



NHS Pay Review Body

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Thirtieth Report 2017 Scotland Supplement

Chair: Jerry Cope

SG/2017/30



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Presented to the Scottish Parliament by the First Minister and the
Cabinet Secretary for Health and Sport

March 2017



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NHS Pay Review Body

The NHS Pay Review Body (NHSPRB) is independent. Its role is to make recommendations to the Prime Minister, the Secretary of State for Health, the First Minister and the Cabinet Secretary for Health and Sport in Scotland, the First Minister and the Cabinet Secretary for Health, Wellbeing and Sport in Wales, and the First Minister, Deputy First Minister and Minister for Health in Northern Ireland, on the remuneration of all staff paid under Agenda for Change and employed in the National Health Service (NHS).¹

In reaching its recommendations, the Review Body is to have regard to the following considerations:

- the need to recruit, retain and motivate suitably able and qualified staff;
- regional/local variations in labour markets and their effects on the recruitment and retention of staff;
- the funds available to the Health Departments, as set out in the Government's Departmental Expenditure Limits;
- the Government's inflation target;
- the principle of equal pay for work of equal value in the NHS;
- the overall strategy that the NHS should place patients at the heart of all it does and the mechanisms by which that is to be achieved.

The Review Body may also be asked to consider other specific issues.

The Review Body is also required to take careful account of the economic and other evidence submitted by the Government, Trades Unions, representatives of NHS employers and others.

The Review Body should take account of the legal obligations on the NHS, including anti-discrimination legislation regarding age, gender, race, sexual orientation, religion and belief, and disability.

Reports and recommendations should be submitted jointly to the Prime Minister, the Secretary of State for Health, the First Minister and the Cabinet Secretary for Health and Sport in Scotland, the First Minister and the Cabinet Secretary for Health, Wellbeing and Sport in Wales, and the First Minister, Deputy First Minister and Minister for Health in Northern Ireland.

Members of the Review Body are:

- Jerry Cope (Chair)
- Bronwen Curtis CBE
- Patricia Gordon²
- Joan Ingram
- Shamaila Qureshi³
- Professor David Ulph CBE
- Professor Jonathan Wadsworth²
- Lorraine Zuleta

The secretariat is provided by the Office of Manpower Economics.

¹ References to the NHS should be read as including all staff on Agenda for Change in Health and Social Care Trusts in Northern Ireland.

² Professor Jonathan Wadsworth was appointed to the NHS Pay Review Body in April 2016 Patricia Gordon was appointed to the NHS Pay Review Body in November 2016.

³ Shamaila Qureshi was unable to take part in consideration of this year's report but remains a full Member of the Review Body

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NHSPRB Thirtieth Report 2017: Scotland Supplement

Executive Summary

Our 2017/18 recommendation on the pay uplift is:

- **We recommend a 1 per cent increase to all Agenda for Change pay points in Scotland from 1 April 2017.**

In addition:

- **We note the additional elements of public sector pay policy in Scotland of a £400 pay award for all staff whose full-time equivalent basic salary is £22,000 or under. We are concerned about the cost pressures that this creates for Health Boards given the pressures facing the NHS in Scotland.**

A list of our additional observations is included at the end of this summary

Our remit

1. The Scottish Government asked us to make recommendations in relation to the remuneration in 2017/18 of the 150,000 Agenda for Change staff employed by the NHS in Scotland.
2. Our report and recommendations are produced in the context of considerable affordability pressures facing the NHS in Scotland, as in the rest of the UK, with increasing demand for healthcare being accommodated within a tight budget. Health Boards in Scotland are attempting to meet demanding efficiency targets and cope with day-to-day service requirements at the same time as delivering transformational change through service redesign and introducing new models of care.
3. Public sector pay policy has been set out by the Scottish Government for 2017/18 only.
4. The Scottish Government provided us with its remit and evidence very late in the process due to the postponement of their Draft Budget for 2017/18. As a result, we were unable fully to consider pay recommendations for Scotland during the UK pay round. This short supplement includes our consideration of the Scottish Government's remit, including the evidence which they submitted to us. It should be read alongside our UK-wide 30th Report, which includes coverage of factual evidence on the situation in Scotland, including workforce data, as well as the UK-wide evidence submitted by several of the parties.
5. While we understand the factors that led Scotland to postpone submitting evidence to us, we are aware that this, combined with the Scottish Government's desire to receive recommendations in time to make a pay award in April 2017, has had an impact in constraining the time available to us and, importantly, for other parties to consider, reflect upon and respond to the evidence. We welcome the aim of the Scottish Government that late evidence from Scotland will not become routine.

Overall reflections

6. While pressures on NHS pay appear to be lower in Scotland than in some other parts of the UK, in part due to the fact that pay of Agenda for Change staff in Scotland is higher than elsewhere, there are emerging supply shortages for some staff groups and in some geographical areas. These have attracted concern from Audit Scotland, among others, especially given that the NHS workforce in Scotland is ageing with many staff set to retire over the next decade. Inflation is set to increase during 2017 compared to what was forecast when policy was framed, leading to bigger cuts in real pay than previously anticipated. Local pay flexibilities to address recruitment and retention issues are not being used to alleviate the shortages they were designed to address. Our judgment is that we are approaching the point when pay policy within Scotland will require some modification, and greater flexibility, to support the needs of NHS Scotland.
7. Pay matters for the attractiveness of the service. Take-home pay is important for existing NHS staff and many in Scotland, like in the rest of the UK, saw a cut in their take-home pay in cash terms in 2016/17, whilst at the same time their workloads were increasing.
8. There is a gap in medium-term workforce planning in Scotland, with a lack of clarity about how future demand for, and supply of, NHS staff will evolve over time. We hope the introduction of National Workforce Planning and the development of the National Health and Social Care Workforce Plan will start to fill this gap.
9. The scale of efficiency savings that the NHS is required to make appear to be bigger in Scotland than in other parts of the UK, with the Scottish Government telling us that Health Boards will be expected to make 3 per cent efficiencies in 2017/18. We are therefore concerned about the cost pressures that would be introduced by the additional uplift to pay points 3-14 implied by the Scottish Government's public sector pay policy, especially given the lack of evidence that such an addition would improve recruitment and retention. This additional uplift will also impact on differentials, and the incentive to progress.

The economy, labour market and pay

10. As in the rest of the UK, the overarching economic context for this pay round is the outcome of the EU Referendum and the uncertainty this has brought. Economic growth in Scotland has slowed over the past year, with lower private sector earnings growth than in the UK as a whole. There is also evidence suggesting the pay premium enjoyed by those working in the public sector is higher in Scotland than the average across the UK. This will reduce pressures on NHS pay in Scotland relative to some parts of the UK.

Affordability, efficiency and productivity

11. There remains a big affordability challenge in Scotland, as there is elsewhere in the UK. There is evidence from Audit Scotland of increasing strain on healthcare providers. We were given little evidence as to how the required efficiency savings and productivity improvements will be achieved in order for good quality patient care to be delivered within the funding envelope.

Recruitment, retention and vacancies

12. There are few short-term nationwide recruitment and retention issues in Scotland. The Agenda for Change workforce is growing in every occupational group and the vacancy rate appears generally manageable. However, there are emerging shortages of professional staff in some occupations, especially in the North of Scotland. There are also signs of increasing difficulties in retaining ambulance staff. While usage of and expenditure on agency staff is increasing rapidly, it is still low compared to other parts of the UK.

Motivation, satisfaction and staff engagement

13. The Scottish Government was unable to present any new evidence on the morale and motivation of Agenda for Change staff. This hampered our ability to make effective recommendations. It is crucial that the Review Body has evidence on recent trends in staff motivation in NHS Scotland to consider as part of next year's pay round.

Workforce planning, future supply and the people strategy

14. We were pleased to hear from the Scottish Government about the improvements that are being made to workforce planning arrangements in Scotland via the introduction of National Workforce Planning and the development of a National Health and Social Care Plan. This could support better-informed workforce and service planning decisions and improve the ability of NHS Scotland to take early action to mitigate future risks of staff shortages. We consider it important that Scottish Government and Health Boards look carefully at the workforce and pay aspects of health and social care integration.

Pay recommendations for 2017/18

15. The Scottish Government told us that their Public Sector Pay Policy – a 1 per cent pay award for all staff with an additional uplift for those whose full-time equivalent basic salary is £22,000 or under – is funded because they are uplifting the budgets to Health Boards by 1.5 per cent. It is clear that a pay award higher than this would require trade-offs in terms of service levels, investment decisions and potentially staff numbers, with associated implications for workload and pressures on staff and service delivery unless accompanying actions were taken to manage demand.
16. The evidence we received on the financial pressures facing NHS Scotland left us with serious question marks about whether public sector pay policy – which we estimate requires a 1.3 per cent increase in the paybill – is truly affordable for the NHS. There is a lack of evidence of immediate Scotland-wide recruitment issues, staff shortages or motivation issues and growing evidence of increasing workload pressures on staff. The economic evidence we received points to fewer external pressures on NHS pay in Scotland than there are in the UK as a whole. In general, Agenda for Change staff in Scotland get paid more than their peers elsewhere in the UK.
17. This evidence made us give serious consideration to the case for a nil pay award. However, as we have said before, public sector pay policy sets staff expectations and it is not clear that the likely negative impact on staff morale of a pay award below 1 per cent will be worth the financial benefit. We also recognise that many NHS staff in Scotland saw a cut in their take-home pay in 2016/17 due to the end of contracting out and we are very aware that, with RPI inflation currently running at 2.6 per cent, CPI inflation at 1.8 per cent and private sector wage settlements at 2.6 per cent, a nil award would represent a further sizeable cut in the real and relative value of NHS pay. This led us to rule this option out.

18. The Scottish Government targeted their pay proposal on staff at pay point 14 and below, with staff at pay point 3 (the lowest pay point in use in Scotland) receiving a 2.5 per cent award and staff at pay point 14 receiving a 1.8 per cent award. We have received no evidence of recruitment and retention reasons for targeting the pay award in this way. We are concerned about the cost pressure of this on Health Boards given the pressures facing the NHS in Scotland.
19. Implementation of the Scottish Government's public sector pay policy would exacerbate existing compression at the bottom of the pay distribution. This could risk adverse effects on the motivation of staff and incentives for staff to progress. We seriously considered the case for an equal flat-cash award for all staff to help mitigate these issues. However, ultimately we decided against this as we did not receive any evidence on these proposals and more time is needed to give sufficient thought to the merits of further changes to pay relativities in the Agenda for Change pay structure.

Recommendation 1 - We recommend a 1 per cent increase to all Agenda for Change pay points in Scotland from 1 April 2017.

Observation – We note the additional aspects of public sector pay policy in Scotland of a £400 award for all staff whose full-time equivalent basic salary is £22,000 or under. We are concerned about the cost pressures that this creates for Health Boards given the pressures facing the NHS in Scotland.

Observation – If the Scottish Government intends to continue with higher percentage increases to low paid staff, which is compressing some pay differentials, then there is a need to evaluate the effects, if any, on motivation, progression and promotion within the Agenda for Change structure.

20. The Scottish Living Wage appears to be causing few issues in Scotland given the changes that have been made to the pay structure to accommodate it. However, there is limited evidence on whether the changes have been successful in improving productivity or on whether employers have responded to bigger percentage increases in wages at the bottom of the pay structure by hiring fewer staff than they otherwise would have done. The National Living Wage will have no direct impact on the NHS in Scotland until April 2020 at the very earliest.

Pay policy over the medium term

21. In our 30th Report, we highlighted serious concerns about the sustainability of public sector pay policy for continued 1 per cent pay awards in the NHS over the next few years due to rising inflation, the erosion of the public sector pay premium and changes to the funding system for nursing, midwifery and allied health students in England.
22. While we have similar concerns in Scotland, there are a number of factors which are likely to reduce pressures on pay compared to elsewhere. Economic growth and employment growth is different than in the UK as a whole. Private sector pay growth is relatively subdued. There is, at first glance, a bigger public sector pay premium. Agenda for Change staff in Scotland are paid more than their peers in England, Wales and Northern Ireland. This may give the Scottish Government more room for manoeuvre in adjusting more gradually to changes in the wider economic environment over the next few years.

23. However, the Scottish Government needs to ensure that its approach is aligned to the needs of the service, including planned reforms and the financial challenges that the NHS faces, to ensure that pay policy can effectively be used to support its objectives for the NHS. The one-size-fits-all approach towards public sector pay policy has undoubtedly helped the Scottish Government in controlling pay over the last few years but is now looking increasingly less sustainable. Greater flexibility to adjust pay policy to the needs of the NHS could help drive gains for patient outcomes by, for example, using it as an opportunity to reform Agenda for Change, incentivise productivity improvements and efficiency savings, or to respond to potential equal value issues arising from the integration of health and social care.

Observation – The Scottish Government needs to develop a medium-term pay approach which supports the needs of NHS Scotland. This is in order to ensure that pay is aligned to the needs of the service as well as the financial challenges that it faces, and that it is supportive of service reform and integration.

