

**National Assembly for Wales Public Accounts Committee  
Inquiry into Senior Management Pay  
Submission from NHS Wales Employers / Welsh NHS Confederation  
January 2014**

## **1. Background**

By representing the seven Health Boards and three NHS Trusts in Wales, the Welsh NHS Confederation brings together the full range of organisations that make up the modern NHS in Wales. Our aim is to reflect the different perspectives as well as the common views of the organisations we represent.

The Welsh NHS Confederation acts as an independent voice in the drive for better health and healthcare through our policy and influencing work and by supporting members with events, information and training. Member involvement underpins all our various activities and we are pleased to have all Local Health Boards and NHS Trusts in Wales as our members.

NHS Wales Employers is hosted by and operates as a part of the Welsh NHS Confederation. The unit works with Health Boards and Trusts and acts on their behalf specifically in respect of employee relations matters such as pay, negotiations, employment policy and practice.

The response provided for NHS Wales addresses the area of senior management pay for those staff who are outside of the national contractual frameworks i.e. Agenda for Change and the amended Consultant Contract.

## **2. Introduction**

2.1 At the time of the NHS reforms in 2009 Health Boards/Trusts were given a clear instruction that all posts had to be paid according to the national contractual frameworks and there was to be no local determination of pay. Accordingly, to address the requirement to set appropriate levels of Senior Management Pay, Welsh Government developed a framework setting out the salaries for each Health Board/Trust Executive team.

2.2 The process utilised core job descriptions for each post and these were evaluated using the civil service Job Evaluation for Senior Posts (JESP) scheme. JESP is an analytical job evaluation methodology that has been designed specifically for evaluating roles in the Senior Civil Service with the JESP evaluation factors being:

- Managing people
- Accountability
- Judgement
- Influencing
- Professional competence

2.3 The scheme was considered to be the most sensitive to the range of responsibilities and accountabilities of NHS Directors and was also able to differentiate between the differing sizes of health organisations.

2.4 A 14 point Executive Salary Scale was determined ranging from £85,000 to £200,000 and mapped against the JESP outcomes.

**Executive Salary Scale 2009/2010 (still applies in 2013/14)**

Pay Point	Salary Band
20	£185K - £200K
19	£170K- £184K
18	£160K- £169K
17	£150K - £159K
16	£145K-£149K
15	£135K-£144K
14	£125K - £134K
13	£115K - £124K
12	£110K - £114K
11	£105K - £109K
10	£100K-£104K
9	£95K- £99K
8	£90K-£94K
7	£85K - £89K

2.5 Following the evaluation of all Executive posts a schedule “Remuneration of LHB/Trust Executive Directors” was issued to Health Boards/Trusts by Welsh Government, noting the specific salary band for each Executive Director Post.

2.6 All appointments made at the time of the NHS reforms, October 2009, followed the salary range specified in the schedule with Directors being placed on a spot salary with no incremental or performance related progression.

2.7 Given the generic nature of the job descriptions provision was made for significant additional responsibilities to be added to the core role of appointed candidates. To recognise this, the salaries were set in a band with a range of £4,000 to £15,000 depending on the particular pay point. The decision making process to increase a salary above the minimum point, but still within the salary band range was remitted to LHB/Trust Remuneration and Terms of Service Committees.

2.8 It was acknowledged that there would be occasions where the remuneration for a specific post needed to be above the maximum of the salary band range and WG have stated that in such circumstances their specific approval is required to depart from the specified salary range. Accordingly, where this has happened Health Boards and Trusts have submitted a business case to WG outlining the reasons for the request and rationale for a variation.

2.9 There are also occasions where Health Boards/Trusts have appointed a senior management post operating at an associate Director level or equivalent for which the responsibilities of the post are beyond the Agenda for Change pay/job evaluation

criteria. In such circumstances WG have established a process where they will evaluate the new job description against the JESP scheme criteria so as to determine an appropriate pay point on the Executive Salary Scale.

### **3. Areas for Consideration**

In respect of the Public Accounts Committee's letter setting out the areas for consideration, I have addressed each of the bullet points in turn to aid the Committee's consideration of the matter.

#### ***3.1 The decision making process for setting pay, particularly whether this is appropriate for achieving value for money across the public sector;***

3.1.1 In considering senior management pay this needs to be set in the context of whether the comparison is with the public sector in Wales, the public sector across the UK or for a particular sector (e.g. the NHS) across the UK. Recruitment of senior officers often involves competing in the same pool as the NHS in England and there is an issue of competitiveness of pay rates with that system. Whilst the JESP process sought to establish an evidence based system which addressed equal pay issues and comparability across NHS Wales, there is evidence that where there has been turnover in Director posts over the past 4 years that the published pay levels have been uncompetitive and have required WG approval to increase the salary.

3.1.2 Whilst the job evaluation process is appropriate, the salary bands attributed to the job evaluation score outcome are extremely constrained when compared to the Civil service ones which leave little scope for negotiation where there is a difficulty in attracting a suitable candidate. Having wider and possibly overlapping bands, where there is a level of scope to negotiate depending on the labour market, individual circumstances and quality of applicants would support Health Boards/Trusts.

