Department of Health & Social Care

The Department of Health and Social Care's written evidence to the Senior Salaries Review Body (SSRB) for the pay round 2025 to 2026

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Contents

1. NHS strategy and introduction

This chapter sets out the wider context for the department's evidence for the 2025 to 2026 pay round and provides an overview of this year's written evidence to the Senior Salaries Review Body (SSRB).

For the 2024 to 2025 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. That was a difficult decision, given the current challenging financial position of this government, as set out by the Chancellor in her Fixing the Foundations documents and further on 30 October 2024 at Autumn Budget 2024.

The SSRB also recommended that, where pay cases require approval from the Department of Health and Social Care (DHSC), central approval or rejection of proposed ESM or VSM pay is provided within 4 weeks of submission of the pay case. This recommendation was originally made in 2023 to 2024 and repeated in last year's report. The government is committed to ensuring the process is efficient and is currently considering options to improve timescales of approval.

This year, the government is again inviting the SSRB to make a pay recommendation for VSMs and ESMs. 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 (NHSE).

In making your 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. 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
- consider the state of recruitment, retention, motivation of VSMs and ESMs, including the impact of industrial action taken by NHS staff on VSMs and ESMs
- consider the nature of the 2024 to 2025 awards and the government's affordability position

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.

Data approach

This year, to avoid unnecessary duplication of evidence, we have taken a more collaborative approach with NHSE on our analytical evidence. This means that, in places, rather than including data ourselves, we will reference data that has been provided by NHSE in their data pack. We will provide our own policy narrative to accompany this in this document and reference clearly where NHSE data pack figures, or publicly available data sources, are being referenced. Any feedback on this approach would be appreciated.

Chapters

Chapter 2 covers finance and describes the financial context within which NHS pay awards will need to be met. The focus for the NHS is 1) cutting waiting times to get people back to work 2) making the UK a life sciences and medical technology superpower 3) creating training and job opportunities through the NHS to deliver growth up and down the country.

Chapter 3 outlines NHS senior manager pay and strategy and describes the unique retention challenges facing the VSM cohort, additionally it provides data on senior manager numbers, analysis of earnings and the labour market context.

Chapter 4 covers ALBs, and specialist executive and senior managers.

Chapter 5 details Information about the total reward package.

The role of senior leaders

Strong and effective 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 the efficient and innovative use of public resources. This in turn, supports the delivery of high-quality, equitable care and the best outcomes for patients and service users and the wider workforce. To get the NHS back on its feet and make it fit for the future, we need strong and accountable leadership, bringing in the right people, sharpening their skills, and deploying them where they are needed most.

There have been some high-profile reviews and inquiries in recent years examining the effectiveness and future of NHS leadership, containing recommendations that are important to consider when setting VSM and ESM pay.

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 previous 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.

Building on the original recommendations and taking account of work that is already underway, the Secretary of State has asked Sir Gordon Messenger for advice on how to go further and faster on developing a strategic national approach to talent management in the NHS and on attracting leadership talent into challenged parts of the system.

In July 2024, the Secretary of State commissioned Lord Darzi to carry out an investigation into the state of the NHS in England. The report, published on 12 September 2024, provided an overview of the overall performance and challenges facing the healthcare system.

One of the main findings in the report echoed the messaging of the Messenger review, and outlined how management structures and systems were still feeling the effects of health reforms resulting in too few managers with the right skills and capabilities.

The Darzi report made a number of additional observations and recommendations on senior leaders in the NHS. The Darzi report observed:

- a 15% reduction in the number of senior managers since 2009
- international comparisons show that the NHS spends less than other systems on management. This could suggest that the NHS is not employing enough people whose responsibilities include decisions on how resources are used
- the main criteria by which trust chief executive pay is set is the financial turnover of the organisation. Neither the timeliness of access nor the quality of care are routinely factored into pay. This encourages organisations to grow their revenue rather than to improve operational performance

The report noted that given lack of sufficient managers, clinicians end up taking on managerial responsibilities, which takes away from time spent with patients. The report

recommended that the NHS needs to develop managerial talent and ensure clinician time is freed up to focus on delivering healthcare to patients.

Following publication of the Darzi report on the challenges facing the NHS, the government outlined areas for reform including working at pace to build a 10 Year Health Plan for healthcare, which will be the foundation of building an NHS fit for the future, one of the new government's 5 missions for this parliament. Lord Darzi's report will inform the government's 10 Year Health Plan to reform the health service framed around 3 major shifts. These are:

- moving from an analogue to a digital NHS
- shifting more care from hospitals into communities
- moving from sickness to prevention

To respond to the challenge of ensuring leaders have the right skills and capabilities, the Secretary of State announced the creation of a new College of Executive and Clinical Leadership - a professional body dedicated to raising standards of management and leadership across the NHS. This college will support ongoing development, set clear expectations, and promote best practice. It will bring together clinical and non-clinical managers, creating a network of accredited leaders with the skills and knowledge to lead the reforms laid out in the 10 Year Health Plan.

At the same time, NHS league tables will be introduced. Providers to be placed into a league table to review NHS performance across the entire country. This will be made public and regularly updated to ensure leaders, policy makers and patients know which improvements need to be prioritised. High-performing providers will be given greater freedom over funding and flexibility. There is little incentive across the system to run budget surpluses as providers cannot benefit from it. These reforms will reward top-performing providers and give them more capital and greater control over where to invest it in modernising their buildings, equipment and technology.

Persistently failing managers will be replaced and turnaround teams of expert leaders will be deployed to help providers which are running big deficits or poor services for patients, offering them urgent, effective support so they can improve their service. In the context of our strategy for senior leaders, it is also imperative that pay for senior leaders needs to fairly reflects the complexities of their roles whilst also being used as an incentive to improve performance and patient care.

At the same time, in the context of the current challenging financial picture, which has led to the Chancellor taking difficult decisions to find £5.5 billion of savings across department budgets, it is important that the government ensures money is being spent where it is most

needed. The government expects that senior leaders will support its ambitions to reform the NHS through effective use of resources and to demonstrate appropriate financial management in their organisations while improving services to ensure the delivery of high-quality healthcare. Pay for senior managers should linked to both improving patient outcomes and applying rigorous financial management. As Secretary of State announced, we are revising the VSM pay framework to ensure that senior leaders in charge of organisations that persistently fail to provide decent care or fail to manage their finances do not receive annual pay uplifts.

In this challenging fiscal environment with an NHS which is experiencing its worst crisis in its history, pay needs to incentivise operational performance and the improvement of services while at the same time, we need to ensure zero tolerance for leaders who are persistently failing.

The government looks forward to receiving your report in 2025.

2. Finances

This chapter describes the financial context within which NHS pay awards will need to be met. Findings from the Treasury spending audit earlier this year revealed £22 billion of unfunded pressure inherited from the previous government, leading to the Chancellor taking difficult decisions to find £5.5 billion of savings across department budgets for 2025 to 2026.

The autumn budget means NHS England RDEL budgets will rise to £182.8 billion in 2024 to 2025 and £193 billion in 2025 to 2026. 2026 Investment alone won't be enough to tackle the problems facing the NHS - it must go hand in hand with fundamental reform. In the short term, patient care pathways will be reformed to ensure patients are seen in settings which can deliver better patient experience for lower cost, enhancing patient choice and embedding best practice right across the country.

Economic context

As outlined in the terms of reference, the Pay Review Bodies should take account of the broader economic context, settlement data are the most comparable data to PRB decisions as they are a direct measure of consolidated pay awards, and so are not affected by broader labour market factors such as changes to working hours or workforce composition. Settlement data are tracking downwards and expected to fall further as we enter the period of the pay award according to survey data, this is in line with OBR's forecast earnings growth for 2025 to 2026 of 3% in the short term before reducing to around 2% in 2026 to 2027.

The rate of UK economic growth since the global financial crisis (GFC) of 2008 has been substantially lower than in previous decades. Annual real productivity growth (GDP per hour worked) fell by around 1.5 percentage points, from an average of 2.1% in the decade prior to the GFC, to 0.6% between 2010 and 2019. Higher productivity enables higher wages and living standards. Only sustained productivity growth over the medium-term can deliver sustainable long-run economic growth and real-terms wage rises.

The government is committed to delivering a decade of national renewal. Through the growth mission, the government is restoring stability, increasing investment, and reforming the economy to drive up prosperity and living standards across the UK.

Funding growth

Table 1: mandate funding for NHS England

	NHSE Revenue Departmental Expenditure Limits (RDEL) excluding ringfence (RF) (cash) £ billion	NHSE Capital Departmental Expenditure Limits (CDEL) excluding ringfence (RF) (cash) £ billion
2019 to 2020	121.334	0.260
2020 to 2021	147.132	0.365
2021 to 2022	147.973	0.337
2022 to 2023	155.228	0.330
2023 to 2024	171.036	0.439
2024 to 2025	176.916	0.431

Source: 2024 to 2025 financial directions to NHS England

Table 1 above shows the closing mandates for NHSE up to 2023 to 2024, the opening mandate in 2024 to 2025. The 2023 to 2024 and 2024 to 2025 RDEL figures have 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. The application of IFRS16 has revised the funding amounts from 2019 to 2020 onwards. Figures exclude depreciation, annually managed expenditure (AME) and the technical accounting budget, namely capital grants or Private Finance Initiative.