JERRY COPE (*Chair*)
BRONWEN CURTIS
PATRICIA GORDON
JOAN INGRAM
DAVID ULPH
JONATHAN WADSWORTH
LORRAINE ZULETA

21 March 2017

Our additional observations

- It is important to understand and monitor trends over time in **take-home pay** as well as in gross pay as this conditions the impact of pay awards on recruitment, retention and motivation. We would welcome evidence on this matter in future submissions.
- We repeat our request from last year for an improvement in the **evidence on the drivers of pay bill trends** over time, not only to support the pay review process but to help understanding of the cost drivers facing the service.
- While progress has been made, more work needs to be done to provide a robust set of **workforce data** covering fill rates, vacancies and attrition rates by staff group and geographical area, not only to allow us to develop a sophisticated picture about what is happening to inform our recommendations but also to enable effective national and local planning.
- As last year, we note that the **process for approving RRP**s is centralised in Scotland and that greater flexibility to use RRP>s could help Health Boards tackle local recruitment issues.
- Consideration of the need to recruit, retain and motivate suitably able and qualified staff is part of our Terms of Reference. Not having evidence about recent **trends in staff motivation** hampers our ability to make effective recommendations. We ask the Scottish Government to ensure that the Review Body has evidence on recent trends in staff motivation in NHS Scotland to consider as part of next year's pay round.
- The Scottish Government should take action to understand and tackle the drivers of dissatisfaction and increasing leaving rates among **ambulance staff** in Scotland to get ahead of any recruitment and retention issues that could emerge in the future.
- If the Scottish Government intends to continue with higher percentage increases to lower paid staff, which is **compressing some pay differentials**, then there is a need to evaluate the effects, if any, on motivation, progression and promotion within the Agenda for Change structure.
- The Scottish Government needs to develop a **medium-term pay approach** which supports the needs of NHS Scotland. This is in order to ensure that pay is aligned to the needs of the service as well as the financial challenges that it faces, and that it is supportive of service reform and integration.

Chapter 1 - Introduction

Introduction

- 1.1 For 2017/18 we received remits from the UK Government, the Scottish Government, the Welsh Government and the Northern Ireland Executive. Our consideration of the Scottish Government's remit is contained within this supplement, which should be read in conjunction with our 30th Report. Our 30th Report is a UK-wide report and includes coverage of evidence on the situation in Scotland, including workforce data.
- 1.2 The Scottish Government informed us at the start of the pay round that they would be unable to submit evidence to us by our deadline due to the knock-on effect of the decision to delay publishing their Draft Budget 2017-18 until after the UK Government's Autumn Statement on 23 November. We received evidence from them on 20 December. As a result, we were unable fully to consider pay recommendations for Scotland during the UK pay round.
- 1.3 While we understand the factors that led Scotland to postpone submitting evidence to us, we are aware that this, combined with the Scottish Government's desire to receive recommendations in time to make a pay award in April 2017, has had an impact in constraining the time available for us and, importantly, for other parties to consider, reflect upon and respond to the evidence. We also note that many of the parties continue to value the pay review process being operated across the UK and note that late evidence puts this at risk. We welcome the Scottish Government's aim that late evidence won't become routine: if a separate supplement continues to be required in time for the April pay date to be met, we feel this would put the independent pay review process under strain, due to the reduction in time available for all parties to comment fully on the evidence and in our ability to seek their views..
- 1.4 We have considered the remit in relation to our standing terms of reference and set out the evidence from the parties presented on these matters, together with our conclusions and recommendations, under each of these elements.¹

Structure of the report

- 1.5 This report is divided into chapters, which include:
 - Introduction.
 - The Economy, labour market and pay.
 - Affordability, efficiency and productivity.
 - Recruitment, retention and vacancies.
 - Motivation, morale and staff engagement.
 - Workforce planning, future supply and the people strategy.
 - Pay proposals, recommendations and observations.
- 1.6 The appendices consist of:
 - Appendix A: Remit letters.
 - Appendix B: Agenda for Change pay scales in Scotland with effect from 1 April 2017 implied by our recommendations and application of the Scottish Government's public sector pay policy.
 - Appendix C: Evidence relating specifically to Scotland contained in the 30th NHSPRB Report.
 - Appendix D: Workforce Monitoring Data.

¹ The NHSPRB terms of reference can be found at page iii of this report

Remit for this report

- 1.7 The Cabinet Secretary for Finance and Constitution wrote to us on 30 September 2016 requesting pay recommendations for 2017/18. The letter stated that the Scottish Government's Draft Budget and Public Sector Pay Policy for 2017/18 would not be published until the week commencing the 12 December due to uncertainties about potential changes the UK Government could make to future public spending allocations in the Autumn Statement on 23 November. It went on to say that this would require late submission of evidence and envisaged recommendations for Scotland being made later than those for the other parts of the UK as a result.
- 1.8 The Cabinet Secretary for Health and Sport wrote to us on 20 December 2016 providing further details of the remit. The letter outlined the main features of the Scottish Government's Public Sector Pay Policy for 2017/18, which formed the basis for the remit: an overall 1 per cent cap on the cost of the increase in basic pay for those earning more than £22,000; continued commitment to paying the Scottish Living Wage; guaranteeing a minimum increase of £400 for staff earning £22,000 or under;² and an expectation of extensions to no compulsory redundancy agreements. It also said that it would be important for the Review Body to take into account the considerable ongoing financial challenges facing NHS Scotland and noted that any pay increase had to be affordable.
- 1.9 Copies of the two remit letters received from the Scottish Government are presented at Appendix A. The evidence submitted by the Scottish Government is available in full from <http://www.gov.scot/Resource/0051/00512107.doc>.
- 1.10 Our comments on the remits from all four countries, summary of the parties giving evidence and overview of our visits programme are set out in Chapter 1 of our 30th Report.

Evidence from other parties

- 1.11 The UK-wide evidence submitted by other parties is summarised in our 30th Report, with links to the full evidence available on the NHS Pay Review Body website <https://www.gov.uk/government/publications/remit-letters-links-to-evidence-and-timetable-for-nhsprbs-2017-pay-round>.
- 1.12 This includes the evidence we received from Joint Staff Side, the submissions by individual trade unions - the Chartered Society of Physiotherapists, the Royal College of Midwives, the Royal College of Nurses, UNISON and Unite – and the submission from the NHS Staff Council. We took careful account of all of this evidence in reaching our recommendations.
- 1.13 To avoid duplication, we have decided not to replicate all of the evidence summaries in this supplement and instead refer readers back to our 30th Report. However, we summarise the key points and proposals made in the Joint Staff Side submission in Box 1 overleaf.

² References to "earnings" within the Scottish Government's Public Sector Pay Policy refer to full-time equivalent base salaries. They exclude non-basic earnings such as unsocial hours payments. See Scottish Government, *Public Sector Pay Policy for Staff Pay Remits 2017/18: Technical Guide*, January 2017. The rest of this report follows this convention in using "earnings" as shorthand for "full-time equivalent basic salaries" when talking about Scottish Government public sector pay policy

Box 1 – Summary of the Joint Staff Side evidence submission

- Staff Side said that the value of the Agenda for Change pay framework has diminished significantly over the last six years and told us that NHS staff have experienced real wage cuts of an average of 12.3 per cent against RPI.
- They said that there was a great strength of feeling among both staff and managers that the current pay policy is unsustainable and that a change in direction is long overdue through a pay award higher than the current 1 per cent limit.
- They said that public sector pay restraint had damaged the finances and morale of NHS staff and risked inflicting structural damage to the Agenda for Change framework.
- They said that there are large and growing anomalies between pay points across the UK, with similar jobs in the NHS not being paid at the same rate.
- They made a number of proposals, including to:
 - Return to a UK-wide pay scale, using Scotland as a reference point for Bands 4-9.
 - Restructure Bands 1-3 to pay the Living Wage and maintain pay differentials.
 - Make a pay award in line with RPI applied equally to all Agenda for Change staff.
 - Introduce a comprehensive workforce strategy to tackle the challenges facing the NHS workforce including the increasing use of agency staff, stagnating wage levels, declining morale and motivation and increased staff shortages across the UK.
- In addition, they also asked the NHS Pay Review Body to:
 - Acknowledge the impact of pay restraint combined with heightened workplace pressures on recruitment and retention in the NHS.
 - Recommend that compliance with the National Living Wage be centrally funded and not result in a lower award for staff not directly affected.
 - Acknowledge the uncertainties caused by plans for the UK to exit the EU and the loss of student bursaries in England and monitor the impact of both developments.
 - Recommend that better information be published on workforce and agency spending to enable better analysis of workforce dynamics.
 - Note the impact of the agency cap in England and its unintended consequences.
 - Recognise the potentially destabilising impact of the apprenticeship levy and the growing use of apprenticeships in the NHS and make a number of recommendations around the pay and conditions of apprentices and ensuring that levy funding is ring-fenced to the NHS.
- In additional evidence on Scotland, Joint Staff Side said that they supported the Scottish Government's aspirations to protect the lowest paid in the workforce. They said that, in particular, they strongly supported the commitment to the Living Wage and ensuring that it was fully funded without detriment to members of the workforce on higher pay bands.
- They said that disparities in pay rates across the UK had arisen as the consequence of the Scottish Government fully implementing the recommendations of the NHS Pay Review Body, which other parts of the UK had not done. They also said that, if Agenda for Change pay rates had kept pace with the cost of living, all pay points would be higher than the Scottish Living Wage without the need for further action.

Chapter 2 – The Economy, Labour Market and Pay

Introduction

- 2.1 In this chapter we include the evidence we received specific to the economy, the labour market and pay in Scotland. The Scottish Government's evidence was presented in December 2016 so reflects the position at that time. This information provides important context to inform our consideration of pay recommendations for Agenda for Change staff. This chapter also includes a consideration of earnings, including take-home pay, of Agenda for Change staff in Scotland.
- 2.2 This chapter should be read alongside Chapter 2 of our 30th Report, which contains data and analysis for the UK as a whole in relation to economic growth, inflation, employment, average earnings growth, pay settlements and the public-private sector earnings differential. Chapter 2 of our 30th Report also contains analysis of earnings of the remit group, including changes over time in the value of the Agenda for Change pay structure in each of the four nations of the UK.
- 2.3 In light of the outcome of the EU Referendum, there is a higher degree of uncertainty about the likely performance of the economy over the next few years than in previous years. Many forecasts have been revised and all have large caveats around them.

The economy

Economic growth

- 2.4 Economic growth in Scotland fell behind the UK as a whole in 2016, having kept pace with UK-wide growth over the previous three years. Economic growth in the year to the third quarter of 2016 was 0.7 per cent compared to 2.0 per cent in the UK as a whole. The Scottish economy was 5.8 per cent bigger in the third quarter of 2016 than in the pre-recession peak for the Scottish economy in the second quarter of 2008.

Inflation

- 2.5 No Scottish-specific inflation data are currently available.

Employment

- 2.6 The employment rate of 16-64 year olds in Scotland was 73.4 per cent in October 2016, down from its post-recession peak of 74.8 per cent in October 2015.

Average earnings growth

- 2.7 Median gross full-time weekly earnings in Scotland in 2016 were £535.00. This compares to £538.70 in the UK as a whole, with median weekly earnings in Scotland higher than any part of the UK except London and the South East.
- 2.8 Median gross full-time weekly earnings in Scotland in 2016 were 1.5 per cent higher than a year earlier. This compares to 1.7 per cent growth in the UK as a whole, with earnings growth in Scotland slower than any part of the UK except the East Midlands and the North East.

Pay settlements

2.9 No Scottish-specific data on pay settlements are available.

Public-private sector earnings differential

2.10 In 2016, the average gross annual earnings of people working full-time in the public sector in Scotland were £34,083 – 5.1 per cent higher than average earnings in the private sector of £32,429. However, looking at median earnings – a better measure of the experience of the typical worker – public sector workers in Scotland on average earned 17.7 per cent more than those in the private sector in 2016 (with earnings of £30,847 compared to £26,200).

2.11 However, as we noted in paragraph 2.18 of our 30th Report, the characteristics of private and public sector workers are very different, meaning that these raw comparisons are not like-for-like comparisons. We are not aware of any recent analysis specific to Scotland that attempts to control the raw public sector pay premium for differences in the age, skill level and experience between staff in the two sectors.

Earnings of our remit group

Agenda for Change pay structure

2.12 Paragraph 2.34 and Table 2.2 of our 30th Report include data and analysis of changes in the Agenda for Change pay structure in each of the four nations of the UK, including Scotland. Real pay in Scotland has fallen since 2010/11 at every pay point: for example, the real value of the pay structure at Band 5 and above fell by 7 per cent measured against CPI and by 11 per cent measured against RPI between April 2010 and April 2016. However, Agenda for Change staff in Scotland have seen smaller falls in real pay than their counterparts elsewhere in the UK and, in addition, staff at lower pay points have also been relatively protected from falls in real pay.

Take-home pay in Scotland

- 2.13 Paragraphs 2.44-2.47 and Table 2.5 of our 30th Report look at trends in take-home pay of Agenda for Change staff in England since 2011/12. Key findings include:
- Increases in the income tax personal allowance have helped to boost the take home pay of staff at the bottom of the pay structure, with real pay of staff at the top of Band 1 in England increasing by 3 per cent against CPI and falling by 1 per cent against RPI between April 2011 and April 2016.
 - Staff at the top of the pay structure have seen a reduction in their take home pay, even in cash terms, largely due to increased pension contributions.
 - Many Agenda for Change staff – including those at the top of Band 5 – saw their take-home pay fall in cash terms in 2016/17 as increases in National Insurance contributions associated with the end of contracting out were higher than the value of the 1 per cent pay award.
- 2.14 Agenda for Change staff in Scotland will have seen more favourable trends in their take-home pay than their peers in England due to more rapid increases in gross pay. However, overall patterns will be much the same as changes in income tax, National Insurance and NHS Pension Scheme contributions have been similar across the UK.

