

NHS Pay Review Body 2016/17 pay round Written evidence from NHS Providers

ABOUT NHS PROVIDERS

NHS Providers is the membership organisation and trade association for the NHS acute, ambulance, community and mental health services that treat patients and service users in the NHS. We have over 220 members – more than 90% of all NHS foundation trusts and aspirant trusts – who collectively account for £65 billion of annual expenditure and employ more than 928,000 staff.

KEY MESSAGES

- We recognise the need to appropriately and fairly reward staff, to support recruitment and retention and a motivated workforce. We do not oppose a 1% pay award for 2016/17, but only if the award is fully funded through local and national contracts for 2016/17.
- A 1% pay award should not be targeted at the national level, as in the current industrial relations climate this may be divisive and it may not take account of differing local recruitment challenges.
- There remains a pressing need for reform of the wider Agenda for Change agreement and we urge that this be taken forward as a matter of urgency.

CONTEXT IN WHICH NHS PROVIDERS ARE DELIVERING SERVICES

As has been widely reported, since 2010 public providers of NHS care (NHS providers) have consistently met increasing demand for services despite rising costs and limited funding increases of only 1% annually. At the same time, as set out in the NHS Five Year Forward View, providers face the important challenge of transforming the way that care is delivered.

For 2014/15, the NHS provider sector (including both foundation trusts and NHS trusts) recorded an overall deficit of £822m. For 2015/16, expert estimates suggest this figure may be around £2bn.

There have also been widely covered staffing shortages, notably in respect of adult general nurses and doctors in some specialties such as emergency medicine. This has put pressure on the quality of services and led many NHS providers to make greater use of bank and agency staffing, which in turn has made a large contribution to providers' deteriorating finances.

On the one hand then, it must be remembered that staff pay accounts for between 60% and 85% of NHS providers' expenditures and so the impact of any national pay award on the already severely challenged finances of NHS providers must be fully thought through. Yet on the other hand, it is of course essential that the NHS continues to appropriately and fairly reward, and remains able to recruit, retain, and motivate, staff with the skills needed to deliver high quality patient care.

A 1% PAY AWARD FOR 2016/17

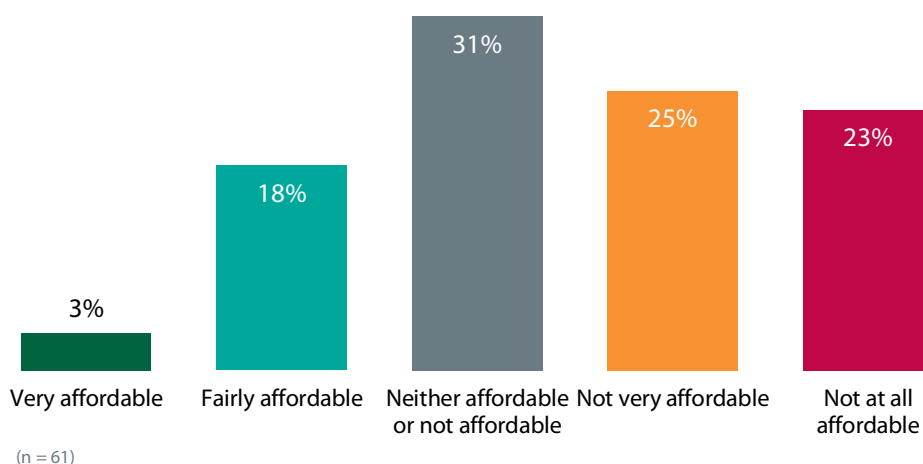
Drawing on our regular discussions with members, eg at our member network meetings, and our recent member survey (mainly completed by HR directors), **we do not oppose a 1% pay award for 2016/17, but only if it is fully funded through local and national contracts for 2016/17. We recognise the need to appropriately and fairly reward staff, to support recruitment and retention and a motivated workforce.** However, any pay award will have implications for provider costs and therefore must be reflected in the cost adjustments set through the national tariff. We need to ensure that changes in workforce costs are appropriately reflected in the prices providers are paid for delivering services and the contracts they have in place with commissioners.

In our survey, we asked members how affordable it is financially for their trust to implement a 1% pay award for Agenda for Change staff for 2016/17. Only 3% said “very affordable” and 18% “fairly affordable”. In contrast, 25% said “not very affordable” and 23% “not at all affordable”, while the largest proportion, 31%, said “neither affordable or not affordable” (see figure 1).