The 2024 to 2025 totals will be updated in April 2025 closing the financial directions which will reflect the changes made at Autumn Budget 2024, including increased funding which contributes to the cost of the pay awards announced in July Statement.

Financial position

The NHS' (commissioners and providers in aggregate) final spend position shows a significant deficit of £1.3 billion (as set out in the table below), which is a marked deterioration on the year before. Final audited spend in the 2023 to 2024 financial year will be laid before Parliament and is available in NHS England's published Annual Report and Accounts.

The fiscal and economic environment has pushed the NHS into a challenging financial position. The 2024 to 2025 pay uplifts were awarded in the final year of the Spending Review 2021, which was published at a time of lower inflation and no strike action. Consequently, recent pay awards and pension costs have resulted in significant pressures on planned 2024 to 2025 budgets.

The Autumn Budget 2024 means NHS England RDEL budgets will rise to £182.8 billion in 2024 to 2025 and £192 billion in 2025 to 2026.

Table 2 shows the breakdown of funding provided to NHS providers since the 2017 to 2018 financial year, including preliminary outturn data for 2023 to 2024.

Table 2: NHS providers RDEL breakdown in £ million

	2017 to 2018	2018 to 2019	2019 to 2020	2020 to 2021	2021 to 2022	2022 to 2023	2023 to 2024
Gross deficit	2,433	2,755	1,560	158	126	1,001	1,606
Gross surplus	-1,337	-1,889	-567	-363	-442	-299	-305
Reporting adjustment	-105	-39	-323	-450	-240	-252	12
NHS providers SRP (sector reported performance)	991	827	670	-655	-556	450	1,312
Plus additional RDEL adjustment	47	-1	338	-77	-39	528	69
Net NHS providers RDEL NRF	1,038	826	1,008	-732	-595	978	1,382

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

	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
2019 to 2020	121.334	58.447	48.17%	Not applicable	Not applicable
2020 to 2021	141.104	65.264	46.25%	16.29%	11.66%
2021 to 2022	146.719	68.865	46.94%	3.98%	5.52%
2022 to 2023	152.553	73.942	48.47%	3.98%	7.37%
2023 to 2024	165.926	81.699	49.24%	8.77%	10.49%

Notes:

- 2020 to 2021: NHSE RDEL figure represents the net outturn of the NHS Group, as the NHS Group was underspent by £6.0 billion with respect to its funding

- 2021 to 2022: NHSE RDEL figure represents the net outturn of the NHS Group, as the NHS Group was underspent by £1.3 billion with respect to its funding

- 2022 to 2023: excludes non-recurrent funding for a non-consolidated pay award (£2.675 billion excluded from NHSE RDEL figure, £2.490 billion excluded from NHS Provider permanent and bank staff spend figure)

- 2023 to 2024: excludes Health Education England (HEE) funding from NHSE RDEL figure (note corresponding figure in tTable3 is inclusive of HEE funding)

- 2024 to 2025: the 2024 to 2025 pay award is expected to increase the proportion of resources going on pay

- 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 2024 to 2025, the pay awards were above the government's affordability envelope. As a result, this created an unfunded pressure addressed as part of the July Spending Audit. The government took a range of difficult decisions to manage the pressures identified in the audit, including targeting winter fuel payments, and on health specifically, cancelling Social Care charging reform and reviewing the New Hospitals Programme. On pay, all departments needed to find savings to absorb at least £3.2 billion of the overall pay pressure. DHSC undertook a reprioritisation exercise to identify the funding necessary (together with additional HMT funding) with budgets confirmed at the Autumn Budget 2024.

With regards to VSM pay, costs are managed locally by providers and they have freedoms to choose whether or not to uplift pay in line with the SSRB recommendations. A figure above affordability could lead to providers making difficult decisions at local level regarding prioritisation of budgets. This could lead to providers deciding not to uplift pay in line with the recommendations or could impact services and the level of care provided.

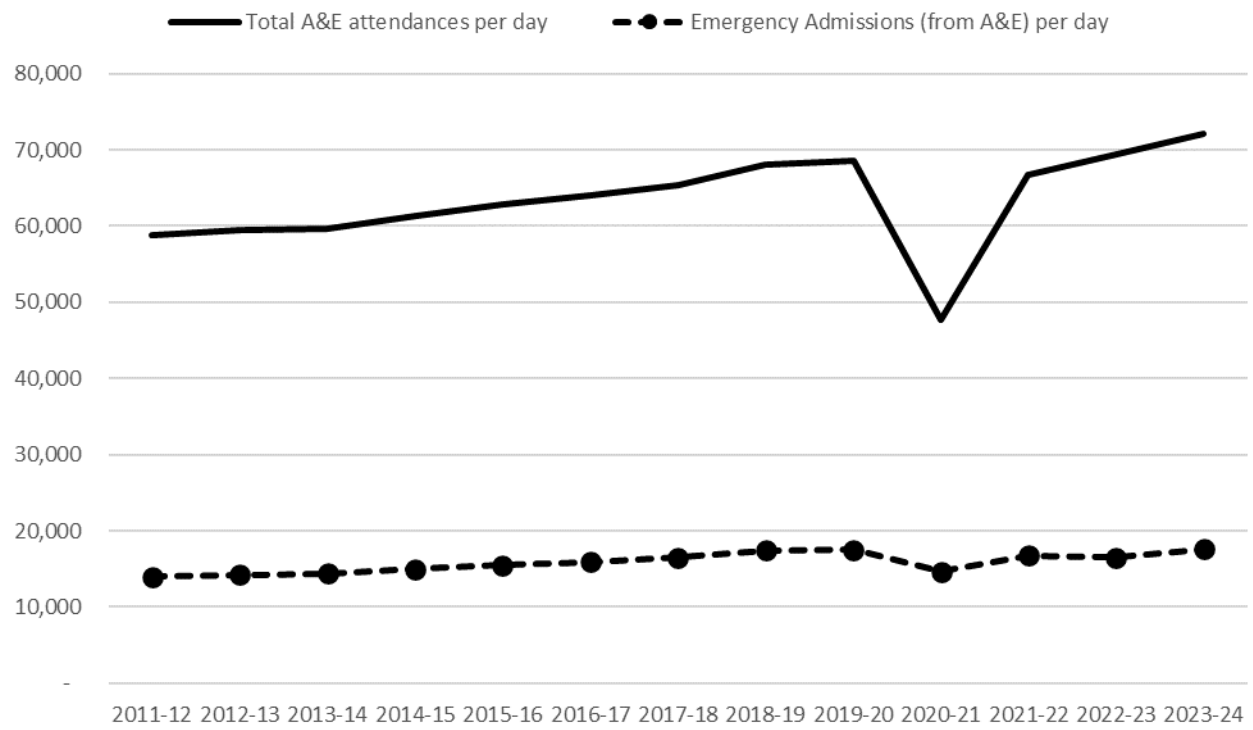
Demand pressures

VSMs face a number of challenges in NHS organisations, particularly 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 2023 to 2024.

In 2019 to 2020, there were an average of 68,540 A&E attendances and 17,551 emergency admissions per day. In 2023 to 2024, there were 72,113 A&E attendances and 17,563 emergency admissions per day. This equates to a 5% increase in A&E attendances, while emergency admissions remained relatively stable between 2019 to 2020 and 2023 to 2024.

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

	RTT estimated clock starts per working day	RTT total completed pathways and unreported removals per working day	Waiting list
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
2023 to 2024	82,163	81,332	7,538,830

Source: NHSE consultant led referral to treatment statistics.

Notes: 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 unreported removals figures are based on estimated clock start figures for 2015 to 2016 and earlier.

Elective recovery has been an ongoing focus for the NHS since the pandemic and the size of the challenge remains significant. The waiting list currently stands at 7.6m (as of July 2024). This is slightly down from 7.7m in July 2023, but up from 4.5m in July 2019 before the pandemic.

The NHS Constitution sets out that 92% of patients should wait no longer than 18 weeks from Referral to Treatment (RTT). As of July 2024, the start of the current parliament, only 58.8% of waits are within the 18-week standard. Almost 50,900 patients had been waiting more than 65 weeks and over 290,000 patients had been waiting more than 52 weeks for elective treatment in July 2024. The government will support the NHS to make progress towards the commitment that patients should expect to wait no longer than 18 weeks from referral to treatment.

There has been significant additional funding for elective recovery to address the backlog from the COVID-19 pandemic, via the Elective Recovery Fund (ERF) (£8 billion from 2022

to 2025) and capital funding to increase diagnostic and theatre capacity (£2.3 billion for diagnostics and £1.38 billion for theatre capacity). We have observed an increase in elective activity: per working day activity (including Specialist Advice and Guidance) in August 2024 was above pre-pandemic levels at 112.9% compared to August 2019. However, activity levels are still lower than originally planned; the 2022 Elective Recovery Plan envisaged they would be 30% higher by 2024 to 2025. This has been due to slower productivity recovery, in part due to industrial action. NHS analysis estimates that the waiting list could have fallen by an extra 430,000 from December 2022 to March 2024 without strikes.

