

To all NHS Chief Executives and HR Directors

A MODERNISED NHS PAY SYSTEM

1. I am pleased to be able to write to you to provide details of the conclusion of the 'Agenda for Change' negotiations.
2. The negotiators representing the UK Health Departments, NHS employers and NHS trades unions have successfully concluded negotiations on a new pay system for over a million NHS staff in the UK (basically those who are not doctors, dentists or senior managers – all of whom are being dealt with separately). It now goes out for consultation with the various staff side organisations. If approved, implementation will start in twelve sites in Spring 2003 with full implementation starting in October 2004.
3. A summary of the agreement is available at www.doh.gov.uk/agendaforchange
4. The investment proposed will support the most radical modernisation of the NHS pay system since its foundation in 1948. It is fair to staff and patients alike. In essence it is about paying more to get more so that staff who take on new responsibilities get extra rewards. It is pay for modernisation.
5. Over the three year period from 2003/04 to 2005/06 the package in total will be worth on average 12.5% on basic pay. The proposed deal will give a 10 per cent pay increase over three years for all staff, plus an average 5.9 per cent from the reform package in the longer run.
6. The investment will support a joint approach to service modernisation, in partnership between NHS employers and staff side organisations.

Benefits

7. This will be a brand new pay system, based on job evaluation. In other words, the basic pay that staff receive will reflect the knowledge, responsibility, skills and effort required in their job, rather than their historic job title or occupational group. To progress fully through the new pay system, staff will need to demonstrate they are working at a level of competence appropriate to their level of responsibility.
8. Pay reform will guarantee fair pay and a clearer system of career progression:
 - for the first time, staff will be paid on the basis of the jobs they actually do for the NHS and the skills and knowledge they apply in their jobs
 - career progression will no longer be held back by archaic grading structures.

For example:

Health care assistants are typically paid up to £13,485, but cannot progress beyond this glass ceiling. The new system will recognise that support staff can and will work at levels just below professional staff. It will provide basic pay of up to £17,500 for those "super support staff" with the biggest responsibilities.

9. The impact of the new pay system on particular staff groups and individuals will vary, depending on job weight, working patterns and allowances. More detailed information about the likely impact on particular staff groups will be made available in the next month. The following examples (based on 2002/03 pay levels) give an indication of the improvements some staff will get when they move on to the new pay system:
- there will be a new NHS minimum wage of £10,100 per year, equivalent to £5.16 an hour. This represents a 11 per cent increase in the minimum NHS salary
 - the starting salary for newly qualified nurses and other health professionals will be £17,000. For newly qualified nurses, this will mean a 6 per cent increase in basic starting salary
 - pay band 5, which is designed to cover qualified health care professionals such as nurses and therapists before they take on specialist roles, will have a top point of £22,000. This is a 6 per cent higher maximum than the current top of scale for E grade nurses
 - for qualified biomedical scientists on the basic grade, starting pay will rise from £15,793 to £17,000 (an increase of 7.6 per cent)
 - many front line midwives currently on grade F will be in the new pay band 6, with access over time to maximum salaries of £27,500. This would represent an increase of just under 12 per cent.

Reforms

10. The new pay system will mean:
- **New working practices** will sweep away old-fashioned demarcations as the opportunity of extra pay encourages staff to take on new responsibilities, giving patients faster better services as a result;
 - **A more sensible division of labour** with nurses, therapists and health care assistants taking on new roles will improve the overall productivity of the NHS, reducing pressures on doctors and other senior clinicians, freeing up more of their time for direct patient care
 - **Clearer rewards for staff who work flexibly outside normal working hours** so helping make NHS services more widely available to patients in the evenings and weekends;
 - **New freedoms and flexibilities for local NHS employers** to create new types of jobs and pay staff more in high cost areas with London standing to gain most initially from enhanced regional pay;
 - **More staff being recruited and retained** as pay, career and training prospects all improve.
 - **A clearer connection between rewards and responsibilities** with pay linked to staff demonstrating their competence so improving the overall quality of NHS patient care

- **Sweeping away all the arcane machinery of the 1948 pay system**, with its eleven different Whitley Councils, 650 different grades, and several thousand different allowances.

New working practices

11. In future, acquiring more responsibility will mean more pay, so staff will be encouraged and trained to acquire new skills and take on new roles. That will reform working practices and break down outdated demarcations so that patients get faster, better care.

For example:

A nursing auxiliary who gains an NVQ qualification and further patient care skills could function as an assistant practitioner, for instance working in an outpatient clinic to dress wounds, carry out tests and take blood.

