Welcome to the first edition of our quarterly newsletter, which focuses on pay and reward developments in the NHS and brings you insight from the experts in the NHS Employers employment relations and reward team.

I am looking forward to meeting everyone who has booked on to our reward in the NHS event on 4 May in London. The programme is packed with speakers from both within and outside of the NHS so that delegates can hear a range of good practice examples and expert opinion. The event will focus on the strategic context for reward and sessions will include delivering reward as part of an effective recruitment campaign; reward as a lever to aid retention and delivering reward within financial constraints. This event will provide useful learning to help address the challenges you and your organisation are currently facing. If you haven’t already, make sure you book your place.

In this first edition, we highlight the latest reward developments on the NHS Pension Scheme administration levy, salary sacrifice, Total Reward Statements, and tax-free childcare. We also look at the 1 per cent pay increase for NHS staff, which the pay review bodies recently recommended and which was informed by NHS Employers’ consultation with HR directors and chief executives.

We provide an update on our latest resources, which includes a preview of the Total Reward Engagement Network (TREN) report that will be published at our event on 4 May. It will include the key themes that have emerged at TREN over the past year and highlight the good practice and innovation taking place across the NHS on reward.

Finally, our medical pay manager, Ellie Pattinson, shares the latest on changes to the cash floor for some Foundation Year 2 doctors.

I hope you find this first edition both interesting and useful. If you have any feedback, or if you would like to suggest helpful content for future editions, please email us at reward@nhsemployers.org.

Paul Wallace
Director of Employment Relations and Reward
NHS Employers
LATEST DEVELOPMENTS

**NHS Pension Scheme administration levy**

Employers now need to meet the cost of administering the NHS Pension Scheme, following the consultation on introducing a scheme administration levy. From 1 April, payroll systems must be updated to collect the levy at a rate of 0.08 per cent of pensionable pay, in addition to the standard employer contribution of 14.3 per cent.

The [NHS Pensions Service Charter](https://www.nhsbsa.nhs.uk/nhs-pensions) has more information about the services and support available to you from NHS Pensions.

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**Total reward and annual benefit statements**

The planned timeline for the 2016/17 total reward and annual benefit statements update has been released by NHS Business Services Authority (NHSBSA).

NHSBSA will take a data extract on 24 June to produce the statements, meaning employers have until 7pm on Friday 23 June to cleanse their pension data. Information on your local benefits page should be reviewed so that it is up to date by 31 July 2017. Total reward and annual benefit statements are expected to be available from 28 August 2017 and a mid-year refresh will take place part way through the year.

Our [total reward statements](https://www.nhsbsa.nhs.uk/tax-free-childcare) web section provides information and resources to help you promote TRS.

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**New rules for salary sacrifice schemes**

Since the rules for salary sacrifice schemes changed on 6 April 2017, employers no longer benefit from tax and national insurance savings. Certain benefits are excluded from the changes, such as pensions, childcare, cycle-to-work schemes and ultra-low emission cars. A level of protection is available for salary sacrifice schemes established before the new rules were introduced.

Our [slide pack](https://www.nhsbsa.nhs.uk/nhs-pensions) includes the latest information on the changes to salary sacrifice schemes and key actions to help you consider how the changes will affect your workforce and your reward offer.

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**Tax-free childcare (TFC)**

The government’s TFC will be introduced from 28 April 2017 and gradually rolled out over the year, with parents of children under two invited to join first. Parents will be able to pay into an online account to save towards the cost of childcare. The government will pay a top-up into the account, equal to 20 per cent of the childcare costs, up to a maximum of £10,000. This is the equivalent of up to £2,000 support per child.

Existing employer-supported childcare schemes can continue to accept new entrants until April 2018. However, as TFC is not administered by employers, the new scheme may have some implications for your trust. You can find out more about the potential implications for employers on our [TFC web page](https://www.nhsbsa.nhs.uk/tax-free-childcare).
1 PER CENT PAY AWARD

In March, the government accepted recommendations from the NHS Pay Review Body and the Review Body for Doctors’ and Dentists’ Remuneration. The 1 per cent consolidated pay increase took effect from 1 April and will be implemented in ESR in May 2017, with pay arrears backdated to 1 April.

How the pay award affects staff

Agenda for Change
- 1 per cent increase to all pay points from 1 April 2017
- 1 per cent increase to the high-cost area supplement minimum and maximum.

Our pay advice notice (previously known as pay circulars) details the new pay scales from 1 April 2017 to 31 March 2018 for Agenda for Change staff.

Our pay scales poster and pay scale information include annual and hourly pay rates for each band, plus fringe, inner and outer London pay scales.