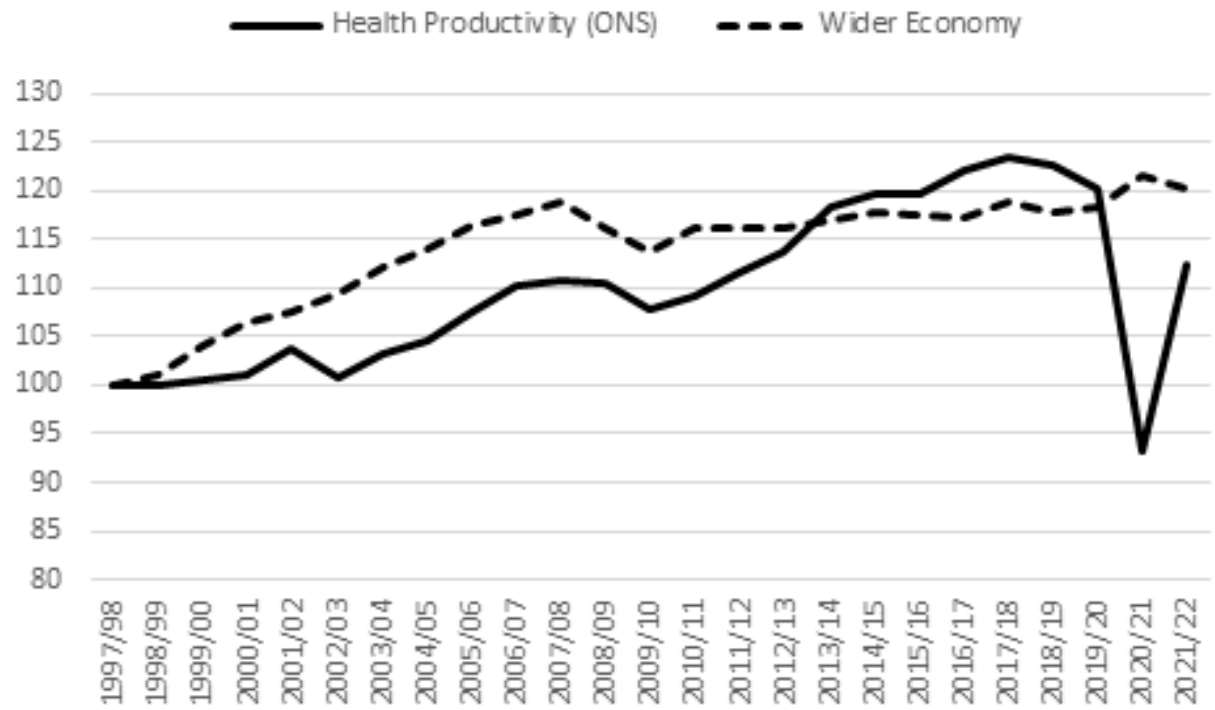
Demand recovered more slowly than expected following the large decrease in referrals seen during the pandemic. Average growth in the years leading up to the pandemic (between October 2016 and February 2020) was 2.1%, although, outside of the pandemic, annual growth ranged from -3.1% to 6.4%. Demand returned to pre-pandemic levels in January 2023, and rebounded at a rate of 6.1% across 2022 to 2023. The rate of demand growth across the last year has fallen; year-to-date demand growth is currently -1.1%. However, we expect demand growth to return to the long-term trend seen before the pandemic of between 2% to 3%.

Calculating productivity in the NHS

Health productivity is hard to measure due to problems with capturing health outcomes in existing data. Despite these challenges York University and the Office for National Statistics (ONS) publish recognised measures of health productivity. England healthcare productivity increased on average by 0.8% per annum from 1995 to 1996 until 2019 to 2020 - a similar rate to the UK wider economy. 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. shows health productivity compared to wider productivity between 1997 to 1998 and 2021 to 2022.

Figure 2: ONS England health versus wider economy multi factor productivity (index for 1997 and 1998 is 100)



Source: ONS England Health Productivity and ONS UK Multi-Factor Productivity

The chart above shows when indexed to 1997 to 1998 health productivity was below wider economy productivity until 2013 to 2014. After 2013 to 2014 health is higher than wider economy productivity until 2020 to 2021. In 2020 to 2021, health productivity dropped by much more than the wider economy productivity. Health productivity recovered in 2021 to 2022 but is still below both the wider economy and health's pre-pandemic level.

ONS figures showed a 22.4% reduction in NHS productivity 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 delivered health benefits (for example, fewer COVID-19 cases) not captured in our usual measures of productivity.

ONS reported a significant bounce back in 2021 to 2022 to 6.6% below the 2019 to 2020 level, but some of this recovery is due to the inclusion of Test and Trace and COVID-19 vaccinations. A more modest recovery of 12.5% below the 2019 to 2020 level was reported by York Centre for Health Economics University who publish a similar England wide measure that excluded Test and Trace and most COVID-19 vaccinations.

These formal estimates are only published to 2021 to 2022, but ONS publish a total public sector productivity measure to shorter time scales, of which the health sector comprises

40%. The latest publication (January to March 2024) showed public sector productivity is recovering but is still 6.4% below its pre-pandemic equivalent. Suggesting that many of the problems with recovering productivity to its pre-pandemic level remain.

Table 5: productivity levels versus 2019 to 2020 for different measurements

The latest is defined as January to March 2024 versus January to March 2020

	ONS Health specific measure	York Centre for Health Economics England wide health measure	ONS total public sector
2020 to 2021	-22.4%	-23.0%	-16.1%
2021 to 2022	-6.6%	-13.3%	-5.4%
Latest	Not applicable	Not applicable	-6.4%

Sources: ONS health productivity, York University Centre of Health Economics: Productivity of the English NHS, and ONS Quarterly Public Sector Productivity

While public sector productivity remains at below pre-pandemic levels, the NHS continues to face evolving challenges. The backlog for elective care persists due to the long-term effects of managing COVID-19, including delays in discharge, longer non-elective length of stay (constraining elective capacity), high staff sickness and vacancies, and the continued reliance on agency staff. Additionally, industrial action by nurses, junior doctors, and consultants in 2023 to 2024 has resulted in lost opportunities for elective treatment and associated productivity declines. Nevertheless, despite these challenges, acute sector productivity grew by 2% in 2023 to 2024, and this positive trend has continued with an additional 2% growth in the first quarter of 2024 to 2025 compared to the same quarter the previous year.

Productivity and efficiency in the NHS

The autumn budget announcement in October 2024 included a commitment that DHSC (including NHS) would deliver 2% productivity growth in 2025 to 2026, driven by significant technology and digital infrastructure investments. This includes over £2 billion investment to advance NHS technology, which will free up staff time, ensure all trusts have Electronic Patient Records, improve cyber security and enhance patient access through the NHS App.

Increasing NHS productivity and efficiency remain essential to meet the growing demand for health services to support enduring improvements in performance and ensure financial sustainability.

In recent years, funding and workforce levels within the NHS have gradually increased. However, though there has been progress since the COVID pandemic, this has not yet translated into corresponding improvements in productivity. The 2% productivity growth aims to address this gap, to ensure that increased resources translate into measurable improvements in efficiency and service delivery for patients.

To realise this productivity growth, sustained reform is essential for achieving operational excellence. This includes reducing administrative burdens through technological advancements and infrastructure upgrades, delivering care in efficient settings, and prioritising preventive care to reduce costly admissions. Upskilling and retention strategies are also crucial for leveraging a broader range of skilled professionals, ensuring that the NHS workforce can meet growing demands while supporting sustainable productivity improvements.

Lord Darzi's recommendations, on which the 10 Year Health Plan will be based on, emphasise that the NHS needs smarter and broader investment rather than simply more funding. This includes focusing on system reform to drive productivity improvements, leveraging technology, and investing in workforce development. The report stresses that any financial increase, including pay, should be tied to productivity gains and wider systemic improvements. The Carter Review (2016) showed that operational changes could realise substantial savings (£3.57 billion by 2020), highlighting the potential for reform-driven productivity improvements. Following the budget announcement for spending review phase 1 in October 2024, it is clear that future pay decisions should be considered alongside these broader reforms to ensure sustainable investment that enhances both workforce well-being and service delivery.

Steps are also being taken to control spending on temporary staffing, such as expanding staff banks, increasing compliance with agency price caps, and reducing the use of off-framework agency staff. The 2024 to 2025 Planning Guidance challenged systems to improve workforce productivity and reduce agency spend below 3.2% of the total paybill across 2024 to 2025, and end use of all off-framework agencies. Off-framework spend now makes up less than 1% of all agency spend. Together, this will help shape the NHS workforce. Ensuring the right skills mix, in the right place, could optimise productivity and better meet patient needs now and in the future.

Achieving this productivity improvement requires 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 by expanding the workforce with a diverse range of professional roles, 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.

The NHS workforce will need to take full advantage of innovations as set out in The Topol Review, Data Saves lives Strategy and A plan for digital health and social care. The widespread safe, effective, and ethical adoption of digital and technological innovations will be one of the most important ways of delivering the government's productivity ambitions.

As part of the effort to meet the 2% productivity target, NHS England is looking into areas to improve efficiency, deliver better value for money and meet growing demands, while managing costs. Some of these areas include:

1. Operational and clinical excellence: improve patient flow, reduce discharge delays, adopt best practices to minimise clinical variation, and deliver care in the right place at the right time through new models of care.

2. Health rather than illness: focus on increasing healthy life years through prevention and screening, and shift care upstream to primary, community, and mental health services.

3. Reducing waste: achieve efficiencies in medicines, enhance commercial processes, and improve corporate services by exploring large-scale automation.