What was clear from members’ explanatory comments is that the affordability of any pay award is linked inseparably to the overall price adjustment set through the national tariff. If a 1% pay award is fully funded through the national tariff, then it can be affordable for providers to implement in that it will not lead to them having to take money from other budget areas and will avoid further deterioration of their finances. However, if it is not fully funded through the tariff and contracts then members are clear that it will simply require them to take funds away from other budget areas and add to existing financial pressures. At worse, it could cause some members to have to employ fewer staff.

It was also apparent from members’ comments that some NHS providers consider there will be a “cost” to awarding any less than the 1% pay award that has been announced in the summer budget, eg in terms of recruitment and retention and staff morale, and that balancing affordability and reward for staff is increasingly difficult. As one member put it: “we need to ensure we balance the argument of affordability against our ability to make the NHS an attractive offer of employment.”

Figure 1 - How affordable financially is it for your trust to implement an average 1% pay award for Agenda for Change staff for 2016/17?



TO TARGET OR NOT TO TARGET

We consider that a 1% pay award should not be targeted at the national level, as in the current industrial relations climate this may be divisive and it may not take account of differing local recruitment challenges.

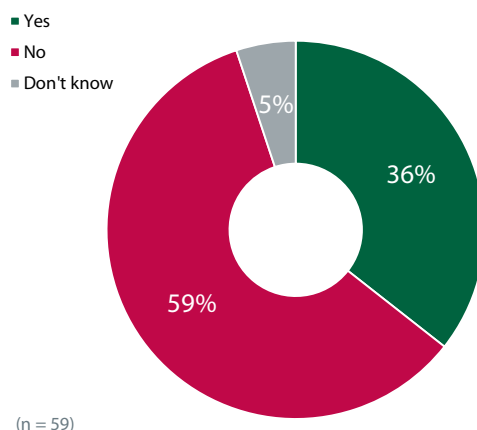
In our survey, we asked members whether there are any Agenda for Change staff groups that they think should receive more than a 1% pay rise in order to support service delivery or address recruitment and retention pressures. A majority, 59% said “no”, 36% said “yes”, while 5% said “don’t know (see figure 2).

Comments from members opposed to targeting revealed concerns that targeting may be divisive, particularly given the current difficult industrial relations climate. It was also noted that there would be limited recruitment and retention benefits from targeting a pay award of only 1%, and the benefit may therefore not justify the management and administrative time needed to implement a targeted approach. One member suggested: “the message would be very hard to manage for little [if any] benefit”. There were also a few comments to the effect that, as a general principle, existing provisions for recruitment and retention premia should be used instead of targeting the annual pay award.

Among comments from members who were more supportive of targeting, there were a variety of suggestions as to which staff should receive more than 1%, eg adult general nurses, various specialist nurse, emergency medicine doctors, social workers paramedics, pharmacists, prison healthcare staff, and staff in the lower bands of Agenda for Change. This perhaps points to the importance of different local recruitment challenges. Unsurprisingly, given the generally acknowledged national shortage, adult general nurses were most commonly suggested for a pay award of more than 1%. In contrast, there were few suggestions as to which staff should receive less than 1% as a result. While some comments implied less than 1% for staff not involved in direct patient care or staff in the higher bands of Agenda for Change, other members argued that all staff are contributing to the performance of the trust and some comments were explicitly against withholding a pay award just from staff in the higher bands of Agenda for Change.

A few members did suggest that targeting of the pay award should be by local discretion. This is an interesting suggestion that may be worthy of further exploration, although we note that it would raise questions, not least whether trusts exercising local discretion to target a consolidated pay award would effectively be a move away from a national pay framework.

Figure 2 - Are there any Agenda for Change staff groups that you think should receive more than a 1% pay rise in order to support service delivery or address recruitment and retention pressures?