2.15 In future years there is scope for the impact of the tax system on the take-home pay of NHS staff to diverge across the UK. This is due to the flexibilities for the Scottish Government to set a separate Scottish Rate of Income Tax and to vary the income thresholds used for the higher and additional rates of income tax. In 2017/18 the Scottish Government has decided to freeze the higher rate of income tax threshold at £43,000 while the higher rate income tax threshold in the rest of the UK increases to £45,000. This will mean that, for example, NHS staff living in Scotland with taxable income of more than £45,000 will pay an additional £400 per year of income tax compared to their peers with identical taxable incomes who live elsewhere in the UK.

Evidence from the Scottish Government on the economy, earnings and Total Reward

2.16 The Scottish Government said that, in the first half of 2016, the Scottish economy continued the trends observed in 2015 of subdued output growth but stronger labour market conditions.

2.17 They noted that there was considerable uncertainty about the outlook for the UK and Scottish economies following the EU Referendum. They said that current forecasts were projecting that growth would remain stable in 2016 before falling in 2017, reflecting underlying risks of a heightened level of uncertainty leading to a reduction in business investment and the impact of rising inflation on real income growth and consumption. They also noted that these risks would interact with existing external headwinds facing the Scottish economy of weak global growth and the lower oil price.

2.18 They said that Scotland's labour market had continued to show resilience in 2016 in the months following the EU Referendum. They highlighted data for August to October 2016 showing that the unemployment rate had fallen 0.4 percentage points over the previous year to reach 5.3 per cent (compared to 4.8 per cent in the UK as a whole), though also noted that the employment rate had fallen to 73.3 per cent (compared to 74.4 per cent in the UK) and that the inactivity rate had risen to 22.5 per cent (compared to 21.7 per cent in the UK).

2.19 They also said that the median full-time weekly wage in Scotland in 2016 was £535, an increase of 1.5 per cent on a year earlier. They noted that an increase in CPI inflation to 0.3 per cent meant that the pace of real wage growth in Scotland in 2016 slowed to 1.2 per cent, down from 1.6 per cent in 2015. They told us that, whilst wage growth rates remained positive, they were low compared to pre-recession growth rates. They also highlighted more timely figures from the Labour Force Survey that suggested real average weekly earnings had increased by 1.7 per cent in the UK as a whole in the year to August-October 2016.

2.20 The Scottish Government told us that a new CARE scheme was implemented in 2015 with a normal pension age linked to state pension age, with members close to retirement provided with protection as part of the reforms programme, with 35 per cent of members remaining in the final salary scheme. They said that employer contributions for the year 2017/18 remained at 14.9 per cent and that the UK Government had set a requirement for member contributions in the scheme to produce a yield of 9.8 per cent of total pensionable pay.

2.21 They reiterated their conclusion from last year's pay round that the NHS Pension Scheme continued to provide substantial benefits but that the remit group will be contributing more in the future for somewhat smaller benefits, which represented a reduction in their total reward. They said that further flexibility within the reward package was needed to reduce the number of early departures, including considering whether the employer's pension contribution could be used to fund a salary supplement in the event that a member of a pension scheme hits the lifetime allowance. They also noted that the ending of contracting out will result in an increase to National Insurance contributions for members of the scheme. They told us that the total reward package continued to be of great interest in their consideration of pay and that they will monitor the impact of pension changes on the remit group.

Our comment on the economy, earnings and Total Reward

2.22 There is evidence that economic growth in Scotland has slowed over the past year, the labour market is weakening and the pay premium enjoyed by those working in the public sector is, on the face of it, higher in Scotland than it is in the UK as a whole. This may suggest that the wider economic pressures on the pay of Agenda for Change staff in Scotland are a little less than in some other parts of the UK.

2.23 As we noted in our 30th Report, ultimately it is take-home pay rather than gross pay that matters to recruitment, retention and motivation: the impact of changes in pension contributions and wider government policy decisions on tax and in-work benefits are important as well as the rate of pay. While changes to the income tax personal allowance have mitigated the impact of pay restraint on the take-home pay of the lowest paid staff in the NHS, increasing pension contributions and the end of contracting out have exacerbated the impact of pay restraint for staff at middle and higher pay bands. We also note the scope for the impact of the tax system on the take-home pay of NHS staff to diverge across the UK.

Observation – It is important to understand and monitor trends over time in take-home pay as well in gross pay as this conditions the impact of pay awards on recruitment, retention and motivation. We would welcome evidence on this matter in future submissions.

2.24 In Scotland, NHS Pension Scheme contribution tier thresholds are uplifted in line with the pay uplifts received by staff in NHS Scotland. This means that the issue we were told about in the rest of the UK – where pay awards for some staff can translate into sizeable reductions in take-home pay if their gross pay crosses frozen pension contribution threshold boundaries – does not arise.

Chapter 3 – Affordability, Efficiency and Productivity

Introduction

- 3.1 In this chapter we review the evidence on the funds available to the Health Department in Scotland. This is a key consideration within our terms of reference.
- 3.2 This chapter should be read alongside Chapter 3 of our 30th Report, which contains more detailed information relating to the employed staff pay bill, agency expenditure and earnings of bank staff in all four countries of the UK. It also includes consideration of NHS productivity and efficiency.

Employed staff pay bill

Non-medical pay bill

- 3.3 Paragraphs 3.9-3.10 and Table 3.3 of our 30th Report detail the non-medical pay bill in Scotland. This was around £4 billion in 2015/16, 3.5 per cent higher than in 2014/15. This was a bigger increase than in either England or Wales (no data were available for Northern Ireland).

Drivers of changes in the pay bill in Scotland

- 3.4 The Scottish Government was unable to provide any analysis of the drivers of changes in the pay bill: for example, looking at the net cost of incremental pay progression. As we said in our 30th Report, we find this surprising given its importance.

Agency expenditure

- 3.5 Paragraph 3.17 of our 30th Report provides details of agency expenditure in Scotland. Agency expenditure on nurses and midwives was £23.5 million in 2015/16 and accounted for 0.4 per cent of total nursing and midwifery capacity. This represented a year-on-year increase of 47 per cent, though is still below the 2005/06 agency expenditure in both cash and real terms.
- 3.6 According to recent data published by Audit Scotland, total NHS Scotland spending on clinical and non-clinical agency staff was £175 million in 2015/16, equivalent to 2.8 per cent of staff spending.³ This is noticeably lower than figures on agency spending for the 2015/16 financial year for England (7.5 per cent of staff spending) and Wales (4.1 per cent of staff spending).

Bank expenditure

- 3.7 Paragraph 3.24 of our 30th Report provides details of expenditure on Bank staff in Scotland. Expenditure on Bank nursing and midwifery staff in Scotland in 2015/16 was £134.6 million and accounted for 6.5 per cent of total nursing and midwifery capacity.

³ Audit Scotland, *Scotland's NHS Workforce: The Current Picture*, February 2017

Productivity and efficiency

3.8 Paragraphs 3.27-3.29 of our 30th Report consider productivity and efficiency in the NHS and Table 3.9 presents estimates of productivity growth, including UK-wide estimates from the Office for National Statistics.

Audit Scotland

3.9 Audit Scotland published their annual *NHS in Scotland* report in October 2016.⁴ The overall aim of the audit was to assess how well the NHS in Scotland was performing and whether it was equipped to deal with the challenges ahead. It asked a number of questions including:

- How well the NHS in Scotland managed its finances and performance in 2015/16.
- Whether the NHS in Scotland is equipped to deal with the financial challenges in 2016/17 and beyond.
- Whether the NHS in Scotland was making good progress towards implementing public service reform.

3.10 This concluded that NHS funding was not keeping pace with increasing demand, rising costs and the needs of an ageing population. It said that Health Boards were facing an extremely challenging financial position, with many having to use short-term and unsustainable measures to break even. The report stated that Health Boards would need to make unprecedented levels of savings in 2016/17, with Boards setting an average savings target of 4.8 per cent and savings targets of up to 8 per cent being set by NHS Shetland and NHS Tayside. Audit Scotland said that there was a significant risk that some Health Boards would not be able to remain within their budgets, with 17 per cent of savings yet to be identified by boards and around a third of savings due to one-off changes and therefore non-recurrent.

3.11 While the report noted improvements in some areas of performance, including reducing bed days lost due to delayed discharges, it concluded that Health Boards were struggling to meet the majority of key national standards and that there was little evidence of a shift in the balance of care from hospitals towards more care in the community. The report also noted that, in Scotland as a whole, seven out of the eight key national waiting time standards were not being met.

3.12 The report noted difficulties in recruiting and retaining staff in some geographical and speciality areas, with staff shortages and increasing spending on temporary staff putting pressure on budgets and quality of care. It also noted that there was uncertainty about what the future workforce to deliver new models of care will look like.

3.13 The report also noted that spending on temporary staff had increased from 1.6 per cent of total staff costs in 2012/13 to 2.8 per cent in 2015/16 and concluded that the increasing use of temporary staff, who can cost substantially more than permanent staff, was putting considerable pressure on Health Boards' budgets and did not represent value for money. As an example they noted that the average cost of salaried nursing staff was £36,000 per WTE compared to the average cost of agency nursing staff of £84,000 per WTE. They also noted that agency staff were, in some areas, being used to cover long-term vacancies.

⁴ Audit Scotland, *NHS in Scotland*, October 2016

Evidence from the Scottish Government on affordability, efficiency and productivity

Affordability

- 3.14 The Scottish Government said that the scale of the real terms reduction in government spending between 2010/11 and 2020/21 – with a 9.2 per cent reduction in their budget for departmental spending⁵ – had required tough decisions to be taken about expenditure across government and careful consideration of pressures and priorities in all portfolios. However, they said that the Health Budget had received the full health resource Barnett consequential over this period, with an above inflation increase in 2017/18 to lift the resource cash budget by £304 million to reach £12.7 billion, and Health Boards seeing funding allocations increase in real terms reflecting the Scottish Government's commitment to protect frontline point-of-care services.
- 3.15 They told us that the funding available to NHS Scotland would be confirmed when the Budget Bill was published but that their planning assumption was that Health Boards would receive an uplift of at least 1.5 per cent, in line with inflation. However, they also noted that Health Boards would contribute an additional £100 million in 2017/18 to Integration Authorities to support health and social care integration.
- 3.16 They said that the financial picture in NHS Scotland remained extremely challenging and that any pay rise had to be modest to assist Health Boards in maintaining headcount, which they told us was important both for service delivery and for the wider economic benefits.

Agency and Bank staff

- 3.17 The Scottish Government said that expenditure on agency nursing staff had increased from £16.0 million in 2014/15 to £23.5 million in 2015/16 and that agency staff accounted for 0.4 per cent of total nursing and midwifery capacity.
- 3.18 They said that it was Scottish Government policy to minimise the usage of agency staff and that a national contract (Best Procurement Initiative) had been introduced aimed at ensuring best value around the use of agency nurses. However, they told us that they recognised that agency spend had risen considerably over the last few years and said that this was largely due to the use of premium rate agencies to fill shifts for which contracted agencies were unable to supply staff.
- 3.19 They said that a team had been set up within NHS National Services Scotland to support Health Boards in reviewing the use of agency staff and provide advice and guidance on steps that could be taken to reduce reliance on agency staff. They highlighted ongoing work to introduce National and Regional Staff Banks to provide boards with a greater resource of flexible staff who can work at short notice on NHS contracts and pay rates. They also said that they had asked all Boards to appoint an executive lead for agency spend and put in place strong governance procedures to ensure that, when temporary staff are required, use of agency staff is the very last resort.

⁵ This refers to spending within Departmental Expenditure Limits (DEL) - £30.7bn in 2016/17. It excludes demand-led Annually Managed Expenditure (AME) - £6.7bn in 2016/17 - which the Scottish Parliament administers but has no discretion over, most of which is comprised of public sector pensions and student loan subsidies

- 3.20 In oral evidence, the Scottish Government said that more consistency in management thinking and the rules applied in procuring agency staff would also help bring agency spending under control. They gave a number of examples including consistent trigger points for engaging agency staff across the NHS; rules around invoices; creating Banks in every Health Board; sharing Bank staff across Health Board boundaries; capping the amount that can be paid to agencies; and using e-rostering arrangements.
- 3.21 The Scottish Government told us that their policy was to utilise the flexibility offered by the nurse bank to (among other things) secure value-for-money by decreasing the use of more expensive agency staff. They said that the number of people registered as bank nursing and midwifery staff had increased over time and that the usage of Bank staff in these staff groups in 2015/16 was the equivalent of 4,287 WTE nurses and accounted for 6.5 per cent of total NHS nursing and midwifery capacity.

Productivity and efficiency

- 3.22 At oral evidence, the Scottish Government acknowledged, in response to questioning about the affordability of the Scottish Government's public sector pay policy in the NHS, that efficiency targets were challenging but said that they expected significant savings to be achieved and were not expecting staff numbers to go down. They said that they were expecting Health Boards to make efficiency savings of around 3 per cent in 2017/18, which they said were similar to those that would be made in 2016/17, and said that staff numbers had risen in the last few years despite efficiency savings. They also told us that the financial challenges were one of the reasons that they had decided to set a one-year budget and public sector pay policy.