Additionally, NHS England has committed to reporting on productivity metrics at national, ICB, and trust levels starting in the second half of 2024 to 2025, reflecting a more data-driven approach to identify inefficiencies and areas for improvement.

Affordability

Previously in this chapter we have set out the economic and financial landscape for 2025 to 2026 which builds on the challenging position following 2024 to 2025.

Resetting the governments approach to affordability

This government will take a different approach to affordability evidence, as part of resetting the relationship with staff and staff representatives, and rebuilding confidence in the PRB process. In recent years, the government’s affordability number had lost credibility, and the recommendations of the PRBs were consistently above affordability. From now onwards, government will set out a credible figure both to the PRB, and to the NHS to allow integrated care boards to plan ahead of the PRB recommendations to support robust system financial planning.

In doing so, the government will need to factor in the fiscal and economic context, as well as a realistic estimate of the eventual uplift. This should end the period where the government’s affordability number is seen as a floor for the PRB recommendations. This approach should mean that in some years recommendations may be below the level of

affordability, and sometimes slightly above, depending on other factors the PRBs consider. However, if recommendations are above the level DHSC has budgeted for, the department will need to carefully consider them. Accepting recommendations above what is budgeted for would mean stark trade-offs against activity and wider budgets or consideration to whether productivity improvements can unlock further funding.

Affordability for 2025 to 2026

The Department of Health and Social Care (DHSC) has set aside 2.8% for pay for 2025 to 2026. DHSC view this as a reasonable amount to have set aside based on the macroeconomic data and forecasts and taking into account the fiscal and labour market context.

For SSRB remit groups pay is agreed locally through remuneration committees and the costs are managed locally by providers. This means providers have freedoms to choose whether or not to uplift pay in line with the SSRB recommendations.

In 2024 to 2025, the government made a number of difficult decisions at the July 2024 statement to manage unfunded pressures including pay awards. On health, this included cancelling social care charging reform and reviewing the New Hospitals Programme. For 2025 to 2026, the Chancellor set out at autumn budget how the government has taken further difficult decisions across tax, spending and welfare through the budget and phase 1 of the spending review in order to repair the public finances, including through driving efficiencies and reducing wasteful spending, reforming its approach to welfare, and increasing the rate of employers NICs to fund public services. Departmental settlements for 2025 to 2026 will need to fund the next round of public sector pay awards.

This government has announced its ambition to build an NHS fit for the future and will set out its vision for this via a new 10 Year Health Plan for the NHS. This included announcing funding to support the delivery of an extra 2 million operations, scans and appointments a year to reduce waiting lists across England. The government is carefully balancing delivery of services for patients and ensuring staff are paid fairly and have supportive working conditions that enable delivery of the best patient care.

The NHS workforce is the backbone of service delivery with pay the largest component of NHS costs (as set out in the share of resources going to pay chapter above). Therefore, upwards pressures on pay recommendations do have a significant material impact in managing overall DHSC Group Budgets.

3. Senior manager pay

This chapter expands on the strategic context for VSMs and sets our workforce and earnings data for this group. A VSM is defined as someone who holds an executive position on the board of an NHS trust, NHS foundation trust (FT) or integrated care board (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. These individuals are locally designated as VSMs if not employed by AfC or medical and dental pay terms and conditions.

According to the latest statistics, as of June 2024, there were 3,450 (headcount) VSMs working across NHS trusts, FTs and ICBs. Compared to 3,250 (headcount) VSMs the year previous.

The government recognises the importance of improving data in understanding the issues facing the VSM cohort. NHS England have worked with NHS organisations to improve job role coding of their most senior staff. We were able to provide some data on morale and motivation to the SSRB in 2023. The 2024 NHS Staff Survey is expected to be published in March 2025, and we expect to include it in the evidence for the review body in 2025, for the first time with more than one period of data to allow the beginning of a comparison over time.

VSM pay uplifts

The government accepted last year’s pay recommendations made by the SSRB. On 18 September 2024, NHS England wrote to ICBs, providers and to all NHS regions with details of the 2024 to 2025 annual pay increase recommendations for VSMs. NHS trust Remuneration Committees (RemComms) 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 relevant pay-setting processes would apply.

We are aware that certain pay anomalies exist in the system, particularly regarding pay overlaps of AfC roles in band 9 and VSMs. Where those exist, it is up to local remuneration committees to address and exercise their discretion to consider and adjust the pay of those staff who may be in this position.

NHS senior pay strategy

Any strategy for NHS senior leaders' pay needs to appropriately consider the challenging fiscal context, set out by the Chancellor in her Budget on 30 October 2024 and the state of the NHS the government has inherited.

The government is immensely grateful for the vital role that leaders play in supporting the delivery of high quality, compassionate care and the best outcomes for patients, and the Health Secretary is determined to work with all staff, including senior leaders, to rebuild the health service and fix the foundations. VSMs in the NHS are facing a number of challenges. We know that senior leaders have continued to face exceptional pressures, and in recent years have also had to manage industrial action, meaning leaders having to focus on operational delivery as opposed to more strategic issues. Although waiting lists for elective appointments are falling, they remain at an all-time high, in part due to the impact of widespread industrial action across the NHS. Their roles are complex, and that is why this cohort is a group of high earners, being in the top 1% of earners in the UK.

Recruitment of VSMs can be challenging, with trusts reporting that some VSM vacancies remain open for long periods before recruiting someone into them. In addition, there are some unique retention challenges facing the VSM cohort. As highlighted in previous years, 40 per cent of the cohort are aged over 55 and are therefore potentially eligible for retirement. However, overall staff turnover has fallen for this cohort, with a rate of just under 10% in 2023 to 2024. This compares to a rate of around 15% in 2022 to 2023.

As part of the 10 Year Health Plan, the government is focusing on 3 big shifts from analogue to digital, hospital to community, and sickness to prevention. As we focus on reforming the NHS and make it fit for the future, first class leadership at every level of the system will be imperative. As the Darzi report emphasised, the system has too few managers with the right skills and capabilities. Senior leaders will play a critical role in ensuring we can effectively respond to the significant challenges we face across the NHS and they need to be well equipped to do so. At the same time, it is equally important that senior leaders in the NHS are held accountable for their performance in supporting their staff to deliver high quality, compassionate care to patients. When things go wrong, NHS managers should be properly held to account for their actions, in the same way that doctors, nurses and paramedics are. There needs to be honesty about poor performance and there needs to be a shift away from tolerating failure or rewarding those who are under-performing. It is the government's position that pay uplifts have to be considered alongside the need for crucial productivity improvements. As part of the 10 Year Health Plan for the NHS, the NHS will aim to deliver 2% productivity growth next year.

The government will be placing a renewed emphasis on accountability, transparency and performance of managers, to address Lord Darzi's concern that there are too few managers with the right skills and capabilities. While recent interventions such as the NHS

leadership competency framework and the upcoming appraisal framework, should help standardise expectations around performance, we also need to look at how pay incentivises operational performance. We would suggest that the SSRB considers this, with due consideration to affordability. The department will use the new VSM framework as a vehicle to achieve this. Given that this is a high earning profession however, it is important to consider that pay is only one part of incentivising operational performance, with the non-pay being a factor too.

To respond to the challenges senior leaders are currently facing, the Secretary of State has announced a broad package of reforms that will drive operational performance and the improvement of services while supporting leaders, as noted in Chapter 1. One of these is the publication of the new VSM pay framework.

New VSM framework

As noted in last year's report, the department and NHS England have been working closely together towards publishing and implementing the new VSM pay framework. This aims to bring together arrangements for trusts and ICBs, further drive consistency across NHS organisations, and limit overall pay inflation, whilst also allowing sufficient flexibility to attract the right candidates.

We recognise that the VSM framework has been in the pipeline for some time. As the Secretary of State announced on 13 November 2024 in his speech at the NHS Providers Conference, we are keen to deliver reform of VSM pay and the new framework will be published ahead of the next financial year.

We are grateful for the SSRB comments on the draft framework in the 2024 report. We are now considering further changes to reflect the government's strategic approach to senior managers.

A key aim of the framework is to achieve consistency and fairness of pay across organisations, and greater transparency, whilst also allowing sufficient flexibility to attract the right candidates to the most challenging roles.

However, we also want to ensure that the new framework aligns with the principle set out by Lord Darzi in his report, that for our most senior leaders, operational performance needs to be factored into pay. Pay and reward should be used as an incentive to improve performance and patient care while ensuring that the most senior managers are held to account for performance when this is below standard. We will use the new framework as a vehicle for reform to ensure that, going forward, pay for the most senior managers is linked to operational performance.

As well as demonstrating performance in relation to the provision of high-quality care, it is vital that managers ensure that hospital budgets are well-managed and financial rigour is effectively applied. Balancing the budgets of their trusts is an integral part of delivering the very best care for patients. We want to ensure that pay for the most senior managers is linked to both improving patient outcomes and applying rigorous financial management. To this end, we are revisiting the framework to ensure that senior leaders in charge of organisations that persistently fail to provide decent care or fail to manage their finances do not receive annual pay uplifts.

In addition, failure to have appropriate regard to the framework will be considered a governance issue. We will explore how we can use NHS England's regulatory levers to ensure NHS providers adhere to the framework.

The current draft of the pay framework has been adjusted to take account of the SSRB's pay recommendation for 2023 to 2024, uplifting all pay bands by 5%.