#### ***3.2 The method for agreeing pay increases;***

3.2.1 The current process is by Ministerial decision. There was a 2 year pay freeze during 2011/12 and 2012/13 for all NHS staff. Whilst there was an increase in pay for all NHS staff on national contracts for the 2013/14 financial year, no increase has been promulgated by Welsh Government for those staff paid according to the Executive salary scale. The consequence of this has been to remove very senior managers from parity with any national uplift agreed for Agenda for Change staff, to which pay increases have traditionally been pegged. Furthermore, Senior Managers have no negotiating rights in respect of pay awards and they do not fall within the remit any of the Pay Review Bodies.

#### ***3.3 The transparency of pay and rewards/benefits e.g. pensions;***

3.3.1 Within the NHS the transparency of pay and rewards/benefits is very high, given the requirement to publish these as part of annual reports which are public documents. There is a broader question on "openness" more widely across the public sector which gives rise to assumptions about the levels of pay.

***3.4 The quality and level of comparative data that exists for senior management pay across the public sector;***

3.4.1 This exists for Health and whilst there is no comparative data across the whole of the public sector in Wales, there are organisations such as IDS which undertake annual salary analysis across sectors. I am not aware of any pan public sector data analysis which has taken place to consider the continued relevance of the range and spread of salaries associated with the NHS Wales Executive portfolios and organisation size although the difference in operating requirements and accountabilities would make direct comparison difficult.

***3.5 Whether there should be a body that has a remit for taking an overview of pay / remuneration across the public sector in Wales;***

3.5.1 If this is about “overview” then such an approach could be useful, however there would need to be an exploration of the value of such a body as opposed to using existing organisations/parties to address any issues within a committee arrangement e.g. NHS Wales Employers, WLGA, Education, WG etc.

3.5.2 If there was a body to set pay then this could be unwieldy particularly if it encompasses all of public sector. To do so would require an awareness of different recruitment pools – with some public bodies being more likely to recruit from within Wales, whilst others are more likely to recruit or compare with a UK wide pool or internationally. Health Boards/Trusts need flexibility to recruit the best people.

**4. Further information**

The Committee also requested to hear about the following areas and to receive specific comments about these further bullet points - particularly 4.2 & 4.3 and the proposal to establish a panel to set pay levels.

***4.1 What are your views on how senior management pay is set in the public sector?***

4.1.1 Within the NHS pay as noted above has been set using a nationally established and respected job evaluation system JESP. It is considered to be a satisfactory system, although as noted above there could be further flexibility with the application of the salary bands e.g. wider and possibly overlapping bands, with the scope to negotiate depending on the labour market, individual circumstances and quality of applicants.

4.1.2 The system however does need to be sensitive to the consideration of and comparison with other markets, particularly if recruitment is to offer the prospect of bringing appointees in from other parts of the UK. Similarly the market for executive staff should not be restricted to the public sector and we need to ensure that the public sector in Wales can recruit from the private sector and attract different skill sets, the pay structure therefore needs to facilitate such appointments.

***4.2 How do you think public sector pay for senior management should be determined?***

4.2.1 Any determination needs to be underpinned by an open and transparent job evaluation system to avoid equal pay issues. Common consideration could be given to the specific job evaluation system used and/or the weighting of factors (e.g. numbers of staff in the organisation, budget etc.) as well as to the prevailing labour market (UK) conditions within each geographical area, sector and function.

***4.3 Do you think senior management pay needs to be set competitively to attract the best candidates?***

4.3.1 Yes. Some posts in NHS Wales have proved hard to fill and it is essential that organisations retain the flexibility to recruit senior leaders of a high calibre.

***4.4 Do you think senior management pay adequately reflects the levels of responsibility associated with senior management roles?***

4.4.1 As noted above the salary bands require review to assess the continued appropriateness of the distribution of pay and salary ranges which was determined in 2009.

***4.5 Is there adequate accountability for senior management pay?***

4.5.1 I have taken this question as referring to the accountability for setting senior management pay rather than an individual's accountability.

4.5.2 Yes, all Health Boards/Trusts use their Remuneration and Terms of Service Committee to take any decisions regarding pay within the organisation's remit and refer matters to Welsh Government as required. The membership of Remuneration and Terms of Service Committees is restricted to Independent/Non-Executive Directors with Chief Executives and other Directors being present in an "in attendance" capacity and if matters concerning their pay is discussed then the particular officer will withdraw from that part of the meeting.

4.5.3 In addition all Chief Executive and Executive Director salaries are published in each health body's annual accounts.

***4.6 Should there be more consistency in the pay awards of senior management within the public sector? E.g. is there a formula which could be utilised depending on size/budget/level of responsibility, should a panel be established to set pay levels?***

4.6.1 As noted above the system operating with the NHS for senior managers is system wide and follows a set range of outcomes which have been arrived at following due process with a JESP evaluation. There could be scope to utilise one job evaluation system across the public sector for senior managers with a common weighting of dimensions for respective factors providing that the process also takes due account of the complexity of roles.

4.6.2 Rather than a panel to set salaries or a formula, one way forward would be to ensure clarity around the operation of a job evaluation scheme and the salary parameters which would be applied to evaluation outcomes. We should however, not lose sight of very complex nature of these jobs need to attract the highest calibre people.