Service transformation

- 3.23 The Scottish Government told us that service integration was on track, with all Health and Social Care Partnerships becoming operational on 1 April 2016. They said that these Integration Joint Boards had real power to drive change and they were managing more than £8 billion of resources that had previously been managed separately by Health Boards and councils. At oral evidence, the Scottish Government said that these statutory bodies should be more effective than the previous voluntary arrangements and described Scotland as being about halfway along the journey of integrating health and social care.
- 3.24 They said that the Public Bodies (Joint Working) (Scotland) Act allowed each of the NHS and Local Authorities delivering integrated care to retain their own employment terms and conditions, with NHS staff continuing to be covered by Agenda for Change. At oral evidence, the Scottish Government told us that there were no plans for any national action to harmonise terms and conditions given their view that such issues were best resolved at the local level in the first instance.

Our comment on affordability, efficiency and productivity

- 3.25 It is clear that, as in the rest of the UK, the financial situation facing the NHS in Scotland remains extremely challenging. We note the conclusions reached by Audit Scotland that NHS funding is not keeping pace with demand and other cost pressures, and that Health Boards will need to make unprecedented levels of savings in 2016/17 to break even. We agree and note that this financial pressure limits the money available for pay.

- 3.26 Indeed, while comparisons are hindered by a lack of comparable data, it seems to us that the affordability issues facing the NHS in Scotland may be bigger than other parts of the UK. For example, the scale of efficiency savings Health Boards are expected to make appears to be relatively high: Audit Scotland said that Health Boards had set average savings targets of 4.8 per cent in 2016/17 and the Scottish Government told us in oral evidence that Health Boards would be expected to make savings of 3 per cent in 2017/18; this compares with savings of 2 per cent being expected of NHS Trusts in England in 2017/18. There is also limited clarity about how these savings will be made. The impact on affordability pressures of the requirement on Health Boards to make £100 million funding available to support health and social care integration is also unclear and seems likely to make achieving financial balance somewhat more difficult.
- 3.27 We emphasise the point we made in paragraph 3.79 of our 30th Report that it continues to be impossible to provide an accurate interpretation of the comparative position across the UK on pay bill drivers as the four countries do not provide consistent data. While we welcome the introduction of detailed reporting on agency expenditure on nursing and midwifery staff by the Scottish Government, which has been very helpful in informing our deliberations (though it would be useful for this to be extended to other Agenda for Change staff groups), we are disappointed that no progress has been made in breaking down the drivers of pay bill increases.

Observation – We repeat our request from last year for an improvement in the evidence on the drivers of pay bill trends over time, not only to support the pay review process but to help understanding of the cost drivers facing the service.

Chapter 4 – Recruitment, Retention and Vacancies

Introduction

- 4.1 We are required by our terms of reference to have regard to the need to recruit and retain suitably able and qualified staff, and to the effects of regional and local variations in labour markets on the recruitment and retention of staff in reaching our recommendations.
- 4.2 This chapter sets out the evidence presented to us by the Scottish Government in relation to the current recruitment and retention position of our remit group, including the NHS workforce, vacancies and turnover and Recruitment and Retention Premia (RRPs).
- 4.3 It should be read alongside Chapter 4 in our 30th Report, which contains data and analysis of these issues for all four countries of the UK.
- 4.4 The focus of this chapter is on the current picture. Chapter 6 looks ahead to prospects for the longer-term and how future supply is managed, including workforce planning, training provision and an NHS People Strategy.

NHS workforce, turnover and vacancies

Changes in staffing levels

- 4.5 Paragraphs 4.4-4.5 in our 30th Report look at changes in Agenda for Change staffing levels across the four nations of the UK. The data show that there was a 0.8 per cent increase in FTE staff in Scotland in the year to September 2015.
- 4.6 Paragraph 4.6 and Figure 4.2 in our 30th Report look at the percentage of staff at the top of each pay band for each of the four nations of the UK. The data show that more than six out of ten Agenda for Change staff in Scotland are at the top of their pay band and so are not eligible for incremental pay increases.

Turnover

- 4.7 Paragraphs 4.7-4.9 in our 30th Report look at turnover by staff group among Agenda for Change staff in each of the four nations of the UK. The data show that, in Scotland:
 - There have been small increases in the joining rate in many Agenda for Change staff groups since 2012/13.
 - There have been small increases in the leaving rate among clinical staff and more substantial increases in the leaving rate among ambulance staff, which is now higher than anywhere else in the UK.
 - Joining rates are higher than leaving rates in every major Agenda for Change staff group in Scotland, meaning that the workforce is growing.

Vacancy rates

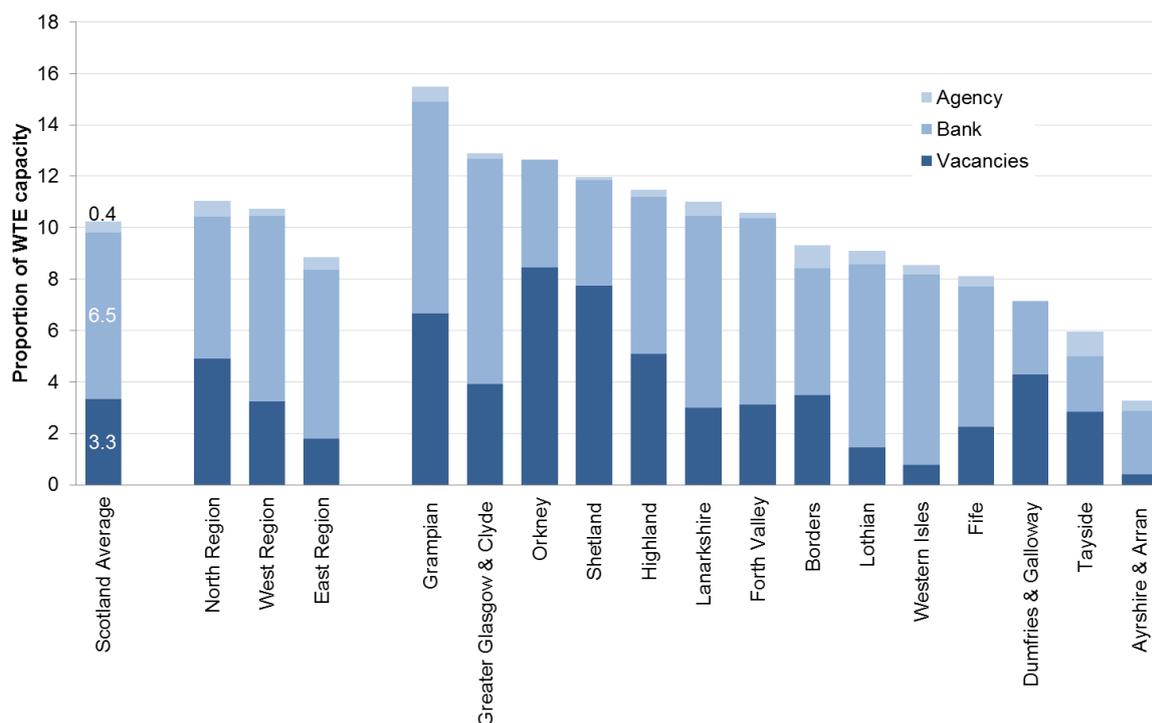
4.8 Paragraphs 4.14-4.15 in our 30th Report look at vacancy rates in Scotland. The data show that:

- Vacancy rates have been broadly static over time for nurses and midwives at bands 1-4 and allied health staff.
- Vacancy rates have been increasing over time for nurses and midwives at bands 5-9 and now, at 4.7 per cent in June 2016, exceed pre-recession levels.

4.9 The share of nursing and midwifery capacity that is not filled by permanent NHS staff (i.e. either being vacant or filled by agency or bank staff) is highest in NHS Grampian (15.5 per cent), NHS Greater Glasgow and Clyde (12.9 per cent), NHS Orkney (12.6 per cent), NHS Shetland (12.0 per cent) and NHS Highland (11.4 per cent). However, NHS Greater Glasgow and Clyde is able to fill most of the gap through Bank shifts. These data are presented in Figure 4.1.

4.10 Looking in more detail at the local picture on vacancies for nursing and midwifery staff, the vacancy rate is highest in NHS Orkney (8.7 per cent), NHS Shetland (7.7 per cent), NHS Grampian (6.7 per cent) and NHS Highland (5.1 per cent).

Figure 4.1 – Nursing and midwifery vacancies, use of Bank staff and use of Agency staff as a proportion of total WTE capacity, by Health Board and Region



Source: Information Services Division, Scotland

Evidence from the Scottish Government on NHS workforce, turnover and vacancies

- 4.11 The Scottish Government said that the number of Agenda for Change staff working in NHS Scotland in September 2016 was 124,901 WTE, a 0.5 per cent increase on a year earlier and a 5.6 per cent increase on September 2011. They noted that the increases in WTE nursing and midwifery staff broadly mirrored these changes, with a 0.4 per cent increase on September 2015 and a 5.1 per cent increase on September 2011. Going back further, they noted that there were 4.2 per cent more nurses working in NHS Scotland in September 2016 than there was a decade earlier in September 2006.
- 4.12 They said that turnover had increased slightly, with WTE turnover increasing from 6.1 per cent in 2014/15 to 6.4 per cent in 2015/16 and headcount turnover increasing from 6.5 per cent to 6.8 per cent over the same time period.
- 4.13 Looking at vacancies, they said that total nursing and midwifery vacancies as a percentage of establishment in September 2016 was 4.3 per cent, an increase from 3.9 per cent in September 2015. They told us that they believed that the 'over three month' vacancy rate gave a better indication of trends in recruitment and retention than the overall vacancy rate and said that this stood at 1.3 per cent in September 2016 compared to 0.8 per cent a year earlier. Looking at Midwifery posts in isolation, the Scottish Government said that the overall vacancy rate stood at 4.1 per cent in September 2016 compared to 2.8 per cent in September 2015. They also said that the 'over three month' vacancy rate for midwives stood at 1.4 per cent in September 2016 compared to 0.5 per cent a year earlier.

Our comment on NHS workforce, turnover and vacancies

- 4.14 In summary, while there has been some increase in staff turnover and vacancies in some staff groups, the overall recruitment and retention picture in Scotland remains reasonable. The Agenda for Change workforce is growing in every occupational group and there is little current evidence of a big spike in turnover. However, there have been noticeable increases over the last five years in both the overall and the three-month vacancy rate for nursing and midwifery staff, though the vacancy rates are still relatively low. Additionally, there are some signs of increasing difficulties, especially in recruiting nursing and midwifery staff and retaining ambulance staff. As we noted in Chapter 3, the usage of and expenditure on agency staff, while increasing rapidly, is still low and a far less pressing issue than it is in England. Pressures appear to be greatest in the North of Scotland and Glasgow, with Grampian, Greater Glasgow and Clyde, Orkney, Shetland and the Highlands having most difficulty in filling posts with permanent staff.
- 4.15 Whilst we acknowledge that vacancy data are available for Scotland, limited data continues to constrain our ability to accurately assess where the key workforce issues are, and where pay solutions may or may not help. Appendix D summarises the data requirement.

Observation – While progress has been made, more work needs to be done to provide a robust set of workforce data covering fill rates, vacancies and attrition rates by staff group and geographical area, not only to allow us to develop a sophisticated picture about what is happening to inform our recommendations but also to enable effective national planning.

4.16 We note the action being taken by the Scottish Government to control agency spending and will return to the issue again next year to evaluate the impact of these measures. In implementing controls, steps that the Scottish Government might take include: developing a better understanding of the factors motivating people to work for agencies; using this to develop plans for incentivising agency staff to join the NHS as permanent staff; and encouraging NHS staff to work additional hours via staff banks and overtime rather than via employment agencies. They might also take a more strategic approach to managing the mix between the different ways of hiring staff – permanent, overtime, bank and agency – based on an understanding of their costs and benefits in different situations.

Recruitment and Retention Premia (RRPs)

4.17 In this section we consider the trend for Recruitment and Retention Premia (RRP) in Scotland and examine how well these pay flexibilities are working.

Evidence from the Scottish Government on Recruitment and Retention Premia

4.18 The Scottish Government said that there were a small number of RRPs in place in NHS Scotland to help attract staff to specific locations. They said that there were well-established long term RRPs in place for staff working in the State Hospital and for staff working in Scotland's 3 Medium Secure Units within Tayside, Lothian and Greater Glasgow and Clyde.

4.19 They also said that, since the removal of National Recruitment and Retention Premia in April 2013, a number of Health Boards in the North of Scotland had applied for and been granted local RRPs to allow them to compete with the oil and renewables industry for trades such as electricians and plumbers. They also told us that NHS Shetland, NHS Orkney, NHS Western Isles, NHS Highland, NHS Grampian, NHS Lothian, and the Scottish Ambulance Service in Aberdeen, all had RRPs in place for qualified maintenance personnel.

Our comment on Recruitment and Retention Premia

4.20 Health Boards currently have the flexibility to target pay in response to local recruitment and retention concerns through Recruitment and Retention Premia. However, only a small number of RRPs are in place in Scotland.

4.21 As we highlighted above, there is evidence that recruitment and retention pressures vary between different occupational groups and different areas. For example, pressures on nursing are substantially higher in the North of Scotland. Increased use of local pay flexibilities *could* help in mitigating these.

