

Chatham House Discussions – Employers’ Proposal for a National Enabling Agreement for England only

Background

Employers recognise the benefits of maintaining national terms and conditions that are fit for purpose and which are consistent with good employment practice. At the same time they are concerned at the scale of cost improvements that organisations must make during the years 2011/12 and 2012/13 if the quality and scope of patient care is to be maintained.

The Executive of the NHS Staff Council therefore held Chatham House discussions on 1 November 2010 and the employer representatives set out a series of options for possible flexibilities and cost savings to help address the current financial challenges that the service is facing.

The staff side colleagues at the Chatham House discussion asked employers to do some further work on costing their proposals. This is attached at Annex A. From this, it has become clear to employers that given the size of the financial gap between resources and costs that they face, the only pay related solution that would make sufficient contribution to filling this gap in sufficient time would be a freeze on all incremental progression for the two years¹.

Financial position

Overall funding for the NHS over the next four years will rise by over 10% in cash terms which compares very well to other parts of the public sector. However, out of this growth must be met a number of cost pressures that rise even faster, driven by new patient demand, advances in medical technology and contractual commitments already made. These include the increasing cost of drugs, vaccines and medical technologies and the impact of rising demand in areas outside of the Hospital and Community Health sector. These pressures remain even after we have contained them as far as possible through the quality and productivity agenda.

This means there is a gap [further clarity suggested] between available resources and the amount we need to deliver high quality services free at the point of service. This gap is reduced by the commitment to reduce administration costs in SHAs and PCTs by a third over the Spending Review (SR). However, the benefits of this reduction in terms of greater resources for frontline staff are backloaded into the latter half of the SR.

¹ The 2 year freeze would be a suspension to pay progression after which progression would restart at the same point it had been prior to having been frozen.

Employers' proposal

Employers therefore propose a National Enabling Framework be agreed which would allow local organisations to agree with their staff sides [further clarity required] to freeze incremental progression for all staff groups in return for a commitment to provide a guarantee of No Compulsory Redundancies for as many staff as possible. The proposal would apply to all staff covered by NHS Staff Council terms and conditions, all medical staff and all senior staff subject to remuneration committees or the Very Senior Managers pay framework.

Staff on a pay scale point lower than £21,000 would still receive an uplift of a minimum of £250² per annum as set out in the commitment for the lower paid by the Secretary of State.

It would be for individual employers locally to agree with their staff side whether to use the flexibilities of the National Enabling Framework.

This National Enabling Framework does not provide for any other amendments to the NHS Terms and Conditions of Service Handbook thus protecting the integrity of existing national collective agreements.

However, this agreement does not prevent employers from offering staff voluntary redundancy, mutually agreed resignation or suitable alternative employment in accordance with existing terms and conditions or local pay flexibilities where these exist.

The precise details of the offer for each staff group are set out below.

Staff covered by the NHS Staff Council (Agenda for Change)

In return for agreeing a local freeze in all incremental progression for 2011/12 and 2012/13 employers would be required:

- To provide a guarantee of No Compulsory Redundancies for all staff who are in Agenda for Change Bands 1 to 6 for the period of the suspension of incremental pay progression.
- To give priority to the avoidance of any compulsory redundancy for all other staff through agreed measures across trusts, health economies and HR frameworks. Where local circumstances allow, employers are encouraged to consider extending the guarantee of No Compulsory Redundancy and/or employment security agreements to other staff.

² The uplift would be subject to the NHS Pay Review Body's recommendations to the government.

- To commit to working in partnership in the context of the HR Framework to retain, retrain and redeploy staff who are affected by organisational change rather than to lose their skills through avoidable compulsory redundancies, including support to find suitable alternative roles in the local health economy where required.
- To work together in partnership to reduce as far as practical the spending on agency staff to maximize affordable opportunities for permanent staff.

Medical and Dental Staff

In return for agreeing to freeze all incremental progression for medical and dental staff employers would be required to:

Junior Doctors and dentists

- Guarantee to maintain training opportunities for junior doctors and dentists for the next 2 years, including making available up to 6250 foundation training places and 6500 ST/CT1 and GP1 training places, thus providing junior doctors with the assurance that their chances of continuing training will not be reduced. The precise distribution of the training opportunities will be determined by the DH following consultation with MEE to ensure that they are consistent with the long-term requirements of the Service

Career grade doctors and dentists ³

- Agree to make best endeavours to protect consultant doctors and dentists from any compulsory redundancy.
- Guarantee no reduction in the current level of investment in clinical excellence awards locally and [subject to SofS agreement] nationally during the period of the pay freeze.