A more sensible division of labour

12. Pay reform will enable the NHS to create a 'Skills Escalator' for staff. It will mean much faster progress in developing new roles, designed around the needs of patients. As staff develop into new roles, so patients benefit. For instance:
 - by 2005-06 the new system will help free up around 2% of consultants' time and between 10% and 15% of other hospital doctors' time, enabling doctors to devote more time to direct patient care
 - by 2005-06 the new system will help free up around 4% of qualified nurses' and other registered staff's time, enabling them to make the best possible use of their training and experience for patients and to develop new skills and responsibilities.
 - by 2005-06 the new system will help support the recruitment and training of some 27,000 new health care assistants, taking on around 4% of the more routine work done by qualified nurses and placing them on a pathway where they have the opportunity to become registered themselves

For instance:

In radiography, the new pay system will support the development of new roles in the mammography screening programme, with radiographers taking on some of the work currently done by doctors. The current pay system only rewards management activity in higher level posts. The proposed new system will recognise clinical activity as well, which means that these staff will be fairly rewarded for their clinical roles.

Clearer rewards for working unsocial hours

13. We are modernising the way the NHS rewards staff who work flexibly outside traditional hours and help provide extended services for patients or extended emergency cover. This will be done in a way that preserves flexible, family friendly working. The new system will also prevent needless bureaucracy – instead of having to submit individual claims for each out-of-hours shift, staff will get a fixed payment based on their typical overall working pattern. This will give staff more regular and

predictable incomes and will free up significant amounts of administrative time that can now be spent on extra patient care.

New freedoms and flexibilities for local NHS employers

14. The new pay system combines core national standards with much greater freedoms for NHS organisations. NHS Trusts and PCTs will have:
 - the flexibility to design jobs around the needs of the patients, rather than around national grading definitions
 - the flexibility to define the core skills and knowledge they want staff to develop in each job
 - the flexibility to pay extra where they face recruitment and retention pressures
 - the flexibility to devise additional performance reward schemes.
15. The new pay system will provide the flexibility to ensure that the NHS can recruit and retain high-quality staff in high-cost areas. By 2006/07, there will be an extra £175 million boost in regional pay for staff in London and some other parts of the South.

More staff being recruited and retained

16. Fair pay, more opportunities and better career progression will help recruit and retain more NHS staff, providing more services to more patients. We estimate the new system will increase numbers of nurses and allied health professionals by over 10,000 by 2006/07 and help recruit and train some 27,000 new health care assistants.

A clearer connection between rewards and responsibilities

17. Annual pay increments will no longer be linked simply to seniority. At key stages within each pay band, pay progression will now depend on demonstrating that staff are applying the knowledge and skills required in their jobs. There will be a competency test. The new system will help staff develop their skills to the full and drive up the quality of patient care and the patient experience.

Sweeping away arcane pay machinery

18. The roots of the current Whitley system go back to the aftermath of the First World War. The current system has eleven different councils for different staff groups, 650 different grades, and several thousand different leads and allowances. Some current terms and conditions even include provision for obscure allowances such as slaughtering payments.
19. The new system will replace the plethora of different arrangements for working hours, annual leave and overtime with a simple set of core terms and conditions. This will be fairer to all, remove meaningless differences within multi-professional teams and enhance team working.

For example:

Common pay and conditions will help create roles done by staff who originate from different backgrounds. For example, it will help introduce "Emergency

Practitioner” roles, bringing together experienced paramedics and experienced Accident and Emergency nurses who currently work on different pay and conditions. More generally, all the different staff working in A&E departments currently have different hours of work; common hours will allow use of common rotas, reinforcing team-working.

20. We are sweeping away the numerous pay councils that have helped preserve archaic differences between different occupational groups. We are replacing them with simple new structures that cover all NHS staff.
21. Once fully established the new system will save an estimated £10 million a year in reduced payroll bureaucracy.

Next steps

22. More information about the proposed new system will be made available over the next month, including:
 - the full agreement reached in the negotiating group
 - the full set of job profiles that will be used to help assimilate staff onto the new system
 - the full Knowledge and Skills Framework
 - the full Job Evaluation Scheme
 - a new Terms and Conditions Handbook.
23. Assuming a positive outcome to the staff side consultation that the trades union representatives on the ‘Agenda for Change’ negotiating group are now taking forward, the new system will be introduced in the ‘early implementer’ sites listed overleaf in Spring 2003.
24. The Pay Modernisation Unit in the Modernisation Agency will be working closely with the ‘early implementer’ sites to establish best practice and help the rest of the NHS prepare for a smooth transition to the new system in 2004/05.

Communications with staff

25. Chief Executives, HR Directors and other managers have a crucial role in informing staff locally about ‘Agenda for Change’. You are encouraged to use this information and the full summary available on the ‘Agenda for Change’ web pages to support your local communications activity.

ANDREW FOSTER

EARLY IMPLEMENTER SITES

James Paget Healthcare NHS Trust

Guy's and St Thomas' Hospital NHS Trust

City Hospitals Sunderland NHS Trust

Papworth Hospital NHS Trust

Aintree Hospitals NHS Trust

Avon and Wiltshire Mental Health Partnership NHS Trust

South West London and St George's Mental Health NHS Trust

West Kent NHS and Social Care Trust

Herefordshire NHS Primary Care Trust

Central Cheshire Primary Care Trust

North East Ambulance Service NHS Trust

East Anglian Ambulance NHS Trust