4.22 We continue to think that RRPs are a good way of dealing with local shortages and urge the Scottish Government to encourage Health Boards to use these flexibilities where appropriate as well as to review regularly the case for existing RRPs to make sure that they are still required to tackle recruitment and retention issues.

Observation - As last year, we note that the process for approving RRPs is centralised in Scotland and that greater flexibility to use RRPs could help Health Boards tackle local recruitment issues.

Chapter 5 – Motivation, Morale and Staff Engagement

Introduction

- 5.1 Our terms of reference require us to have regard to the motivation of our remit group. Staff motivation is not explicitly defined in our terms of reference. We see this as encapsulating the motivation of staff to care for patients, their satisfaction with their working experience and their degree of engagement in what needs to be done to improve the service they offer.
- 5.2 This chapter considers a range of indicators of staff motivation, morale and staff engagement, including rates of sickness absence, appraisal rates and the results of the most recent centralised staff survey.
- 5.3 It should be considered alongside Chapter 5 of our 30th Report which contains data and analysis of these issues for all four countries of the UK.

The NHS Scotland staff survey

- 5.4 There was no NHS Scotland Staff Survey in 2016 and the Scottish Government has now decided to discontinue the annual staff survey and replace it with the iMatter Continuous Improvement Model. The first data from this will be publicly available in early 2018. This means that there will potentially be no new data available to inform the work of the Review Body until the 2018/19 pay round – a two year gap in the evidence.
- 5.5 We rely therefore on the 2015 NHS Scotland Staff Survey, the results of which were published in December 2015 and were used in our 29th Report. Almost 60,700 staff completed the survey. This was a 38 per cent response rate, a 3 percentage point increase on the participation rate in 2014. Negative perceptions appeared to centre on the issues of change management and staff shortages. Positive themes were around line management, team working and commitment to the job.
- 5.6 Whilst the English and Scottish Staff Surveys are not directly comparable, there are some similar questions which can be compared. Table 5.1 shows that, with the exception of staff appraisals, there is no clear divergence in survey movements between England and Scotland. However, in Scotland, Ambulance staff are less satisfied than Administration or Nursing staff on each question, whereas in England the picture is more varied.

Table 5.1: Comparison between England and Scotland Survey Results, 2014 – 2015

2015 staff survey wording		Admin & Clerical		Nursing & Midwifery		Ambulance	
		2014	2015	2014	2015	2014	2015
Scot	In the last 12 months, have you had a Knowledge and Skills Framework (KSF) development review, performance review, appraisal, Personal Development Plan meeting or equivalent?	72	70	74	72	60	51
Eng	Percentage of staff appraised in last 12 months	82	81	85	87	77	81
Scot	I get the help and support I need from colleagues	77	78	80	81	67	68
Eng	The support I get from my work colleagues	77	79	83	86	77	73
Scot	I can meet all the conflicting demands on my time at work	60	61	38	39	38	27
Eng	I am able to meet all the conflicting demand on my time at work ¹	-	53	-	40	-	50
Scot	There are enough staff for me to do my job properly	46	47	25	26	19	12
Eng	There are enough staff at my place of work for me to do my job properly	37	38	27	29	43	37
Scot	I am able to do my job to a standard I am personally pleased with	75	74	60	61	66	51
Eng	Staff feeling satisfied with the quality of work and patient care they are able to deliver	80	80	75	77	86	82
Scot	I would recommend my workplace as a good place to work	62	61	60	59	39	29
Eng	I would recommend my organisation as a place to work	55	57	59	62	65	62

Source: National NHS Staff Surveys (England and Scotland)

¹ This question changed in 2015 from "I cannot meet all the conflicting demands on my time at work" so direct comparisons to previous years are not possible.

Sickness absence

5.7 Paragraph 5.16 and Table 5.6 in our 30th Report cover sickness absence rates among Agenda for Change staff in Scotland. The data show that the sickness absence rate for Scotland has been steadily increasing over the last few years, from 4.6 per cent in 2011/12 to 5.2 per cent in 2015/16.

Appraisal and Knowledge and Skills Framework (KSF)

- 5.8 Paragraphs 5.22-5.23 in our 30th Report cover appraisal and development review rates. The data show that nearly three out of four staff who responded to the NHS Scotland Staff Survey (74 per cent) had undertaken a KSF development review, performance review, appraisal, Personal Development Plan meeting or equivalent. This was a decrease of one percentage point on 2014. Two thirds of respondents (66 per cent) felt that it had helped them agree clear objectives for their work. A lower proportion (43 per cent) felt that it had helped them improve how they did their job.
- 5.9 Across Health Boards in Scotland, the percentage of respondents who had taken part in a review in the last 12 months ranged from 50 to 97 per cent. Ambulance staff who responded to the survey were the least likely to have taken part in a review (51 per cent).

Evidence from the Scottish Government on motivation, morale and staff engagement

- 5.10 The Scottish Government said that low participation rates in the annual NHS Scotland Staff Survey had been the subject of discussions over recent years which had highlighted the limitations of the Staff Survey in measuring, monitoring and addressing staff experience. They told us that this led the Scottish Government not to carry out the annual Staff Survey for 2016 to help facilitate roll-out of the iMatter Continuous Improvement model, provide space for consideration of different options for refreshing the approach towards measuring national staff experience and to allow proposals for a new measure to be developed.
- 5.11 They said that, following this work, it had been agreed that the NHS Scotland Staff Survey be discontinued, with national staff experience being measured in future using the iMatter Continuous Improvement Model supplemented by a short complementary questionnaire. They told us that the iMatter core questionnaire covered the majority of areas previously addressed by the NHS Scotland Staff Survey and that the additional survey would cover a set of questions deemed inappropriate for discussion at team level. They said that the new staff experience measure would build on the early success of iMatter in transforming the way in which they engaged with their staff and would provide a holistic overview of staff experience nationally which would encompass the areas previously covered by the National Staff Survey. They said that they anticipated that National and Board level reports would be publicly available at the end of February 2018.
- 5.12 In oral evidence, the Scottish Government said that the introduction of the iMatter Continuous Improvement Model was expected to have a positive impact on the number of staff filling in the survey, improving the quality of survey results in the long-run, meaning the gap without national-level information on staff motivation (aside from that obtained via engagement with Staff Side via partnership arrangements) would be worth the sacrifice.
- 5.13 The Scottish Government told us that there was currently no regular survey equivalent to the quarterly “Friends and Family Test” in England. However, they said that the iMatter questionnaire would be asking staff whether they would recommend their organisation as a good place to work and whether they would be happy for a friend or relative to access services within their organisation.

Our comment on motivation, morale and staff engagement

- 5.14 We urge the Scottish Government to consider the points we made in Paragraphs 5.68-5.71 of our 30th Report about the quality of the evidence-base on this aspect of our remit and the need for all parties, including the Scottish Government, to conduct more sophisticated analysis around staff motivation in the future that acknowledges the complexities around the differences between staff motivation (intrinsic motivation), staff satisfaction (morale) and staff engagement (how committed staff are to their organisation).
- 5.15 The Scottish Government has been unable to present any new evidence on the morale and motivation of Agenda for Change staff. This is due to the delay between the discontinuation of the NHS Staff Survey in 2015 and the first national results from its replacement being available at the end of February 2018. We hope that the new way of measuring staff experience results in substantially higher response rates from staff and improves the ability of Health Boards to understand staff motivation and take effective action to tackle any issues. However, we are concerned that, on current plans, there will be no publicly-available national-level data on staff motivation until the end of February 2018. This will be too late to inform our deliberations on NHS pay in Scotland next year and will mean two successive pay rounds with little evidence about recent trends in staff motivation in Scotland, which is a crucial part of our terms of reference.

Observation – Consideration of the need to recruit, retain and motivate suitably able and qualified staff is part of our Terms of Reference. Not having evidence about recent trends in staff motivation hampers our ability to make effective recommendations. We ask the Scottish Government to ensure that the Review Body has evidence on recent trends in staff motivation in NHS Scotland to consider as part of next year’s pay round.

- 5.16 Our analysis suggests that there was little change in staff motivation, morale and engagement in Scotland in 2015 and, with the exception of ambulance staff, results appeared similar to the rest of the UK. Motivation seems overall to be holding up though there appear to be concerns about workload, staff involvement in changes that affect their work and the ambulance service. There is no evidence from the NHS Scotland Staff Survey that Scotland has seen a dividend in terms of staff motivation, morale and engagement from the pay differential that exists in Scotland compared to the rest of the UK, although we note that pay rates have only recently begun to diverge.
- 5.17 In summary, as in other parts of the UK, the available data and research on staff engagement is severely lacking, including on the effect of pay. Staff engagement is very important, not only for us but crucially for patient care and perhaps productivity, but there is not much hard evidence for employers and the Review Body to go on in understanding current or anticipating future trends in staff engagement. We await with interest the results of the “iMatter” approach.

Sickness absence

- 5.18 We note that the sickness absence rate among Agenda for Change staff in Scotland has been slowly increasing since 2011/12, with 13 per cent more time lost to sickness absence than if the sickness absence rate had remained constant.
- 5.19 However, there is no firm evidence about what is driving this trend. It would be useful to have more detailed information in future years on the sickness absence rate, including on differences by staff group, Health Board, number of episodes of sickness absence and the average length of episodes of sickness absence.

5.20 We understand that NHS Scotland has not adopted the changes to how unsocial hours enhancements are incorporated into sick pay for staff at band 4 and above that were adopted in England from April 2013 and in Wales from January 2015. We understand from our visits that some employers in Scotland felt that this should be extended to Scotland and we also heard from some members of staff that they see the incorporation of unsocial hours enhancements into sick pay as being unfair, as well as making control of sick leave levels more difficult.

Appraisal and Knowledge and Skills Framework

5.21 We continue to support meaningful appraisal as well as training and development. We are therefore encouraged to see that three quarters of Agenda for Change staff in Scotland received a performance or development review in 2015. However, it appears that the quality of these reviews is patchy, with only 43 per cent of respondents to the NHS Scotland Staff Survey reporting that their review helped improve how they did their job. There is also substantial variation, with (for example) only half of ambulance staff in Scotland reporting that they had a review.

Ambulance staff

5.22 While the ambulance workforce continued to grow in 2015/16, there are emerging issues relating to the retention and motivation of ambulance staff in Scotland. The leaving rate from the ambulance service has almost trebled over the last five years from 3.5 per cent in 2010/11 to 10.0 per cent in 2015/16, as is illustrated by Table 4.2 in our 30th Report. The most recent NHS Scotland Staff Survey suggests that ambulance staff feel under a greater degree of workload pressure than their colleagues and that these pressures are increasing over time. We also note that only half of ambulance staff reported that they had an annual review in 2015. Without action, these issues could risk leading to increasing staff shortages and, ultimately, deterioration in patient care.

Observation - The Scottish Government should take action to understand and tackle the drivers of dissatisfaction and increasing leaving rates among ambulance staff in Scotland to get ahead of any recruitment and retention issues that could emerge in the future.

Chapter 6 – Workforce Planning, Future Supply and the People Strategy

Introduction

6.1 This chapter explores the Scottish evidence on workforce supply, including workforce planning. It also presents the views we heard in relation to the people strategy of the NHS in Scotland. It deals with the longer-term activity that links to, and builds from, the current picture on recruitment, retention and vacancies examined in Chapter 4. It should be read alongside Chapter 6 of our 30th Report.

Workforce planning and future supply

Future demand and supply

6.2 Chapter 4 summarised the available data on current staff shortages within the NHS based on vacancy data published by the Scottish Government. This section looks at the available evidence for Scotland about the future supply of and demand for healthcare staff.

6.3 As in the rest of the UK, demand for healthcare services is increasing in Scotland. This is increasing the demand for healthcare staff. For example, Audit Scotland reported⁶ that:

- The number of emergency admissions increased by 6 per cent between 2010/11 and 2013/14.
- The population aged 75 and over has increased by 11.9 per cent since 2008/09.
- Spending on drugs increased by over 10 per cent between 2012/13 and 2014/15 and is expected by the Scottish Government to continue increase at 5-10 per cent per year.
- The number of patient contacts at GP practices increased by 11 per cent between 2003/04 and 2013/14.⁷

6.4 At present, there are no easily available data at the national level on forecast changes in workforce demand and supply in Scotland over the next few years analogous to the forecasts developed for the NHS in England by Health Education England that we presented in paragraphs 6.3-6.7 of our 30th Report.