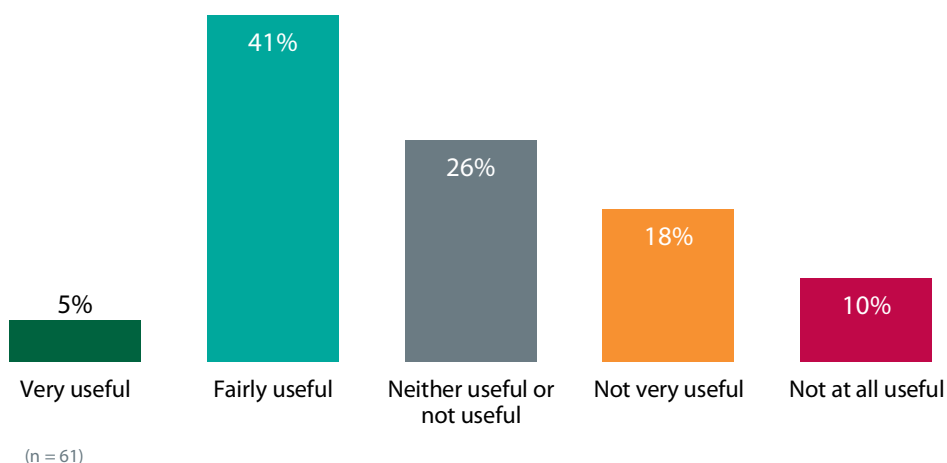


OTHER OBSERVATIONS WHICH MAY INTEREST THE PAY REVIEW BODY

In our recent survey we also asked members how useful their trusts find the provisions for recruitment and retention premia within Agenda for Change for addressing recruitment and retention pressures. 5% said “very useful”, 41% “fairly useful”, 18% “not very useful”, and 10% “not at all useful”. Interestingly, 26% answered “neither useful or not useful” (see figure 3).

It was clear from members’ comments that quite a few members do not make regular use of the provisions for recruitment and retention premia (helping explain the 26%), with some suggesting they had not been required while others pointing out that where there are underlying supply shortages, eg for adult general nurses and emergency medicine doctors, using these provisions may simply push up wages and is unlikely to work beyond the short term. However, several members suggested they were looking into using recruitment and retention premia for the first time and others suggested they find them useful, eg for clergy, IT and estates specialists etc. As one member put it: “Whilst these have to be funded locally, they enable local solutions for recruitment and retention of key workforce groups”.

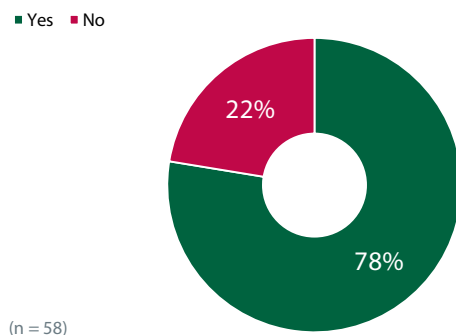
Figure 3 - How useful to your trust are the provisions for recruitment and retention premia within Agenda for Change for addressing recruitment and retention pressures?



We have also heard through our survey mixed views as to the usefulness of high cost area supplements (HCAS), albeit from the relatively small number of responders to who they apply. While some members considered that HCAS do provide an incentive to staff to move to high cost areas, other central London based members pointed out that the HCAS supplement for their areas have not kept up with the increases in the cost of living, particularly in respect of housing, and while better than nothing, are not fully covering higher living costs. At the same time, some members on the edge of London reported that they often have difficulty retaining staff who can earn more money by commuting to and working at central London providers.

We also asked members through our survey whether or not their trust has an incremental pay progression policy in place (linking pay and performance) as provided for by the 2013 Agenda for Change reforms. 78% said “yes” and 22% “no” (see figure 4), with some of the latter indicating they are in the process of introducing a policy. This appears to suggest that NHS providers are increasingly making use of this element of the 2013 Agenda for Change reforms, which is further supported by an engaging presentation and discussion we had on the subject at our July 2015 HR Directors Network.

Figure 4 - Does your trust have an incremental pay progression policy in place as provided for by the 2013 Agenda for Change reforms?



THE NEED FOR WIDER REFORM

We want to finish by reiterating the message from our previous submission to the Pay Review Body’s special remit for 2015/16, and our submissions in preceding years, that we and our members are clear that **there remains a pressing need for reform of the wider Agenda for Change agreement and we urge that this be taken forward as a matter of urgency.**

At present, Agenda for Change is not fully fit for purpose. Most NHS providers see a national agreement on pay, terms, and conditions as a potential enabler for moving to new care models, but only if sufficient flexibility to meet local circumstances and to deliver services in new ways, eg seven day services, is built in. Even setting aside moving to new care models, members tell us that reform of Agenda for Change is required to promote a flexible and affordable workforce. We will not reproduce our previous submissions here, but will simply note that, in particular, members have raised with us sick pay, unsocial hours arrangements, pay structure, and annual leave entitlements.

We are conscious that as part of the negotiated pay agreement for 2015/16, a commitment was given by the parties to that agreement to discuss reform of Agenda for Change. We were pleased that the Pay Review Body noted this in its July 2015 report *Enabling the delivery of healthcare services every day of the week – the implications for Agenda for Change* and that its “Observation 11” suggested the following: “The parties should set a deadline to come to an agreement on a balanced package or decide if that is not possible. May 2016 is a date that parties have already agreed to work to in England.” We too urge that every effort be made to take these discussions forward as a matter of urgency so that the future of a flexible and affordable NHS workforce can be secured.

FURTHER INFORMATION

We would be pleased to respond to any supplementary questions from the Pay Review Body and would welcome the opportunity to discuss our evidence further at an oral evidence session.

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