Doctors and dentists
The 1 per cent increase from 1 April 2017 applies to:
- salary scales for medical and dental consultants, doctors in training and the staff and associate specialist group
- clinical excellence awards, discretionary points and distinction awards
- flexible pay premia in the 2016 contract
- salaried primary care dental staff
- the minimum and maximum of the pay range for salaried GPs.

Find out more detail about the increase in our pay circular.

Pay Review Body report recommendations
The reports from the pay review bodies also make recommendations to government in relation to the sustainability of continued pay restraint. You can read the full doctors’ and dentists’ report and Agenda for Change report on gov.uk.

Danny Mortimer, our chief executive, said in response to the reports:

“Employers are facing unprecedented financial and service challenges, and managing pay costs remains an integral part of meeting these challenges. NHS organisations have developed their financial plans on the basis of a continuation of the government’s ongoing public sector pay policy of 1 per cent pay awards, together with payment of annual increments.

“Employers understand that a continuation of pay restraint over the longer term is of growing concern to our workforce; we will continue to work with trade unions to explore how the overall value of the NHS employment package offer can be maximised within the current constrained position.”
Total Reward Engagement Network – report preview

There is a huge amount of good practice and innovation taking place across the NHS on reward, and we want to share this with you.

At our reward in the NHS event on 4 May, we will present our report on the key themes that have emerged during the first year of our Total Reward Engagement Network (TREN).

We established TREN in February 2016 to provide an opportunity for organisations from across the NHS to come together to share experiences and hear what others are doing in reward.

The report highlights the key areas being taken forward and looks at how organisations are changing their approach to reward. This includes how reward is increasingly being used to help meet organisational priorities such as recruitment, retention and reducing agency spend. The report demonstrates the innovative ways that organisations are communicating reward to existing and new employees, and also highlights how incorporating health and wellbeing, learning and development, and pay and conditions into the overall reward offer ensures employees understand and value the entire reward package.

The report will be discussed in detail at our reward in the NHS event on 4 May, and further details of TREN are available on our reward web pages.

Reviewing staff benefits and rewards

In our recent case study, TREN member Tanya Carter from East London NHS Foundation Trust (ELFT) shares how the trust reviewed its overall reward offer to help meet the workforce challenges of recruitment, retention and agency spend.

Tanya is a regular attendee at network meetings and gathered information there about other approaches to reward. This case study looks at how the trust analysed the existing offer to ensure value for money, canvassed opinion from staff about which benefits they value, developed a communication approach for reward and built a business case for introducing new rewards and changes to existing benefits.

Find out more about how ELFT reviewed staff benefits and rewards.

Time to talk about pensions – new infographic

There are many opportunities to talk to staff and communicate the benefits of the NHS Pension Scheme throughout their career. Our infographic highlights some of the points in an employee’s career when it could be useful to talk about the choices and benefits available to them by being a member of the scheme. The infographic can be used as a poster or as a guide during conversations with colleagues.

Other resources

We have developed a range of resources to support your approach to reward. You can access all of these in our reward web pages.
Our medical pay manager, Ellie Pattinson, gives more detail on the recent uplift to the Foundation Year 2 (FY2) cash floor, and the discussions that took place around it.

Over the past few months, NHS Employers and the BMA have had discussions on the specific issue of the way cash floor is calculated for the FY2 doctors and the potential impact of this on their pay. These discussions were for the sole purpose of considering and resolving this singular issue, which arose as part of the implementation of the new contract.

Following these discussions, both NHS Employers and the BMA agreed that the FY2 doctors who are taking up a post under the 2016 contract in April 2017, and whose pay protection cash floor would have been based on an unbanded basic salary or a 1C banding, will have their pay protection cash floor uplifted to use a 40 per cent (1B) banding. The average banding for FY2 doctors is 37 per cent, therefore using 1B banding is considered as a proportionate and reasonable adjustment to make. This means that the pay protection for each of these doctors (April–August 2017), is estimated to cost between £250 and £954.

This cash floor change should also be applied to those FY2 doctors who have already transitioned from 2002 to 2016 terms part way through their FY2 year. This means those who moved in December because they were sharing a rota with FY1 doctors. The amendment to the cash floor is from 5 April 2017, without backdating.

This change is specific to FY2s transitioning during the implementation year because the distribution of the nodal points agreed with the BMA during the ACAS negotiations in May 2016 means that these particular trainees are more likely than other grades to see an impact on their pay, compared to what they might otherwise have expected.

This uplift is intended to bring these FY2 doctors more into line with the transitional arrangements for their peers.

The changes are detailed in a pay circular and the updated terms and conditions.

If you have any questions about the cash floor uplift, please email Ellie and the team at doctorsanddentists@nhsemployers.org.