Graduate supply

6.5 UCAS data show that the number of applicants to nursing courses starting in 2017/18 in Scotland by the January 2017 deadline fell by 4.1 per cent on the previous year, with 6,800 applicants to nursing courses in Scotland.⁸ Despite this fall, nursing courses look likely to remain over-subscribed in Scotland this year, with 3,360 nursing and midwifery places being funded by the Scottish Government in 2017/18.⁹

⁶ Audit Scotland, *NHS in Scotland*, 2016

⁷ Audit Scotland, *Changing Models of Health and Social Care*, 2016

⁸ UCAS, *2017 Cycle Applicant Figures – January Deadline*, February 2017. Data refer to applications for all courses within JACS principal subject group B7, which includes nursing, midwifery and health visiting courses

⁹ Scottish Government, *Extra £3m to support student nurses with dependents*, 25 January 2017

Evidence from the Scottish Government on workforce planning and future supply

- 6.6 The Scottish Government told us that workforce planning was a statutory requirement established in 2005 by the National Workforce Planning Framework. They said that the workforce planning community uses a high-level approach known as the “Six Steps Methodology to Integrated Workforce Planning”. They said that it was crucial that Boards used the evidence available to them to develop their workforce plans and workforce projections.
- 6.7 They said that a focus of the fourth Implementation Plan of *Everyone Matters: 2020 Workforce Vision*, published in November 2016, was on strengthening workforce planning and development and supporting the health, wellbeing and resilience of staff.
- 6.8 They told us that they were introducing National and Regional Workforce Planning to ensure that the NHS had the right skill mix. They said that they were developing a broad National Health and Social Care Workforce Plan with the aim of strengthening and harmonizing workforce planning practice, taking full account of the future demand for safe and high quality services, accurately identifying gaps in supply, and delivering the vision set out in the National Clinical Strategy. They told us that these were complex issues that would require an incremental approach and that the production of a national plan would be the first step in the process. They said that they were taking the time to agree the approach with stakeholders before sharing detailed plans more widely.
- 6.9 The Scottish Government updated us on progress in developing Nursing and Midwifery Workload and Workforce Planning Tools for each workforce area, which had been mandated for use by Health Boards when undertaking their workforce projections since April 2013. They told us that these tools used an evidence-based approach to measure nursing workload and that they had been useful in informing staffing numbers as part of a triangulated approach, incorporating professional judgment with quality measures. They said that they would enshrine safe staffing in law by putting these tools on a statutory footing. They told us that there was also work underway to support workload measurement and workload planning for the Allied Health Professions.
- 6.10 They told us that future demand for NHS staff groups was estimated by Health Boards in their workforce plans and workforce demand projections, taking into account factors such as changing models of care and patient demography. They noted that, given advances in medicine, new technology and drug treatments, and new ways of delivering services, it was challenging to develop medium-to-long-term numerical projections.
- 6.11 The Scottish Government told us that workforce projections were part of the normal planning process undertaken by all Health Boards with the aim of ensuring that changes to the NHS workforce and workload are driven by and reflect service redesign in order to maintain and enhance the quality of care while increasing efficiency. They said that projections were developed in liaison with local staff side representatives in each Health Board. They also said that the Scottish Government worked directly with Health Boards to obtain better intelligence about the underlying reasons for vacancies and why and where they occur. They said that they would consider this further in the context of the National Health and Social Care Workforce Plan.

- 6.12 They said that all Health Boards were asked to provide workforce projections for 2016/17 to enable the Scottish Government and Health Boards to assess the current workforce and skills mix and ensure that it was appropriate to meet current and future needs. They said that this underpinned NHS Scotland's projections of staff changes, published in August 2016, for a 0.6 per cent increase in staff numbers in 2016/17, including a projected 0.7 per cent increase in Nursing and Midwifery staff numbers and a projected 1.0 per cent decrease in staff in the Ambulance service.
- 6.13 The Scottish Government told us that, as at 31 October 2015, there were 9,936 nursing and midwifery students in training across NHS Scotland. They said that this was an increase of 4 per cent on a year earlier. They noted that this was still below the number of students in training in 2010, reflecting a 10 per cent reduction in recommended intakes in 2011/12 and 2012/13 in response to a projected reduction in demand for nursing and midwifery staff which was made by NHS Health Boards at that time. They said that, following updates to demand projections, they had increased intakes in the last two years and planned a further 5.6 per cent increase for 2016/17.

Our comment on workforce planning and future supply

- 6.14 We note the comments made by Audit Scotland that the ageing of the NHS workforce presents major challenges in Scotland. Half of community nurses, 37 per cent of nursing and midwifery staff, 55 per cent of support services staff and 44 per cent of administrative services staff are aged 50 and over.¹⁰ This could translate into an increase in the leaving rate over the next few years as older staff begin to retire, and an associated need to take action both to train and recruit more staff and to ensure that the employment offer (including flexibility, stress and workload) continues to be attractive to senior staff who are beginning to think about retirement. Workforce planning processes need to ensure that NHS Scotland and Health Boards take action to address these issues now to avoid future shortages. Audit Scotland also found that workforce planning is lacking for new models of care to deliver more community-based services.
- 6.15 We reiterate the comments we made in Chapter 6 of our 30th Report regarding the uncertainties about the future supply of and demand for healthcare staff: the risks we highlighted apply to Scotland as well as the rest of the UK as do the comments we made about the need for workforce planning processes to evolve to deal with these risks. The lack of clarity around workforce planning assumptions needs to be addressed across the UK.
- 6.16 We were pleased to hear from the Scottish Government about the improvements that are being made to workforce planning arrangements in Scotland through the introduction of National Workforce Planning and the development of a National Health and Social Care Workforce Plan. These changes could help give far greater visibility to policymakers about how workforce demand and supply could evolve over the next few years. The Scottish Government needs to ensure that: these plans look over a time horizon of several years; that they are driven by future workforce requirements in a reformed NHS; and that assumptions made in plans about recruitment, retention and demand are sensitivity tested, including the potential impact of factors such as the decision to leave the EU, pay restraint, efficiency targets and service reform.

¹⁰ Audit Scotland, *NHS in Scotland*, 2016

- 6.17 On graduate supply, the decision by the Scottish Government to retain bursaries for nurses, midwives and allied health students means that the supply of newly qualified clinical staff will continue to be determined by decisions made by government about how many training places it can afford to fund given fiscal constraints. It is therefore crucial that workforce and financial planning processes ensure that sufficient nursing places are both forecast and then commissioned to meet future demand.
- 6.18 We also note that there is a number of continuing data issues that make effective workforce planning difficult, which we cover in Chapter 4.

Paramedics

Our comment on paramedics

- 6.19 We draw the Scottish Government's attention to the evidence we received on resolving the Agenda for Change banding position of paramedics in England and our comments and observations on this in Paragraphs 6.51-6.68 of our 30th Report.
- 6.20 While the Band 6 paramedic role is available across the UK, arrangements have only been made for its implementation in England. The Scottish Government will need to decide if, and how, they will want to utilise the new Band 6 paramedic role to support reforms to urgent care services. In order for any changes to be affordable, there will need to be a "something for something" deal, with any changes to paramedic banding linked to improvements in productivity.

Apprenticeships

Our comment on apprenticeships

- 6.21 The introduction of the Apprenticeship Levy by the UK Government – with all employers with a pay bill in excess of £3 million having to pay a levy of 0.5 per cent of their pay bill to fund new apprenticeships – will begin to affect the NHS in Scotland from April 2017, with arrangements for how funding will be spent being determined by the Scottish Government given apprenticeships are a devolved policy.
- 6.22 We received no comment from the Scottish Government about how the introduction of the Levy will impact upon the NHS in Scotland. It seems likely that it will be substantial: the Scottish Government's response to the UK Government's consultation on the Levy stated that it will cost the public sector in Scotland £30 million per year.¹¹
- 6.23 The Scottish Government is taking a different approach to the UK Government in the arrangements for spending levy funding. Funding will enter a central pot held at the national level to fund delivery of the Scottish Government's Apprenticeship programme rather than being hypothecated into each employer's own account. We hope that the Levy contributions made by Health Boards will result in commensurate benefits to the NHS in Scotland.
- 6.24 We look forward to receiving further evidence on the impact of the Apprenticeship Levy on the NHS in Scotland next year.

¹¹ Scottish Government, *Scottish Government Response to the UK Government Apprenticeship Levy*, December 2016

International recruitment

Our comment on international recruitment

6.25 We note the importance to NHS Scotland of recruitment of staff from overseas in filling domestic supply shortages, and the potential impact of changes in the UK Government's immigration policy and the attractiveness of the UK as a destination for foreign healthcare staff on staffing in the NHS. It is unclear, however, how critical overseas recruitment is to maintaining the NHS workforce in Scotland, particularly within Agenda for Change. NHS Scotland will need to make a full assessment of this to inform action in response to risks to the NHS workforce associated with the outcome of the EU Referendum.

The impact of pay on supply

Our comment on the impact of pay on supply

6.26 In terms of the role of pay on supply in the NHS, as is widely acknowledged, pay clearly influences recruitment into the NHS and retention of qualified and non-qualified NHS staff, especially in the medium-to-long-term. We believe that continued deterioration in real and relative pay in the NHS will lead pay to become more important over the next few years across the UK. Overall, we think greater consideration needs to be given to impact of pay in workforce planning processes and in thinking about the long-run supply and demand position of the NHS and the attractiveness of the NHS as an employer.

People strategy

6.27 Following the observation we made in our last report, we took a particular interest during this pay round in the parties' evidence and views on workforce strategy. Our preferred terminology is people strategy, as this makes clear the distinction from workforce planning and recognises the fact that, fundamentally, good patient care relies on good and engaged people. This section summarises the evidence we have received on this topic from the Scottish Government. It should be read alongside the coverage of this issue in Paragraphs 6.129-6.151 of our 30th Report, including the evidence we received on this issue from Joint Staff Side.

Evidence from the parties on the people strategy

6.28 The Scottish Government told us that the workforce is vital in responding to the many challenges faced by NHS Scotland. They told us that staff who are valued, treated well and supported to give their best deliver better patient care and overall outcomes.

6.29 They highlighted *Everyone Matters: 2020 Workforce Vision*,¹² published in June 2013, which they told us set out their commitment to valuing the workforce and treating people well, and set out the workforce-related goals for 2020. They also identified four shared values for NHS Scotland: care and compassion; dignity and respect; openness, honesty and responsibility; and quality and teamwork.

¹² Scottish Government, *Everyone Matters: 2020 Workforce Vision*, June 2013

- 6.30 The Scottish Government said that five priorities for action were being progressed through annual Implementation Plans for *Everyone Matters*: Healthy Organisational Culture; Sustainable Workforce; Capable Workforce; Workforce to Deliver Integrated Services; and Effective Leadership and Management. They told us that the 2014/15 Implementation Plan focused on embedding the NHS Scotland values; the 2015/16 plan on leadership and quality improvement; the 2016/17 plan on health inequalities and integration; and the 2017/18 plan on strengthening workforce planning and development, and supporting the health, wellbeing and resilience of all staff.
- 6.31 They highlighted a Review of Progress, published in September 2015, which set out the work being done by Health Boards to deliver the Scottish Government's priorities in this area and embed the shared values in everything done by the NHS in Scotland. They also told us that the OECD had described the work being undertaken to deliver *Everyone Matters* as 'clear and impressive'.

Our comment on the people strategy

- 6.32 There are a number of approaches being taken across the UK to address the gaps in the strategic workforce framework that we identified in our 29th Report.
- 6.33 The Scottish Government already has a clear vision, workforce strategy and priorities for action in place through *Everyone Matters*, which is evolving over time as it is delivered through annual Implementation Plans. However, there are a number of areas where the approach could be improved, including some of the areas identified by Joint Staff Side in their evidence to this year's pay round. There might also be greater consideration of how Health Boards can be supported and encouraged to make greater use of the flexibilities open to them in tackling workforce issues (see, for example, our comments on Recruitment and Retention Premia in Chapter 4).
- 6.34 We note that the workforce aspects of health and social care integration are currently being progressed locally. We consider that workforce issues associated with the integration, including equal pay safeguards, must be thought through and that the Scottish Government should ensure this is taking place.

Chapter 7 – Pay proposals, recommendations and observations

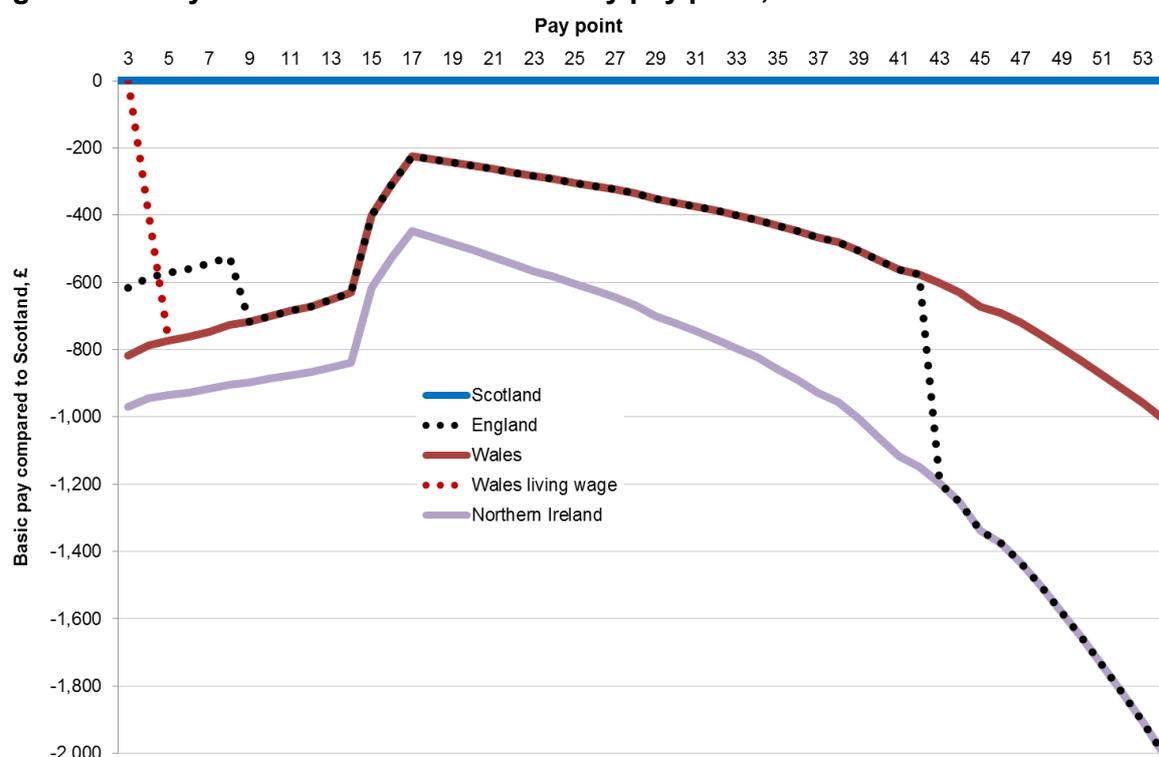
Introduction

7.1 This chapter brings together the main strands of the evidence relating to the Scotland remit for this pay round and our standing terms of reference, including our consideration of the pay proposal presented. We then proceed to set out our pay recommendations and observations. This chapter should be read alongside Chapter 7 in our 30th Report.