The department is of the view that the new framework, once implemented will support ICBs and providers in tackling their recruitment and retention challenges while ensuring value for money for the taxpayer. The reforms outlined above on the VSM framework should not impact the SSRB's recommendations for this year.

Scrutiny of senior manager pay

VSMs are not typically covered by a national contract which is subject to national collective bargaining; they hold locally determined contracts of employment. Medical directors, however, who are employed on consultant contracts, have their pay framework and other terms agreed through a collective bargaining process.

It is right that senior manager pay is properly scrutinised at a national level to ensure value for money, transparency, and consistency. As noted above, the government is keen to place a renewed emphasis on accountability and transparency of managers and strengthen appropriate oversight of pay. 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.

Under the current framework all employers who wish to agree salaries over £150,000 require DHSC approval. As we noted in our oral evidence last year, the new framework, for NHS trusts and FTs, would require DHSC oversight for any VSM paid over £170,000. This increase brings it in line with the arrangement agreed with ICBs, where the threshold for DHSC scrutiny was set to £170,000.

Increasing the threshold to £170,000 for non-routine cases coming to ministers will help free up DHSC resource to look at non-compliant cases and address some of the concerns about the process.

Ministers already 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), 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.

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.

These measures 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.

DHSC recognises that the SSRB also recommended that central approval or rejection of ESM and VSM pay is provided within 4 weeks of submission of the pay case to the department. We agree that the pace and manner with which these cases are handled has an impact on recruitment and retention of the VSM workforce and are very keen to minimise delays and ensure the process of clearances is efficient.

As pay guidance for ICBs, FTs and trusts will be consolidated in the upcoming new VSM Pay Framework, this will help further improve clearance times. This will also 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.

We are considering where further adjustments can be made to the clearance process with the intention of streamlining and reducing duplication. We will formally respond to the recommendation once we have agreed with cross government partners and Ministers any adjustments to our clearance processes.

In addition, the SSRB has asked for data covering recent years on the use of the central pay case approval procedure, including the number of pay cases and the length of time taken to accept or reject these cases. The department has not made an assessment of the data on our approval process. As part of our broader work to consider adjustments to our clearance process, we will consider what information we are able to share with the SSRB. We will keep the SSRB informed of our progress with this work.

Workforce numbers

Estimates of the number of individuals working in VSM roles is available via NHS England workforce statistics. As in previous years limitations in identifying VSMs and ESM through administrative data systems remain although the system remains committed to addressing these issues.

As of June 2024, it is estimated that there were around 3,450 (headcount) VSMs working across the NHS trusts and ICBs in England. This represents an increase of around 200 compared to the same period last year. However, we note that because this definition includes an earnings component which has not been increased for several years and so some of this increase may reflect other staff who have crossed the earnings threshold and meet the other aspects of the definition rather than a genuine increase in VSM positions.

Table 6: estimate of VSMs in trusts, FTs and ICBs in June 2024

	NHS trusts - headcount	NHS trusts - FTE	ICBs - headcount	ICBs - FTE
June 2020	1,734	1,696	N/A	N/A
June 2021	2,038	1,966	N/A	N/A
June 2022	2,183	2,096	691	464
June 2023	2,485	2,371	768	538
June 2024	2,730	2,591	719	539

Source - NHS England workforce statistics.

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. This has increased by around 150 between 2023 and 2024 which may, in part, reflect improvements to coding of the VSM workforce including the introduction of additional ‘job role’ designations for some members of the executive team.

Table 7: time series of staff with 'board level' job roles

	Headcount	FTE
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
June 2024	1,954	1,898

Source - NHS England workforce statistics.

Note: board level includes Chief Sustainability Officer, Deputy Chief Executive, Estates and Facilities Director and Improvement Director

Workforce equality and diversity

It is important to consider the make-up of the VSM workforce and how the demographic composition may be changing. Table 8 provides information on the composition of the workforce by gender, ethnicity and age group.

In general:

- most VSMs are white with 13% of VSMs in trusts and ICBs being from minority groups. The proportion of VSMs in trusts with a declared ethnicity of ‘white’ has reduced slightly between June 2023 (84%) and June 2024 (83%)

- there is a roughly 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

Table 8: demographic composition of VSMs in trusts and ICBs as of June 2024

Demographic group	Proportion in trusts	Proportion in ICBs
White	83%	76%
Ethnic minorities	13%	13%
Unknown	4%	11%
Men	51%	47%
Women	49%	53%
25 to 34	0%	1%
35 to 44	15%	15%
45 to 54	45%	45%
55 to 64	37%	36%
Over 65	3%	3%

NHSE has supplied information on average basic pay per FTE for VSMs broken down by gender and ethnicity group. Table 9 shows this data for VSMs working in NHS trusts as of June 2024, as well as the resulting gender pay gaps (GPG) and ethnicity pay gaps (EPG).

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. A negative figure indicates that pay is lower for female or non-white staff compared to male or white staff while a positive figure indicates higher pay for either female staff or those from non-white backgrounds We recognise that some of these groups are very small which may impact results.

The GPG appears to be heightened for VSMs of mixed and multiple ethnic groups, with female staff in this group receiving 7% 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 and Asian British ethnic group, where data shows that across both grades female staff receive higher basic pay than male staff.

Table 9: gender and ethnicity pay gap for non-medical VSMs in NHS trusts in England based on monthly basic pay per FTE, June 2024

Ethnicity group	Female	Male	Gender pay gap: female to male	Ethnicity pay gap - female - relative to white	Ethnicity pay gap - male - relative to white
Asian or Asian British VSMs	£12,335	£12,096	2%	2%	-4%
Black African, black British, Caribbean VSMs	£12,490	£12,203	2%	4%	-3%
Mixed or multiple ethnic groups VSMs	£11,161	£12,624	-12%	-7%	0%
White VSMs	£12,063	£12,590	-4%	Not applicable	Not applicable
Other ethnic groups VSMs	£10,969	Not applicable	Not applicable	-9%	Not applicable
Unknown VSMs	£12,587	£13,009	-3%	4%	3%
Asian or Asian British non-AfC	£11,375	£12,155	-6%	0%	7%
Black African, black British, Caribbean non-AfC	£10,998	£11,037	0%	-4%	-3%
White non-AfC	£11,417	£11,330	1%	Not applicable	Not applicable
Unknown non-AfC	£11,852	£14,519	-18%	4%	28%

Source - NHS England earnings statistics

Turnover

The NHS England data pack includes information on the number of staff who are recorded as leaving or joining VSM positions between June 2023 and June 2024, by organisation type, and estimates of the resultant turnover rate.

Table 10: number of staff leaving or joining VSM positions between June 2023 and June 2024

	Trusts	ICBs	ALBs
June 2023 headcount	2,485	768	462
June 2024 headcount	2,730	719	636
Leavers	252	120	68
Estimated leaver rate	9.7%	16.1%	12.4%

Source - NHS England workforce statistics, turnover between June 2023 and June 2024 for VSMs and ESMs partitioned by organisation type.

This leaver data will include a small number of staff who were working as VSMs or ESMs in both periods but moved between different types of organisation and are therefore still recorded as a leaver in this data which is partitioned by organisation type.

Table 11: movement of VSMs between organisation types within the hospital and community health sector between June 2023 and June 2024

Organisation type in 2023	Organisation type in 2024	Count
Trust	ALB	2
Trust	ICB	13
ICB	Trust	17
ICB	ALB	5
ALB	Trust	9
ALB	ICB	2

Source - NHS England workforce statistics, turnover between June 2023 and June 2024, partitioned by organisation type.

When someone leaves there NHS role a "termination" record should be added to ESR which includes recording a "reason for leaving" - while these are usually self-recorded and cannot be validated they can be provide a limited indication on the reasons why people might be leaving roles.

For those where a value is recorded the most common reason for leaving is voluntary resignation which accounts for around 30% of leavers in trusts and 25% of leavers in ALBs. The relatively high proportion of retirements, especially in trusts, is consistent with the age distribution of the workforce while the high proportion of redundancies in ALBs follows organisational restructure.

Table 12: reasons for leaving for VSMs and executive senior managers, 12 months to June 2024, partitioned by organisation type

Category	Proportion in trusts	Proportion in ICBs	Proportion in ALBs
Voluntary resignation	29%	21%	26%
Retirement	27%	8%	12%
End of fixed-term-contract	6%	11%	6%
Redundancy	8%	12%	26%
Other	1%	0%	15%
Unknown	29%	49%	16%

Source - NHS England workforce statistics, reasons for leaving partitioned by organisation type

Morale and motivation

The SSRB has previously sought additional information on morale and motivation for the VSM workforce as previously high-quality data has not been available on this important part of its terms of reference.

For the first time following the 2023 NHS staff survey NHSE were able to link data from the staff survey to data from ESR to provide some data on how members of this cohort responded to the survey including some insight into morale and motivation.

Because this is the first time it has been possible to provide this data we recognise that while it is useful to have some information on engagement for this group there may be limited value in making comparisons to other sections of the workforce, as executive roles are so different to the rest of the health service, and we would expect the power of this data to increase over time as we will be able to see how these measures are changing.

Some of the key messages arising from this data were:

- VSM responses to the staff survey were generally positive compared to the wider NHS workforce

- within the VSM workforce male staff responded more positively on all measures compared to women and white staff were more likely to respond positively compared to those from ethnicity groups. Those without disabilities responded more positively than those who consider themselves disabled

- engagement and morale appear to be highest in the Southwest, Northeast and Yorkshire, and East of England regions

- chief executives were more likely to respond positively compared to other VSMs

Table 13: NHS England staff survey analysis of staff engagement, staff morale and flexibility

Engagement indicators range from 0 to 10 with higher numbers indicating better scores.

