Welcome to the autumn edition of our newsletter, bringing you the latest news and insight on pay and reward in the NHS. This time we include details of additional guidance to support employers in their planning and preparation for implementation of the 2018 NHS terms and conditions agreed by the NHS Staff Council in June.

Following some of my recent employer visits, I know that pensions related matters, under the various NHS Pension schemes, particularly those connected to recent taxation changes, are a growing source of concern for everybody. Rachel Jones, NHS Employers programme manager and pension expert, shares her views on what this means for organisations and individual members on page 5.

I am pleased to see all the fantastic work continuing across NHS organisations on reward. This is so important in helping to highlight and strengthen the understanding of the total value of the employment offer. In this issue we are focusing on Newcastle upon Tyne Hospitals’ summer benefits festival and how they used this event to promote the wide range of benefits on offer to staff. Chelsea and Westminster have also worked hard to promote the value of the NHS Pension Scheme and raise awareness of flexible retirement options, which you can read about on page 4.

There have been some great conversations coming out of our 2018/19 diversity and inclusion partners programme, read an update on page 3. I spent a valuable and enjoyable visit to Gateshead Health NHS Foundation Trust recently, hearing first-hand some of the progress they have been making locally to ensure they are more patient-focused and inclusive employers. Whilst these might be small steps, they are all an essential part of making progress on this important agenda.

It is a busy time of year for everyone, so I hope you will reward yourself with a quiet moment to read all that is going on in this edition of Reward in the NHS.

Paul Wallace
Director of Employment Relations and Reward
NHS Employers
We know that employers are keen to find out more about the details of the remaining elements of the pay and reform agreement for the NHS Terms and Conditions 2018. The various sub-groups are working on resources to support employers to understand these changes before they are implemented. Below is a summary on progress:

Closing of band 1
From 1 December 2018, band 1 will be closed to new starters, meaning recruitment to band 1 positions will cease. There will be a programme of work to upskill any existing band 1 members of staff in to band 2 roles. NHS Employers has released guidance on preparing for the recruitment of new starters from 1 December 2018 onwards, and with planning for the transition of existing staff.

Pay progression framework
From 1 April 2019, progression to the next pay step point will no longer be automatic through the electronic staff record (ESR) system. The sub-group of the NHS Staff Council are working to ensure there is a smooth transition and provide further guidance for employers. Read the latest update on how this will work during the three-year pay deal.

Ambulance unsocial hours payments
Our comparison guidance outlines the differences between the annex 5 and section 2 unsociable hours payment systems. Staff employed in ambulance trusts before 1 September 2018 can estimate their pay using our comparison tool. Employers will need to ensure their local arrangements for processing applications are in line with the application guidance for employees who opt to move to the section 2 payments.

Further work continues to be done on several other areas related to the pay and reform agreement and a number of groups have been set up (or are in the process of being set up) to work on the detail of the following elements of the deal:
- Enhanced shared parental pay, and child bereavement leave.
- Buying and selling annual leave.
- Causes of absence and increasing attendance levels.
- Apprentice pay.
- Bank and agency workforce.
- Access to annual leave and TOIL.

We will share updates with you as this work progresses. Further information is available via the pay and conditions web pages. If you have any feedback for the work of these groups, please send it to AgendaForChange@nhsemployers.org.

Budget
The Chancellor confirmed there would be an increase in the National Living Wage from £7.83 to £8.21 an hour from April 2019 in his Budget announcement on 29 October 2018. He also made promises to support credit unions to help people increase their financial resilience, including a commitment to launch a new prize-linked saving scheme for credit unions. Other consultations will take place regarding no-interest loans schemes and breathing space for people in problem debt, a welcome addition for those struggling on low incomes.
Total Reward Statements

Total Reward Statements (TRS) for the 2017/18 financial year are now available and the mid-year refresh means updated statements will be available in December 2018.

If you have improved your TRS access rate or successfully used TRS to promote your local benefits, we would love to hear from you. If you are interested in sharing a success story, please email reward@nhsemployers.org.

NHS Pensions to extend scheme pays

NHS Pensions will now offer the scheme pays option to all staff who incur an annual allowance tax charge, as long as they notify NHS Pensions before the annual deadline for the relevant tax year. The scheme pays option allows scheme members to ask their pension scheme to pay their annual allowance tax charge to HMRC, in return for a corresponding reduction in their benefits at retirement. Employees with a lower, tapered annual allowance or with tax charges below £2,000 will now be able to use scheme pays from the 2017/18 tax year.

NHS Employers partners programme and capacity building

70 delegates from 40 diverse NHS trusts came together to look at ways of addressing capacity building across not just their own organisation but across their regional footprint to ensure their organisations are able to meet the challenge of both managing complexity and change but also diversity and inclusion. The summary of the meeting provides a useful insight into how NHS trusts can address system challenges and address diversity and inclusion to ensure they are both patient focused, diverse and more inclusive employers. In Gateshead, they have developed Your Voice, an emerging staff forum as part of their diversity and inclusion strategy.