Differences in pay across the four nations of the UK

7.2 Figure 7.1 illustrates the differences in pay across the Agenda for Change pay structure between the four nations of the UK. It shows that pay in Scotland is higher than elsewhere in the UK, with cash differences being biggest for staff at the top of the pay structure.

Figure 7.1: Pay differentials with Scotland by pay point, 2016/17



Source: OME analysis of Agenda for Change pay scales in England, Wales, Scotland and Northern Ireland.

The Pay Award

7.3 In this section we consider the evidence from the Scottish Government in regard to their pay proposal for 2017/18. It should be read alongside Paragraphs 7.3-7.46 in our 30th Report which set out the evidence received from other parties, including from Staff Side, on the 2017 pay award.

Evidence from the Scottish Government on the pay award

- 7.4 The Scottish Government said that their approach to public sector pay was governed by the public sector pay policy set out alongside the Draft Budget Statement on 15 December 2016. They identified three key principles of their pay policy: to provide a distinctive pay policy which is fair, affordable, sustainable and, through the targeting of resources, delivers value for money; to deliver top-class public services, protect jobs and preserve pay progression in return for continuing restraint on overall paybill costs; and to continue to protect the lowest earners, including maintaining their commitment to the Scottish Living Wage for the duration of this Parliament.
- 7.5 They also identified six key features of their 2017/18 public sector pay policy:
- An overall 1 per cent cap on the cost of the increase in basic pay for those earning more than £22,000.
 - Continuing with specific measures for supporting the lower paid, including the continuing commitment to pay the Scottish Living Wage and a guarantee of £400, in addition to any entitlement to pay progression, for all staff earning £22,000 or under.
 - Flexibility to use paybill savings of up to 0.5 per cent to consider meaningful restructuring of pay and grading systems to address evidenced equality issues in support of this reform and ensure long-term sustainability.
 - Maintaining the suspension of non-consolidated performance-related pay (bonuses).
 - Retaining discretion for individual employers to reach their own decisions about pay progression (limited to a maximum of 1.5 per cent for senior appointments) outwith the 1 per cent cap of the basic pay award.
 - Continuing the expectation to negotiate extensions to No Compulsory Redundancy agreements as part of collaborative discussions between employers and their trade unions to make the most effective use of the funding available and to provide staff with an important element of reassurance to allow them to concentrate on the delivery of services.
- 7.6 They told us that the financial picture in NHS Scotland remained extremely challenging and that any pay rise had to be modest to assist Health Boards in maintaining headcount, which they said was important both for service delivery and for the wider economic benefits. They said that the level of increases proposed in the Scottish Pay Policy was reasonable and realistic given the more favourable remuneration Scottish health workers enjoy compared to their colleagues elsewhere in the United Kingdom and the additional measures suggested for the lowest paid.
- 7.7 They asked the NHS Pay Review Body to consider recommendations within the parameters set out in their remit, including:
- Provision for an increase in basic pay for all staff, subject to an overall cost cap of 1 per cent, with no assumption that this will equate to a 1 per cent uplift for individual members of staff. They noted that the 1 per cent cost cap excludes the cost of pay progression and measures put in place for staff earning £22,000 or under.
 - An increase of £400 for staff earning £22,000 or under, underpinned by the continuing commitment that all staff must be paid at least the Scottish Living Wage.

- 7.8 In oral evidence, the Scottish Government said that the pay policy was part of a wider Scottish Government policy to tackle low pay in the economy as a whole and also to retain staff and give them career opportunities and a clear pathway to advancement in the public sector. They highlighted the action being taken to eliminate Band 1 posts in the NHS and upskill staff as well as the commitments made to make no compulsory redundancies as important parts of that wider policy. They also told us that the decision to set the low pay threshold in the pay policy at £22,000 had been made on the basis of work carried out by the Joseph Rowntree Foundation.
- 7.9 The Scottish Government also told us at oral evidence that around a third of NHS staff in Scotland were paid £22,000 or under. They acknowledged that the pay policy was causing pay compression and accepted that there were potential issues arising from the low pay threshold cutting across a promotion point. They said that these issues were being kept under review.
- 7.10 When questioned about the affordability of public sector pay policy at oral evidence, the Scottish Government said that the proposed pay award was recognition of the cost of living challenges faced by staff and was an important signal.

Pay Targeting for Recruitment, Retention and Motivation

- 7.11 The Scottish Government's evidence was explicit that there was no assumption that individual members of staff earning above £22,000 would see an uplift of 1 per cent, though did state that provision was being made for an increase in the basic pay of all staff. However, the evidence was silent on the case for pay targeting above the £22,000 pay threshold.
- 7.12 As noted above, the Scottish Government proposed that the pay award was targeted towards staff earning £22,000 or under for social policy reasons.

National Living Wage and the Scottish Living Wage

- 7.13 Paragraphs 7.47-7.63 of our 30th Report provide details about the statutory National Living Wage, the Scottish Living Wage and the Living Wage Foundation Living Wage, including their current rates, how they are calculated and the evidence received on the issue from the parties, excluding the Scottish Government. The rest of this section considers the evidence received from the Scottish Government.

Evidence from the Scottish Government on the Living Wage

- 7.14 The Scottish Government said that they were committed to paying the Scottish Living Wage for the duration of the current Scottish Parliament. They noted that the £400 uplift for staff earning £22,000 or under proposed in the Scottish Government public sector pay policy would also ensure that no member of the staff would earn below the Scottish Living Wage.
- 7.15 In oral evidence, they noted that the virtual elimination of Band 1 would provide a buffer against pay compression at the bottom of the pay scale that would otherwise arise from expected future increases in the Scottish Living Wage. They said that most staff at Band 1 had already moved to Band 2 posts by taking on extra responsibilities and that there were few Band 1 posts left in NHS Scotland. However, they noted that some staff had chosen to remain at Band 1 and the Scottish Government suggested that some had done this due to the interaction between earnings and in-work benefits. They told us that a planned review of the upbanding process would look at the extent to which it led to productivity gains in the Scottish NHS.

Our comment and recommendations

Pay recommendations and observations for 2017/18

- 7.16 As required by our terms of reference, in developing our recommendations we have had regard to the affordability pressures facing NHS Scotland. There are some question marks over whether the Scottish Government's public sector pay policy – which we estimate requires a 1.3 per cent increase in the pay bill – is truly affordable given the financial situation. It also seems clear that, unless there was additional funding or action to restrain healthcare demand, a higher pay award than this would require trade-offs in terms of service levels, investment decisions and staff numbers with associated implications for workload, pressures on staff and service quality. Audit Scotland's findings and the relatively high level of efficiency savings being expected from Health Boards in Scotland compared to elsewhere in the UK give grounds for concern in relation to whether such savings can be realised.
- 7.17 There is little evidence of Scotland-wide recruitment issues or staff shortages and the Agenda for Change workforce is growing in every occupational group. However, there are indications that it is becoming more difficult to recruit some permanent nursing and midwifery staff, especially in the North of Scotland.
- 7.18 While the NHS Scotland Staff Survey suggests that the motivation of NHS staff overall remained high in autumn 2015 (there were no results for 2016), NHS staff in Scotland are clearly under pressure with high and increasing workloads. This could, if left unchecked, translate into worsening morale and ultimately difficulties in engaging staff in service reform and even reduced retention. However, a question remains about the extent to which increases in pay could help address the situation in the very short-term, especially if the premise is accepted that fixed budgets mean there is a trade-off between more pay and more people.
- 7.19 This evidence – serious affordability pressures, no nationwide recruitment and retention issues related to pay, and evidence suggesting that reducing workload pressures could have a positive impact on staff morale – made us give serious consideration to the case for a nil pay award. However, as we have said in previous years, public sector pay policy sets staff expectations. It is not clear that the negative impact on staff morale of a pay award below 1 per cent will be worth the relatively small financial benefit, even if this flowed through into increases in staffing levels. There are also issues with the visibility and uniformity of changes in staffing levels made in lieu of a pay award – individual members of staff cannot be sure that they will see any reduction in their workload as a result of changes in staffing levels and so may not find such an approach credible. A pay award has the virtues of being immediate, visible and attributable.
- 7.20 We also recognise the importance of take home pay to NHS staff. Many NHS staff in Scotland saw a cut in their take home pay in cash terms in 2016/17 due to increased National Insurance contributions resulting from the end of contracting out and we heard on visits that it was demotivating for staff to be told that they had a one per cent award when in practice this was wiped out. With inflation now forecast to rise during 2017 and private sector wage settlements in excess of 1 per cent – though lower in Scotland than in the rest of the UK – we are also very aware that a 1 per cent award implies a further cut in the real and relative value of NHS pay.

Pay Targeting

- 7.21 For us, pay targeting means giving different pay increases to different staff groups based on a systematic pattern designed to address specific recruitment and retention issues. This does not include targeting to achieve wider social objectives.
- 7.22 Our remit from the Scottish Government provides scope for targeting to support recruitment and retention and is explicit that there is no assumption that individual members of staff earning more than £22,000¹³ will receive a 1 per cent award. However, the Scottish Government did not make any proposals in this area. There has also been no direct evidence provided to support consideration of pay targeting by location or occupation and no party is proposing such targeting. In addition it is unclear whether the funding system would be able to respond to recommendations for targeting to accommodate the financial impact on individual providers.
- 7.23 The Scottish Government's public sector pay policy is to target higher pay awards to staff paid £22,000 or under. This covers all staff at pay point 14 or below, which is the middle of band 4. They proposed a £400 flat rate award, which is equivalent to 2.5 per cent for staff at pay point 3 and 1.8 per cent for staff at pay point 14. We estimate that the additional cost of such awards would be 0.3 per cent of the total Agenda for Change pay bill.
- 7.24 We have received no evidence of recruitment or retention reasons for targeting the pay award at staff at pay point 14 and below. We are therefore concerned about the cost pressure that this creates for Health Boards given the pressures facing the NHS in Scotland.
- 7.25 The Scottish Government's public sector pay policy implies continued compression towards the bottom of the pay distribution. In particular, the differential between pay point 14 and pay point 15 – currently £409 or 1.9 per cent – would be closed to £230 or 1.0 per cent. Such pay compression risks adverse effects on the motivation of staff just above the threshold who see a reduction in the value placed on their additional skills, experience and responsibility compared to more junior staff. It may also reduce the incentives for staff to progress.
- 7.26 We seriously considered the case for an equal flat-cash award for all staff to help mitigate pay compression issues associated with implementation of the Scottish Government's public sector pay policy. However, ultimately we decided against this as we did not receive any evidence or proposals from the parties on this issue and more time is needed to give sufficient thought to the merits of changes to pay relativities at the bottom of the pay structure. We believe that a wider review of Agenda for Change pay differentials in Scotland is required to consider fully the long-term implications of the pay compression caused by recent public sector pay policy. We will return to consider this issue again next year and ask the Scottish Government to consider potential issues arising from pay compression in developing their pay policy.

¹³ References to "earnings" within the Scottish Government's Public Sector Pay Policy refer to full-time equivalent base salaries. They exclude non-basic earnings such as unsocial hours payments. See Scottish Government, *Public Sector Pay Policy for Staff Pay Remits 2017/18: Technical Guide*, January 2017. This report follows this convention in using "earnings" as shorthand for "full-time equivalent basic salaries" when talking about Scottish Government public sector pay policy

7.27 Pay in Scotland is higher than elsewhere in the UK, with percentage differences being greatest at the bottom of the pay scale, and cash differences greatest at Band 8 and above. We have seen no evidence that this has, as yet, led to differences in motivation and morale between the constituent countries of the United Kingdom, though note that the Scottish Government suggested in oral evidence that higher pay has helped give Scotland a more stable, secure workforce. The Scottish Government said that the level of increases in pay they propose are reasonable and realistic, partly because of the more favourable remuneration Scottish health workers receive relative to colleagues elsewhere in the United Kingdom. We received no proposals to re-align the Agenda for Change pay structure downwards in Scotland to align with the rest of the UK through a lower award in Scotland than elsewhere.

Recommendation 1 - We recommend a 1 per cent increase to all Agenda for Change pay points in Scotland from 1 April 2017.