Group	Staff engagement	Staff morale	Flexibility
All VSMs	8.69	7.28	7.79
All VSMs - men	8.77	7.40	7.97
All VSMs - women	8.69	7.27	7.70
All VSMs - white	8.74	7.33	7.81
All VSMs - non-white	8.43	7.00	7.66
All VSMs – disabled people	8.36	6.87	7.59
All VSMs - non-disabled people	8.76	7.37	7.84

Source - NHS England analysis of NHS staff survey 2023.

Data for the 2024 staff survey, which has a collection window between September and November 2024 should be available in spring 2025

Earnings for very senior managers (VSMs)

Table 14 shows average pay and earnings for VSMs based on the staff definition used in table 8, including the 12-month periods to June 2023 and June 2024 and the percentage difference between them.

Average basic pay for the cohort is over £145,000, which represents an increase of just under 3% from the previous year. These figures will not yet take into account the impact of the 2024 to 2025 pay award which allowed for basic pay for VSMs to increase by 5% but will include the impact of the 2023 to 2024 pay award which allowed for pay awards of 5.5% plus an additional 0.5% to manage pay anomalies as well any changes in the composition of the workforce over the period and where they sit on the relevant pay framework. For example, one reason why the increase in basic pay per FTE (2.7%) is lower than the headline pay award (5.5%) is because the earnings threshold used to

identify VSMs has been held at £110,000 and so we are continually capturing new staff at the bottom of the VSM range who pass over that threshold. [1]

Table 14: average pay and earnings measures for VSMs in NHS trusts based on staff definition used in table 8

	12 months to June 2023	12 months to June 2024	Change between 12 months to June 2023 and 12 months to June 2024
Mean annual basic pay per FTE	£141,747	£145,618	2.7%
Mean annual earnings per person	£145,868	£152,385	4.5%
Mean annual basic pay per person	£135,273	£138,509	2.4%
Mean annual non-basic pay per person	£10,596	£13,876	31.0%

Source - NHS England earnings statistics.

Differentials with other national contracts

There are 3 pay review bodies covering NHS staff with the NHS Pay Review Body (PRB) for non-medical staff working under NHS Agenda for Change and the Doctors and Dentists Remuneration Body (DDRB) covering medical and dental staff on national contracts.

As such the SSRB should be mindful of pay differentials or overlaps between different contracts which may impact the incentives for staff to take on executive roles while giving due consideration to other sections of the SSRB remit including affordability. For example, if someone can receive higher pay in AfC band 9 they may not be inclined to seek an executive position. These gaps could grow (or reduce) if the outcome of the SSRB process substantially differs from other pay review bodies.

In 2024 to 2025 those working in band 9 of the AfC structure receive a minimum of over £105,000 (increasing to over £121,000 for those with a minimum of 5 years' experience) while consultants have full-time basic pay of at least £105,000 increasing to over £139,000 for those with at least 14 years of experience as a consultant.

[1] Very senior managers are defined as: staff who are not on Agenda for Change, earn over £110,000 per annum and have one of the following job roles: 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 15: national contract pay scale ranges in 2024 to 2025

Contract	Grade	Scale minimum	Scale maximum
NHS executive senior Manager	ESM	£90,900	£222,000
NHS very senior manager	VSM	£75,000	£265,000
Consultant	Consultant	£105,504	£139,882
SAS specialist	Specialist	£96,990	£107,155
Agenda for Change	Band 8d	£88,168	£101,677
Agenda for Change	Band 9	£105,385	£121,271

Source - NHS Employers pay circulars

For NHS very senior managers scale minima and maxima are based on published pay scale range published by NHS England. The scale minimum is based on the lowest 'lower quartile' figure which is for 'Director of Corporate Affairs or Governance' in the smallest trusts while the scale maxima is base on the upper quartile for Chief Executives in the largest trusts.

Labour context

Because developments in the wider labour market will influence what an appropriate pay strategy might be to support recruitment, retention and motivation we expect the PRBs to take account of underlying labour market conditions and how they are expected to change over the course of this pay review period.

Labour market indicators show:

- in 2025 to 2026 the Office for Budget Responsibility forecast earnings growth of 3.0% with the growth in earnings continuing to reduce over the course of the year from around 4.8% in the first quarter of 2025 to around 2.0% by the first quarter of 2026. This is materially lower than forecasted growth for 2024 to 2025 of 4.5%

- available data on pay settlements, the measure most closely aligned with PRB recommendations, also show a moderation in settlements with the median reducing from the current figure of 4% in the 3 months to October 2024 to around 3.0% in 2025

- data indicates that the position of NHS staff within the broader labour market has been broadly stable over recent pay rounds with staff groups remaining in around the same location of the UK income distribution

- there is evidence of differences in growth rates across the earnings distribution with higher growth rates for those with lower earnings which may follow substantial increases to the National Living Wage in April 2024

Earnings forecasts for 2025 to 2026

When making recommendations for 2025 to 2026 we believe it is important to be aware of what is forecast to happen to earnings and pay settlements over the period covered by this pay round. We believe this is particularly the case this year when the government has brought forward the timing of the pay cycle meaning that current data may be less reflective of the prevailing conditions for this pay round.

While earnings growth is currently high by historical standards it has moderated in recent months, and this is expected to continue over 2025 to 2026. Average earnings growth is forecast to be materially lower in 2025 to 2026 compared to 2024 to 2025, at 3.0% according to the OBR's forecast with a reduction over the course of the year around 4.3% in the first quarter of the financial year to under 2% by the end.

Survey evidence also points to an easing in wage growth, with Brightmine's survey showing that settlements are expected to average 3% in 2025 which is down from the current value of 4% and data from the Bank of England decision maker panel also forecasting wage growth of around 4% over the 12 months from October 2024.

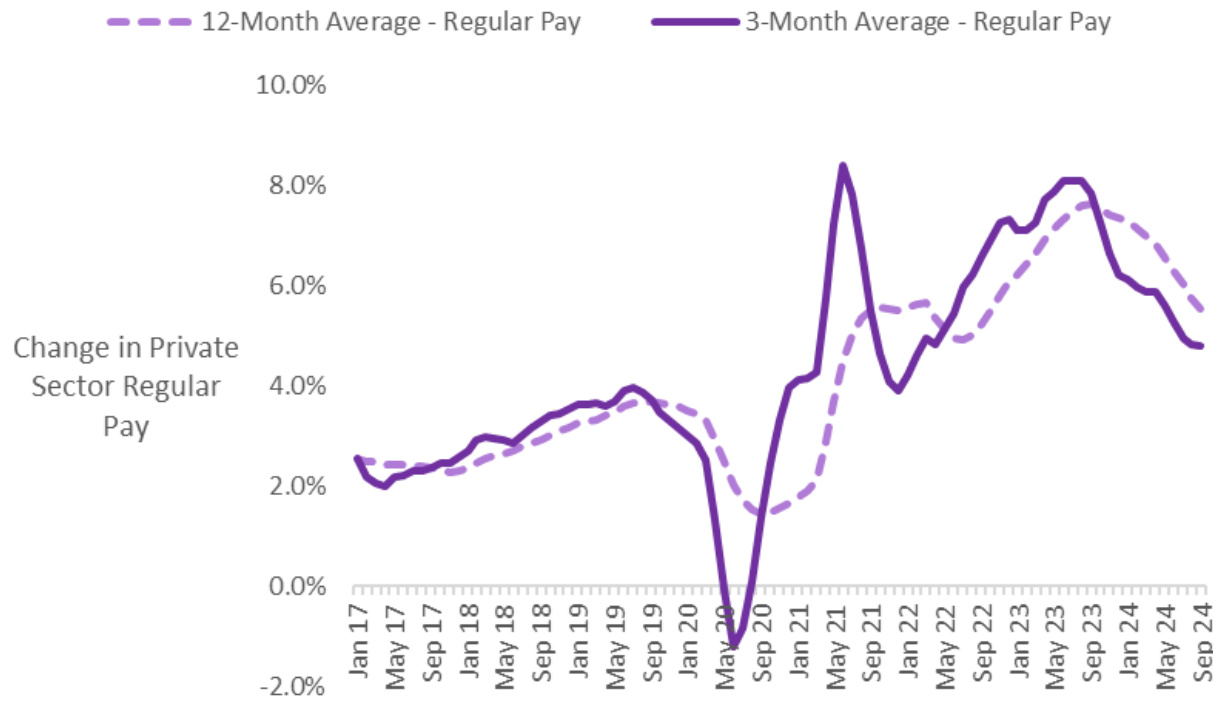
Previous growth in earnings

We also appreciate that the Pay Review Body will want to take account of recent earnings growth in the wider economy and how that has impacted the relative position of NHS staff in the labour market.

ONS publishes data on average weekly earnings which is the lead measure on earnings growth per employee and is based on data from the monthly wages and salaries survey. Changes in average weekly earnings cover more than just pay settlements and include the impact of changes in averages working hours of alterations to workforce composition.

As shown in figure 3 the pace of earnings growth has moderated in after reaching peaks in autumn 2023 and this is expected to continue with OBR forecasting earnings growth of 4.5% across 2024 to 2025.