Senior managers subject to remuneration committees

Remuneration committees would be expected to apply an equivalent freeze on pay for senior managers during the period of the incremental pay freeze.

³ For consultants or SAS doctors not due an annual increment during the 2 year period, progression would be suspended for the duration of the agreement, i.e. an additional 2 years would need to be completed prior to any further threshold payment.

All Staff in the NHS Pensions Fund.

To explore with HM Treasury the possibility of deferring the increase in employees' contributions to the NHS Pensions Scheme until the end of the pay freeze.

For those employers that do not opt into a national framework deal:

Employers who do not opt into a national framework would be free to exercise their existing freedoms, within the context of the existing national agreements, to pursue their own alternative approaches for addressing their financial challenges..

Value of a 2 year increment freeze

The two year increment freeze would generate savings of £1.9bn p.a. (or 2.1% of HCHS paybill for each year of freeze). These savings will be felt over three years due to the timing of increment payments. This breaks down as follows:

Non-Medical:	£1.4bn (or 2% of non-medical paybill per year of freeze)
Medical:	£0.5bn (or 2.5% of medical paybill per year of freeze)

Notes: Figures may not sum due to rounding

Employer options for Paybill Savings

Option	Description	Saving per annum	% of non-medical paybill
1. Sickness pay	Paid at plain rates. Assumes no change in current sickness absence rates.	~£85m	~0.2%
2. Unsocial hours entitlements	<p>Extension of the time for plain rate payments Estimated savings based upon changes to criteria of the unsocial hours payments so that the Monday to Friday element of the unsocial hour's criteria from 8pm till 6pm is reduced or abolished.</p> <p>Total current estimate of unsocial hours cost from ESR £250m.</p>	<p>~£12m per hour of reduction</p> <p>Maximum £120m</p> <p>For No Unsocial Hours Payments</p>	<p>~0.03%</p> <p>Maximum ~0.3%</p>
3. Contractual working hours	<p>Saving reflective of 1% reduction in hours at basic pay. This option is not automatically cash releasing. Costs ~10,000 FTEs of capacity so either reduces output or increases productivity challenge. Could be a net cost if increases agency / overtime requirements. Capacity should be released from more expensive overtime and agency first where possible.</p>	£310m - £320m	~0.9%
4. Overtime payments	Extend plain time working pay to cover all overtime payments. Less severe options could be modelled if proposed, but the magnitude of savings will be lower. Note that savings will be lower if overtime is reduced as part of wider cost reducing measures.	£100m - £150m	~0.3% to 0.4%

Option	Description	Saving per annum	% of non-medical paybill
5. "Preceptorship" payment provisions	Saving is the difference between all staff remaining on band 5 pay point 16 for 12 months compared to pay point 16 for 6 months and pay point 17 for six months. Estimate reflective of maximum possible savings assuming all staff on pay point 16 currently receive preceptorship. Actual proportion of staff in receipt of Preceptorship is unknown.	£10m-£14m	~0.03% -0.04%
6. More explicit link between incremental progression and satisfactory performance (long term)	Depends on % staff underperforming. Each 5% underperforming eventually saves £35m p.a. for each year of conditional progression.	~£35m	~0.1%
7. National recruitment and retention premia for all staff	Removal of national recruitment and retention premia for all staff as identified in table 20 of Annex R in the Agenda for Change Terms and conditions of service handbook. Based on 1 months RRP paybill data from ESR x 12.	£20m	~0.06%
8. Cease payment of clinical registration fees	The allowance is paid to around 440,000 staff in England at cost estimated as £16.6 million a year based on ESR registration data.	£17m	~0.06%
9. Redundancy Payments (Section 16)	Payment of redundancy with some form of claw back where alternative NHS employment is achieved. Estimates of these savings are unavailable as data would be required to inform assumptions on total redundancies, the proportion of which that gain alternative NHS employment and after how long. Prospects for those made redundant are likely to be very different in the current environment than in the recent past.	Not possible to accurately cost	