Medical and dental pay

A 1.5 per cent increase to basic pay has been agreed for medical and dental consultants, and a 2.0 per cent increase to basic pay for doctors in training. NHS Employers have released a pay circular setting out the new pay arrangements which apply from 1 October 2018.

Tax-free childcare

Salary sacrifice schemes for childcare vouchers can no longer accept new entrants but tax-free childcare is available nationally for parents of children younger than 12. Read more on the details of this government scheme, and how it might affect your reward offer.
RESOURCES

Flexible retirement

Jamie Coates, attraction manager at Chelsea and Westminster Hospital NHS Foundation Trust, has written a blog which explores how the trust is raising staff awareness of their flexible retirement options. Read the blog to find out how Jamie is promoting the value of the NHS Pension Scheme through pension workshops and new guidance.

Annual allowance briefing

This briefing is designed to help you have conversations with members of the NHS Pension Scheme about annual allowance. The value of the annual allowance has fallen over time, meaning that a wider range of NHS staff may find out via their pension savings statements that they have earned benefits that exceed the allowance. Staff will often look to their employer for help in understanding their statements and what to do next. This briefing will help you answer any queries that your employees may have. We hope to shortly release a briefing focus on lifetime allowances, but in the meantime you can find out more about annual and lifetime allowances on our website.

Medical Associate Professions

Health Education England (HEE) has recently been doing some work to raise the profile of the four Medical Associate Professions (MAPs). These roles have existed in the NHS since 2002 to support key medical specialities and can be an important resource within your organisation. Find out more about what these roles are on our website, and take a look at how some trusts have successfully integrated these roles into their workforce.

You may also be interested in the use of nursing associates, and the NMC have published a video on how these roles can help deliver patient care.
Rachel Jones, programme manager at NHS Employers, explains how pension tax allowances are presenting challenges for the NHS and shares the key developments for the NHS Pension Scheme.

The annual and lifetime allowances were introduced by HMRC back in 2006 to limit tax-free pension savings over a year, and over the course of a working lifetime. Both allowances were initially set at such a high value that only very wealthy individuals were affected. The value of the allowances has fallen over recent years, meaning this is no longer an issue just for high earners. A broader range of NHS employees may now earn benefits above the allowances and incur tax charges.

For members of the NHS Pension Scheme, the amount of pension savings is measured against the growth of the member’s pension benefits over the year, not the value of contributions paid into the scheme. As pension growth depends on service and salary increases, NHS staff have limited ability to manage their pension growth within the allowances.

Finding out about an unexpected tax charge is stressful for employees and causes confusion and anxiety. Staff are now understandably looking for ways to limit their pension growth, by reducing their working hours, turning down promotions, retiring early or opting out of the scheme. This puts pressure on employers to ensure shifts are covered and vacancies are filled, often increasing agency spend. It’s important to ensure the scheme remains attractive to all staff to support recruitment and retention, and to ensure sufficient contributions are collected to maintain the future financial stability of the scheme.

The answer? In the short term, I think education is key. If staff understand the value of the scheme, how the allowances work and the options available to them, they are more likely to make the best-informed decision to suit their financial circumstances.

Our new briefing is designed to support your conversations with employees about the annual allowance. It covers the options available for affected staff, including:

- Carry forward, where leftover annual allowance from the previous three tax years can be used to eliminate or reduce the tax charge.
- Scheme pays, where an employee may ask the scheme to pay their tax charge to HMRC, in return for a lower pension in retirement. This may appeal to staff who can’t afford to pay the tax charge upfront.

I was really pleased to hear that NHS Pensions has now extended scheme pays facility to all staff, including employees exceeding the tapered annual allowance, as this gives employees more options of how they pay their tax charge. However, in the longer term, I would like to see increased scheme flexibility to allow staff to control their pension growth. For example, allowing members choose how much of their salary counts towards their pension, or by introducing a new section of the scheme where benefits build up at a reduced rate.

Despite all the speculation before Budget 2018 about changes to the pension taxation system, the Chancellor simply confirmed the lifetime allowance will rise with Consumer Prices Index (CPI) to £1,055,00 from April 2019. In addition, he announced a change to the discount rate assumption for the 2016 scheme valuation, which will increase the employer contribution rate from April 2019, but confirmed welcome additional funding for NHS employers to cover this cost increase. He hinted that the cost of benefits in public service schemes has fallen to a point where scheme changes are required to improve benefits or reduce employee contributions. There will be a consultation on this in December, which is an opportunity to refine the employee contribution structure, to ensure fair and consistent treatment and improve how employee contributions interact with the annual pay award.

I would encourage employers to respond to the consultation and share your views and feedback with us to inform our response. Keep an eye out for news on the final results of the 2016 valuation later this year.