Figure 3: increase in average weekly earnings in the private sector, 3-month and annual growth rates between July 2017 and September 2024, £ per month, 3-month moving average



Source: Office for National Statistics, average weekly earnings

This is a chart showing the increase in average weekly earnings in the private sector between July 2017 and September 2024 on both a 3-month and annual average basis. It shows that the increase in earnings, using the 3-month average, is just under 5% as of September 2024 but has reduced from around 8% during 2023.

Because data on pay growth is broader than the impact of pay awards alone, we are also interested in data on pay settlements which most closely resemble the decision facing PRBs and don't include the impacts of changes to workforce composition or pay drift. Current estimates of average pay settlement may point to recorded pay settlements being lower than headline wage growth. The most recent pay survey from Brightmine, formerly known as XPertHR shows a median basic pay award in the 3 months to the end of October 2024 of 4%. Information from the Bank of England Decision Maker Panel estimated year ahead wage growth of 4.1% in October 2024, which was unchanged from the previous reporting period.

Earnings growth across the earnings distribution

In addition to a general understanding of earnings growth we can assess how earnings growth is changing across the income distribution. If different parts of the earnings distribution are growing at different rates then it may impact our optimal pay strategy.

The Office for National Statistics publishes information on growth at different sections of the income distribution based on ‘real-time’ information from pay as you earn data.

Median growth between July 2023 and September 2024 was just under 6% while earnings growth was higher for lower earners following large increases to the National Living Wage. Earnings growth at the 90th percentile or higher, where we expect to find the cohort covered by SSRB, appear to have lower than average growth rates at between 2.5% and 3.5%.

Table 16: estimated growth in earnings by income distribution percentile - 3-month moving average to September 2024 compared to 3-month average to September 2023

	10th percentile	25th percentile	50th percentile	75th percentile	90th percentile	95th percentile	99th percentile
Sept 2024	5.5%	8.2%	5.4%	3.2%	2.5%	2.5%	3.4%

Source - Office for National Statistics, real time information

Note: current data for September 2024, is impacted by non-consolidated payments made to civil Servants and NHS staff in summer 2023.

High income professions

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. While we present this data as an indicator of comparator trends we recognise that data for small groups from the annual survey of hours and earnings can be subject to fluctuations linked to the composition of the sample and are aware of data quality concerns for the upper part of the income distribution as discussed by the IFS which may impact the robustness of these comparisons.

Table 17 shows mean and median gross annual earnings for this group between 2018 and 2024. Following very high growth in 2023 the growth in median earnings was around 2% in 2024 while information on average earnings or earnings growth is not considered sufficiently robust to publish.

Table 17: mean and median earnings growth for chief executives and senior officials from the annual survey of hours and earnings between 2018 and 2024

	2018	2019	2020	2021	2022	2023	2024
Mean	137,815	142,199	111,760	116,020	110,256	118,729	Not applicable
Percentage change	Baseline	3%	-21%	4%	-5%	8%	Not applicable
Median	90,000	91,646	79,633	74,273	72,379	80,259	81,776
Percentage change	Baseline	2%	-13%	-7%	-3%	11%	2%

Source - Annual survey of hours and earnings - table 14.7a - for 2024 the mean is not available as the estimate is not considered sufficiently precise.

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

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. NHS 'arm's length bodies' (ALBs) such as NHS Blood and Transplant or the Care Quality Commission appoint their most senior managers to Executive Senior Manager (ESM) roles, which use a different pay framework to VSMs.

The ESM pay framework was introduced in 2016 following an increase in the number of ALBs and roles arising from the 2012 health and care system reforms and separated senior leaders in the ALBs from Very Senior Managers (VSMs) in the rest of the NHS.

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.

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 an extraordinarily 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, first implemented in 2016. The framework is based on a job evaluation system implemented independently on behalf of ALBs and DHSC by the NHS Business Services Authority (NHSBSA).

At the time of writing this there are 502 ESM roles in our ALBs and within DHSC, including 92 vacancies.

ESM pay framework updates

The SSRB have previously commented that the ESM pay framework is outdated, and steps should be taken to provide greater alignment with the VSM pay framework.

In 2024, DHSC commenced a review of the ESM pay framework. This includes reviewing the pay bands with the ambition of uprating these to more appropriate levels, balancing attracting the right talent with limiting ESM pay inflation. It is also important we consider the planned updates to the VSM pay framework in doing this work.

The pay bands within the framework have not been reviewed or updated since its introduction in 2016. Over the last 8 years public sector annual earnings growth was an average of 2.5% and the department has seen an increasing number of requests for salaries above the exception zone maxima of the framework. Recent data indicates that average pay for ESM staff is now higher than the established pay bands - see table 19. This indicates that these bands are no longer representative of ESM pay in the ALBs and therefore brings operational challenges.

At the lower end of the pay framework, it is worth noting that there is now a significant overlap between the top of the Agenda for Change band 9 pay band (£122,695) and the minimum of ESM pay (£90,900). Our ambition would be to take steps to address this as part of the review of the ESM pay framework.

It is DHSC's intention to include in the updated framework the ability for an annual uplift to be applied to the pay bands, in line with other senior public sector cohorts, such as the Senior Civil Service.

As well as setting salary levels, the ESM pay framework also provides guidance on the approval for ESM salaries and sets a consistent approach to a number of cross cutting HR issues and principles such as allowances and recruitment. There are several areas where the existing document could go further to ensure a more robust application of the framework and better fulfil commitments made to HMT regarding senior remuneration across DHSC's ALBs and partner organisations.

At the time of submitting written evidence, we have updated the ESM pay framework guidance, and developed proposals for updated pay bands which we are currently discussing with HMT. We will continue to revise the updates, being cognisant of further updates to the VSM framework. We will formally submit these to HMT following internal approvals. We would welcome the opportunity for further discussion with the SSRB over the revised framework. Our aim is to complete this process before the 2025 to 2026 pay award is delivered.

2024 ALB data collection

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

This section provides an overview of the 12 data returns received, we have used the data to analyse diversity statistics, as well as report on the ESM pay across the cohort. The raw data return has been submitted to the SSRB separately.

Table 17: contributing organisations to the ALB data collection

Arm's length body	Abbreviation
Care Quality Commission	CQC
Department for Health and Social Care	DHSC
Health Research Authority	HRA
Human Tissue Authority	HTA
Human Fertilisation and Embryology Authority	HFEA
National Institute for Health and Care Excellence	NICE
NHS Blood and Transplant	NHSBT
NHS Business Services Authority	NHSBSA
NHS Counter Fraud Authority	NHSCFA
NHS England	NHSE
NHS Resolution	NHSR

Source: ALB data collection 2024

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	Minimum pay band	Operational max pay band	Exception zone (max) pay band
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

Table 19: ESM base salaries and current pay bands

Role grade	Number of ESMs in post	Above the operational max	At or above the exception zone max
ESM 1	283	259 (92%)	148 (52%)
ESM 2	106	84 (79%)	29 (27%)
ESM 3	20	20 (100%)	17 (85%)
Total	410	364 (89%)	195 (48%)

Source: ESM pay framework

Below is a summary of the average basic pay and average total pay for all ESMs. Average basic pay increased by 5.45% between November 2022 and November 2023, most likely due to the annual pay uplift. Between November 2023 and November 2024 the average basic pay increased by 3.2%, again most likely due to the annual pay uplift, however as fewer individuals received a consolidated award this increase is lower than the previous year.

Some ESMs benefit from additional payments, such as additional responsibilities allowances. Where these are paid, they are included in the average total pay calculation.

Table 20: ALB basic and total pay by year

	Average basic pay	Average total pay
2020	£125,470	£126,890
2021	£125,284	£126,390
2022	£128,263	£129,637
2023	£134,249	£138,737
2024	£138,544	£140,617

Source: ALB data collection 2024.

Table 21: basic and total pay by ESM grade for 2024 to 2025

Grade	Average basic pay	Average total pay
ESM 1	£126,856	£128,657
ESM 2	£156,074	£158,858
ESM 3	£201,713	£204,065

Source: ALB data collection 2024.

Allowances

ESMs may have different allowances included within their total remuneration package. A number of these are legacy allowances that are not available to new starters (for example, vehicle allowance) or are protected payments. In 2024, the average value of allowances paid was £10,340.

Diversity analysis

Ethnicity

Table 22: percentage ethnicity of ESMs per year

	2021 to 2022	2022 to 2023	2023 to 2024	2024 to 2025
White	81%	78%	80%	81%
Non-White	7%	9%	11%	10%
Not stated	12%	13%	9%	9%

Source: ALB data collection 2024.

The proportion of ESMs from a non-white background has decreased by 1% since last year.

Sex

Table 23: percentage sex of ESMs per year

	2021 to 2022	2022 to 2023	2023 to 2024	2024 to 2025
Male	48%	47%	49%	48%
Female	52%	53%	51%	52%

Source: ALB data collection 2024.

The proportion of female ESMs has slightly increased since last year to 52%. There is a higher ratio of female to male at ESM1 (53%:47%) and ESM 3 (55%:45%), although it is worth noting the small sample size at ESM3 (4.2% of ESM roles are ESM3), ESM2 is the only grade where the ratio of male is higher (48%:52%). Overall, there is now less disparity between average male and female total pay, but some still exists between the basic pay, as shown in table 24.

