benefits. On 23 September 2022, the number of statements was 2,812,443, with 297,035 views. This is a small increase compared to the same point the previous year, when the number of statements was 2,716,235 and the number of views 232,008.

The department commissions NHS employers to provide advice, guidance, and good practice to the NHS on developing a strategic approach to reward, and communications with staff are coordinated by NHS England. NHS England and NHS employers will provide further information on how individual employing organisations approach reward for their staff in their written evidence submissions.

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