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Dear Jerry,

NHS PAY REVIEW BODY REMIT

As you are aware, the Chancellor of the Exchequer set out in his Autumn Statement that the Government is concerned not only with the appropriate annual uplift for each remit group, but also with ensuring that overall public sector pay systems are the most appropriate for the modern labour market. In particular, he highlighted that the Government is concerned that inappropriate differentials between public and private sector wages could hurt private sector businesses; lead to unfair variations in the quality of public services; and, reduce the number of jobs that the public sector can support for any given level of expenditure.

The Chancellor therefore wrote to you on 7 December 2011 to ask the NHS Pay Review Body to consider how to make pay more market-facing for Agenda for Change staff and advised you that I would write to confirm the remit for this work. This letter sets out that remit.

In particular, the Government would like the NHS PRB to review how the pay of staff within Agenda for Change in England could be made more appropriate to local labour markets. In undertaking this review, the PRB is asked to take account of the factors set out by the Chancellor in his letter of 7 December 2011 and which are attached at Annex A for ease of reference. The PRB is also requested to take account of:

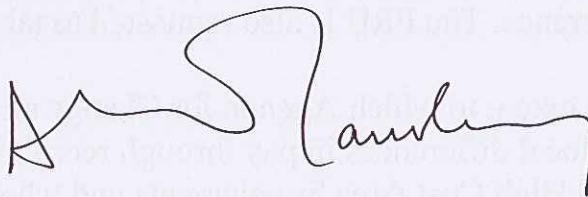
- ❖ the extent to which Agenda for Change already recognise the impact of local differences in pay through recruitment and retention premia and High Cost Area Supplements and whether these could be used more effectively.

- ❖ the way in which the Department uses the Market Forces Factor to reflect local labour market costs in PCT allocations and whether these might be used (or amended) to support more market-facing pay.
- ❖ the need to recognise the implications of market-facing pay for the different staff groups within Agenda for Change at a local level, including any implications for equal pay.
- ❖ the impact of any "cliff edges" in pay between different local labour markets and how these might be managed.
- ❖ to consider what information in the future might be needed in order to make recommendations on local labour markets.
- ❖ the need to submit your initial findings to Ministers by 17 July 2012 so that we can implement agreed recommendations in time for the 2013/14 pay review cycle.

I am aware that the NHS PRB makes recommendations for the whole of the United Kingdom and that this remit comes from England alone. It will be for each of the devolved administrations to make their own decision whether to provide a separate remit and to communicate this to you. My officials have been closely in touch, and remain closely in touch, with their counterparts in the other countries and will do all they can to support you in handling the consequences of any different approaches taken by each country.

I should like to take the opportunity to emphasise the value that the Government and I place on the independent and expert view of the Review Body. Thank you for your work. I look forward to receiving your report in due course.

I am copying this letter to Nicola Sturgeon, Edwin Poots, Lesley Griffiths and representatives of the staff side and NHS Employers.

Yours ever,


ANDREW LANSLEY CBE

ANNEX A

CHANCELLOR'S LETTER - ISSUES TO TAKE INTO ACCOUNT

- the need to recruit, retain and motivate suitably able and qualified staff across the UK;
- the difference in total reward between the NHS workforce and those of similar skills working in the private sector by location - and the impact of these differences on local labour markets;
- how private sector employers determine wages for staff in different areas of the country;
- what the most appropriate areas or zones by which to differentiate pay levels should be;
- the affordability of any proposals in light of the fiscal position - these should not lead to any increase in paybill in the short or long-term;
- the need to ensure that proposals are consistent with law on equal pay;
- whether and how the new approach could be delivered within national frameworks; and
- whether proposals should apply to existing staff, or just to new entrants.