Table 24: average basic and total pay for ESMs by sex

ESM cohort	Female basic pay	Female total pay	Male basic pay	Male total pay
2022 to 2023	£127,776	£129,188	£127,524	£128,721
2023 to 2024	£134,607	£137,066	£135,930	£140,508
2024 to 2025	£137,598	£139,320	£139,583	£139,899

Source: ALB data collection 2024.

Age

Table 25: breakdown of ESMs by age

ESM grade	Average age	Age range
ESM1	51	32 to 70
ESM2	53	37 to 66
ESM3	56	47 to 65

Source: ALB data collection 2024.

2023 was the first year we collected data on the age of ESMs which indicated that there was a correlation between age and seniority within the ESM grades, with the age range narrowing with increased seniority. In 2024 the data also follows the same trends, with the average age remaining the same across all 3 ESM grades.

Motivation and morale

ALBs use a range of differing surveys and methods to understand the engagement levels of their employees. Of those that responded to give anecdotal data, all reported that they were not able to extract specific ESM data from their staff surveys, meaning that we cannot provide robust data on ESM engagement. As there is not a consistent approach across the ALBs for collecting this data, we will continue to engage with the ALBs on this topic with the intention to bring any further evidence at the oral evidence session.

ESM annual pay award

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 2024 to 2025 pay round, the government accepted the SSRB's pay recommendations in full for VSMs and ESMs. These were:

- increase of 5% from 1 April 2024

This was communicated to ALBs in August 2024, alongside confirmation that:

- the funding for any uplifts would need to come from existing budgets

- payments taking salaries above the exception zone maximum should be non-consolidated

At the time of data collection not all ALBs had implemented the pay award, however all were able to provide figures of how the award would be applied. All pay awards should be implemented by December 2024, with consolidated pay uplifts backdated to 1 April 2024.

Non-consolidated awards

The approach the DHSC Remuneration Committee recommended for the application of the ESM Pay Award is in line with the application of the SCS pay award and works towards containing ESM base salaries within the ESM range.

The most frequent additional payment reported in 2024 is a non-consolidated pay award. 47% of all ESMs that received the pay award were paid a non-consolidated award, either in full, or as a combination of a consolidated and non-consolidated award. This further indicates how ESM pay has become concentrated towards and above the exception zone maxima of the established pay bands under the framework.

The implementation of the pay award over the past 2 pay rounds is shown in table 26.

Table 26: implementation of the ESM pay award

	Consolidated	Non-consolidated	Combined
2023	74%	11%	15%
2024	53%	15%	31%

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

For the 2024 to 2025 pay round (recognising performance to the end of 2023 to 2024), the DHSC Remuneration Committee agreed that:

- there should be 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 HMT where appropriate)

- any money spent on NCPRP must come from existing budgets

At the time of data collection, only some ALBs gave evidence to show they are using the flexibilities surrounding performance-related pay. Of the 4% of ESMs that the data showed received any performance-related pay, the average award was £3,627, a decrease on last year's average of £7,467.

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 NHSE do not utilise performance pay for their ESM cohort, together they equate to 87% of the total ESM roles across the ALBs. In NHSE, the staff below ESM1 grade are on Agenda for Change terms and conditions which has no provision for annual performance payments, NHSE therefore do not use the performance pay to ensure a consistent approach with their wider workforce. CQC have indicated that they do not currently have a mechanism in place to award performance pay across their wider 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, data and finance posts due to the high demand for suitable candidates and the limitations on pay compared to other sectors. In addition, ALBs are increasingly concerned with the ESM pay framework being out of step with pay for VSMs and the increase to Band 9 salaries, making the ESM grades less competitive than they once were considered. As detailed above, DHSC are keen to make updates to the framework to alleviate these concerns and ensure that critical leadership posts across our ALBs can attract and retain candidates of the right calibre.

5. Total reward and NHS pensions

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 and includes multiple benefits. Employers decide the arrangements for VSMs and ESMs locally however terms and conditions are in many cases broadly similar to those offered under AfC. These often include:

- 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 23.7%
- 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.

Wider benefits

Other than the national reward elements included in the above analysis, employers have the flexibility to enhance their local reward package, and many offer a range of benefits and discounts which have financial value to staff and may support recruitment and retention of staff and improve employee engagement.

Employers are stepping up this support to make benefits go further. VSMs also have access to the wider benefits package provided to all NHS staff. These benefits can include childcare support schemes, support for travelling schemes and other financial support.

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 most generous pension schemes available, with employer contribution rate of 23.7% of pensionable pay.

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

	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 Pension Scheme.

The public service pension schemes remedy (the 'remedy') for this discrimination has 2 parts. 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 in legislation from 1 October 2023. The core element of the retrospective remedy is to provide 1.1m impacted NHS Pension Scheme members with a

choice between 1995/2008 and 2015 scheme benefits for the period the discrimination has effect.

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. As of April 2024, this rise was 6.7%. 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.

NHS Pension Scheme membership

The department continues to monitor scheme membership rates through ESR.

The table below demonstrates changes to the estimated scheme participation rate over the past 2 years.

This shows that membership rates increased across all salary ranges between June 2023 and June 2024, with an overall increase of 4.6pp.

The large increase in membership rates over the past year may be a result of VSMs and ESMs who had previously opted out of the NHS Pension Scheme for pension tax reasons opting back into the Scheme following the April 2023 budget. This saw the abolition of the Lifetime Allowance and an increase to the Annual Allowance from £40,000 to £60,000.

Table 28: estimated membership of the NHS Pension Scheme for VSMs

Salary range	Estimated membership rate in June 2024	Difference between 2023 and 2024 (percentage point change)	Membership rate in June 2023	Difference between 2022 and 2023 (percentage point change)	Membership rate in June 2022
£110k to £125k	88%	+4	84%	0	84%
£125k to £150k	88%	+3	85%	+1	84%
£150k to £175k	82%	+14	68%	-5	73%
£175k to £200k	72%	+6	66%	+5	61%
Over £200k	65%	+7	58%	+1	57%
All	84%	+5	79%	-1	80%

Source: DHSC analysis of electronic staff record

Table 29: pension accrual over length of service

Pensionable pay	5 years' service	10 years' service	15 years' service
£110,000	£10,600	£22,100	£34,400
£125,000	£12,100	£25,100	£39,100
£150,000	£14,500	£30,100	£46,900
£175,000	£16,900	£35,100	£54,700
£200,000	£19,400	£40,200	£62,600

The table above sets out the accrued pension according to the member's pensionable pay and service. Following the removal of the lifetime allowance (LTA) in the March 2023 Budget, annual allowance tax charges do not apply to these projections.

GAD calculates that scheme members can generally expect to receive around £2 to £6 in pension benefits for every £1 contributed. This has changed from the £3 to £6 last year which reflects the results from the 2020 valuation.

Retirement flexibilities

As table 27 shows, the NPA for VSMs and ESMs who are members of the NHS Pension Scheme depends on the Section or Scheme in which they hold their pension benefits. However, VSMs who wish to retire earlier are able to do so via Voluntary Early Retirement (VER). This allows staff to fully retire up to 10 years earlier than NPA, although their pension will be actuarially reduced (by around 5% per year) to account for the fact that it will be paid out for longer.

The package of new retirement flexibilities introduced in 2023 for members of the 1995 Section of the NHS Pension Scheme also means that VSMs and ESMs now have increased options when it comes to their retirement.

Since 1 April 2023, VSMs and ESMs who claim their pension and later return to work can re-join the NHS Pension Scheme to build up more pension if they wish.

Also, since 1 October 2023, VSMs and ESMs can choose to take ‘partial retirement’ as an alternative to full retirement. This allows them to draw down some or all of their pension while continuing to work and build up further pension, subject to a reduction in pensionable pay of at least 10%.

Data on applications for partial retirement show that this new, more flexible retirement option has been welcomed by members, with 17,972 applications received at 28 October 2024. As well as supporting VSMs and ESMs with their work/life balance later in their careers, partial retirement may also support NHS employers, by allowing them to retain experienced members of staff.

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/or the Lifetime Allowance (LTA) for tax-free saving.

In the 2023 Budget, the AA for tax-free pension saving increased by 50% to £60,000 and the LTA was removed. The minimum tapered annual allowance also increased from £4,000 to £10,000 and the adjusted income threshold for the tapered annual allowance increased from £240,000 to £260,000. As a result of these changes, fewer VSMs and ESMs will be in scope of pension tax charges.

For the minority who will still receive AA 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.

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 21 September 2024, there were 3,054,253 statements available, with 374,657 views. In comparison, on 13 October 2023, the number of statements available was 2,734,642 and the number of views was 337,043.

The DWP UK Pensions Dashboard Programme provides an opportunity to enable members to access their pension information online, securely, and all in one place. The dashboard will provide clear and simple information about all an individual's pension savings, including their State Pension. The NHSBSA are taking forward the necessary work to prepare the scheme for connection to the dashboard architecture.

In addition to this, the department and NHSBSA are working together to improve the NHS Pensions App functionality. The app will provide members with user-friendly, clear access to their pension data, allow them to see their pension benefits accruing, and future retirement date options. Using technological communication tools will make information readily available to members as well as reduce the amount of time and costs spent on traditional communication such as sending letters to update members.

The department commissions NHS Employers to provide advice, guidance, and good practice to the NHS on developing a strategic approach to reward to support managers recruit and retain the staff they need., 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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