Observation – We note the additional aspects of public sector pay policy in Scotland of a £400 award for all staff whose full-time equivalent basic salary is £22,000 or under. We are concerned about the cost pressures that this creates for Health Boards given the pressures facing the NHS in Scotland.

Observation – If the Scottish Government intends to continue with higher percentage increases to low paid staff, which is compressing some pay differentials, then there is a need to evaluate the effects, if any, on motivation, progression and promotion within the Agenda for Change structure.

The Living Wage

7.28 On current forecasts, the National Living Wage will not have a direct impact on the NHS in Scotland until April 2020 at the very earliest. The Scottish Government has proposed that pay point 3 – the lowest pay point in use in Scotland – will be £16,532 in 2017/18 or 12.7 per cent above the implied 2017/18 value of the National Living Wage for full-time Agenda for Change staff. This is already higher than latest OBR forecasts of the implied 2019/20 value of the National Living Wage for full-time Agenda for Change staff of £16,229.¹⁴ While there may be an indirect impact on the NHS workforce in Scotland from the closing of the pay differential between the bottom of the NHS pay structure and the private sector wage floor, it is likely to be several years before this becomes a real issue.

7.29 Looking at the Scottish Living Wage, the approach taken by NHS Scotland has been to accommodate implementation of the Living Wage through altering the pay structure, with pay points 1 and 2 no longer in use and the majority of Band 1 posts being eliminated through changing job roles. This has allowed Scotland to avoid the pay compression issues seen in Wales, with all staff at pay points 1-4 paid at the living wage floor of £16,132.

7.30 The Living Wage Foundation has recently changed their methodology for calculating the Scottish Living Wage, which has reduced the upward pressure on the Scottish Living Wage rate over the next few years and the potential pay compression issues associated with its implementation in the Scottish NHS. However, there will be future cost and pay compression issues for NHS Scotland to resolve if – as is likely – increases in the Scottish Living Wage exceed general increases in pay.

¹⁴ Office of Budget Responsibility, *Economic and Fiscal Outlook*, March 2017. It assumes a FTE working week for Agenda for Change staff of 37.5 hours and that there is 52 weeks and 1 day (365 days) in a year, and uses the OBR forecast that the National Living Wage rate in 2019/20 will be £8.30

7.31 In summary, the Scottish Living Wage appears to be causing few issues in Scotland given the changes that have been made to the pay structure to accommodate it. However, there is limited evidence on how successful these changes have been in improving productivity or on whether employers have responded to big increases in wages at the bottom of the pay structure and the phasing out of pay points 1 and 2 – with the lowest paid staff in Scotland now paid 18.2 per cent more than they were in 2010/11 – by hiring fewer staff than they otherwise would have done.

Pay policy over the medium term

7.32 We note that Scottish public sector pay policy is for one year only, but there are signs that give some cause for concern about whether Agenda for Change pay increases around 1 per cent will be sustainable over the next few years. A key pressure is that inflation is increasing, with the Office of Budget Responsibility now expecting RPI to reach 4.1 per cent and CPI to reach 2.7 per cent by the fourth quarter of 2017.¹⁵ Other pressures include potential changes in immigration policy resulting from the EU Referendum result and evidence that suggests the public sector pay premium, at least in the UK as a whole, has largely been eroded.

7.33 There are, however, different circumstances in Scotland which are likely to reduce relative pressures on NHS pay. Economic growth and employment growth is different to the UK as a whole. Private sector pay growth is relatively subdued. There is, at first glance, a bigger public sector pay premium in Scotland. Agenda for Change staff in Scotland, especially those at lower pay points, are paid more than their peers in England, Wales and Northern Ireland. This may give the Scottish Government more room for manoeuvre in adjusting their pay policy more gradually to changes in the wider economic environment over the next few years.

7.34 However, the Scottish Government needs to ensure that their approach is aligned to the needs of the service, including planned reforms, and the financial challenges that the NHS faces to ensure that pay policy can effectively be used to support its objectives. The one-size-fits-all approach towards public sector pay policy has undoubtedly helped the Scottish Government in controlling pay over the last few years but is now looking less sustainable. Greater flexibility to adjust pay policy to the needs of the NHS could help drive gains for patient outcomes by, for example, using it as an opportunity to reform Agenda for Change or to incentivise productivity improvements and efficiency savings. There is also a need to consider equal value issues arising from the integration of health and social care. At a minimum, social policy is changing some pay differentials, which could have a detrimental impact on motivation, promotion and progression within the Agenda for Change structure and this must be thought through. We also reiterate our comments on Agenda for Change reform made in Paragraphs 7.92-7.98 of our 30th Report.

Observation – The Scottish Government needs to develop a medium-term pay approach which supports the needs of NHS Scotland. This is in order to ensure that pay is aligned to the needs of the service as well as the financial challenges that it faces, and that it is supportive of service reform and integration.

¹⁵ Office of Budget Responsibility, *Economic and Fiscal Outlook*, March 2017

Appendix A – Remit letters

Letter from Scottish Government Cabinet Secretary for Finance and the Constitution to the NHSPRB Chair

Cabinet Secretary for Finance and the Constitution
Derek Mackay MSP



Scottish Government
Riaghaltas na h-Alba
gov.scot

T: 0300 244 4000

Jerry Cope
Chair
NHS Pay Review Body
Office of Manpower Economics
8th Floor, Fleetbank House
2-6 Salisbury Square
London
EC4Y 8JX

30 September 2016

Dear Mr Cope

NHS Pay Review Body – Remit

On behalf of the Scottish Government, I would like to record our continuing appreciation of the work your review body undertakes to advise on pay and related matters each year. I am writing to confirm that we are again requesting that you consider the position of NHS Scotland staff covered by your review body and provide recommendations concerning their remuneration in 2017-18.

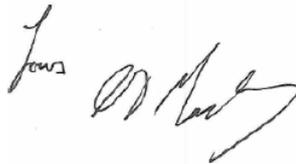
I would like to make you aware that details of our 2017-18 draft budget and accompanying Scottish public sector pay policy will not be published until after the UK Autumn Statement, and that this will impact on your deliberations. It is not yet clear what adjustments the UK Government might make to future public spending allocations, including to the Scottish Block settlement, and this will only become clear following the Autumn Statement on 23rd November. Given this uncertainty, that is why we intend publishing our draft budget for 2017-18 after the Chancellor's Autumn Statement. Following consultation with the Scottish Parliament's Finance Committee, the draft budget proposals and pay policy for 2017-18 will now be published in the week commencing the 12th of December. This means we will only be able to furnish you with our pay policy and the other evidence you consider as soon as we can after this date.

St Andrew's House, Regent Road, Edinburgh EH1 3DG
www.gov.scot



I recognise that such a late submission of evidence may pose particular challenges for you. I hope this does not stop you from starting your deliberations and possibly providing recommendations for the other 3 countries in advance of a later supplement for Scotland. I know staff working to my colleague, the Cabinet Secretary for Health and Sport, have been discussing arrangements with OME staff who support you and I hope these discussions can be continued to establish the best way forward in the circumstances.

I am copying this letter to my colleague, the Cabinet Secretary for Health and Sport, together with the Ministers covering the same portfolio in the other 3 countries, for their information.



DEREK MACKAY

Letter from Scottish Government Cabinet Secretary for Health and Sport to NHSPRB Chair

Cabinet Secretary for Health and Sport
Shona Robison MSP

T: 0300 244 4000



Mr Jerry Cope
Chair
NHS Pay Review Body
Office of Manpower Economics
8th Floor, Fleetbank House
2-6 Salisbury Square
LONDON
EC4Y 8JX

20 December 2016

Dear Mr Cope,

Further to the letter my colleague, Derek Mackay MSP, Cabinet Secretary for Finance, sent you on 30 September, I am now pleased to present you with further details of our remit and the evidence we would like you to consider. I apologise that, for the reasons outlined in Mr Mackay's letter, we are later than we would have liked in sending you this information.

Mr Mackay released the Scottish Government's Public Sector Pay Policy for 2017-18 on 15 December 2016 as part of his draft budget announcements. This pay policy provides the basis for the remit we would like you to consider. It is a single year policy and sets out the parameters for pay increases for staff. (In electronic versions of this letter, a link to the policy should be available [here](#).)

With regard to NHSPRB interests, the main features of this policy are:

- An overall 1 per cent cap on the cost of the increase in basic pay for those earning more than £22,000.
- Maintaining measures to support the lower paid, specifically a continued commitment to paying the Scottish Living Wage and guaranteeing a minimum increase of £400 for staff earning £22,000 or less.
- Continuing the expectation to negotiate extensions to no compulsory redundancy agreements as part of constructive, collaborative discussions.

You will appreciate that all consideration of staff pay by Scottish Ministers must be informed by this policy framework. However, beyond the elements set out above, we would wish the Pay Review Body to be as free as possible in considering the issues and making recommendations for Scotland in 2017-18. It is important to take into account the considerable on-going financial challenges facing NHSScotland at the present time and that any pay increase has to be affordable.

St Andrew's House, Regent Road, Edinburgh EH1 3DG
www.gov.scot



I would again like to take this opportunity to thank the members of the Review Body for their work and assure you that the Scottish Government continues to value the independent voice which the Review Body offers on Agenda for Change pay.

I recognise that you are considering our remit and evidence later than the other countries this year. I also know and expect that our evidence will be subject to your normal scrutiny before you are able to provide us with recommendations in the new year. But I also hope you are able to expedite your deliberations as much as possible to assist us in getting uplifts into staff salaries at the earliest opportunity.

Copies of this letter will be sent to the Secretary of State for Health and the respective Ministers in the devolved administrations as well as representatives of the Staff Side and NHS employers.

Yours sincerely,



SHONA ROBISON

Appendix B –Agenda for Change pay scales in Scotland with effect from 1 April 2017 implied by our recommendations and application of the Scottish Government’s public sector pay policy

Point	Band 1	Band 2	Band 3	Band 4	Band 5	Band 6	Band 7	Band 8				Band 9
								Range A	Range B	Range C	Range D	
1*												
2*												
3	16,532 [#]	16,532 [#]										
4		16,929 [#]										
5		17,344 [#]										
6		17,760 [#]	17,760 [#]									
7		18,295 [#]	18,295 [#]									
8		18,903 [#]	18,903 [#]									
9			19,268 [#]									
10			19,754 [#]									
11			20,302 [#]	20,302 [#]								
12			20,727 [#]	20,727 [#]								
13				21,400 [#]								
14				22,083 [#]								
15				22,313								
16				22,440	22,440							
17				22,910	22,910							
18					23,832							
19					24,793							
20					25,806							
21					26,830	26,830						
22					27,911	27,911						
23					29,034	29,034						
24						29,923						
25						30,967						
26						32,013	32,013					
27						33,058	33,058					
28						34,234	34,234					
29						35,933	35,933					
30							36,979					
31							38,155					
32							39,461					
33							40,833	40,833				
34							42,205	42,205				
35								43,903				
36								45,602				
37								47,562	47,562			
38								49,000	49,000			
39									51,482			
40									54,356			
41									57,232	57,232		
42									58,799	58,799		
43										61,412		
44										64,287		
45										68,599	68,599	
46										70,599	70,559	
47											73,499	
48											77,092	
49											81,011	81,011
50											84,932	84,932
51												89,008
52												93,280
53												97,758
54												102,450

Notes

* Pay point not used in Scotland

Pay point adjusted to reflect application of the Scottish Government’s public sector pay policy

Appendix C - Evidence relating specifically to Scotland contained in the 30th NHSPRB Report

Chapter	Description	Paragraph number
1. Introduction	Remit	1.12-1.13; 1.16-1.20; 1.26-1.27
2. The economy, labour market and pay	GDP	2.5; Figure 2.1
	Employment	2.11; Figure 2.3
	Agenda for Change pay structure	2.34; Table 2.2
3. Affordability, efficiency and productivity	Non-medical paybill	3.9-3.10; Table 3.3
	Agency expenditure	3.17
	Bank spending	3.24
	Demand and funding pressures	3.71-3.72
4. Recruitment, retention and vacancies	Workforce	4.4-4.5; Figure 4.1; Table 4.1; Appendix C
	Staff at top of pay band	4.6; Figure 4.2
	Turnover	4.7-4.9; Table 4.2; Table 4.3
	Vacancies	4.14-4.15; Table 4.5; Figure 4.3
5. Motivation, morale and staff engagement	Staff surveys	5.10-5.11
	Sickness absence	5.16; Table 5.6
	Reviews and appraisals	5.22-5.23
7. Pay proposals, recommendations and observations	Pay differences	7.2; Figure 7.1
	Living wages	7.50-7.52

Appendix D – Workforce monitoring data

Last year, the NHSPRB set out the types of data needed to inform their pay deliberations, including data necessary to allow consideration of targeting pay to address recruitment and retention pressures. We very much welcome the progress being made on the provision of better workforce data. This is critical to good decision-making in the health system, as well as to our consideration of pay recommendations and the merits of targeting. A large number of organisations collect and provide us with such information, for which we are grateful.

Several additional data needs have emerged during this round and Table D.1 summarises these. This is not an exhaustive list and we are increasingly interested in having these broken down by staff group, region, gender and age across all four nations.

Table D.1: Data requirement

	Data requirement
Earnings of the Remit Group (Chapter 2)	Basic and total earnings. Trends in take home pay. Assessment of total reward.
Pensions (Chapter 2)	Pension membership rates by band.
Expenditure and Paybill data (Chapter 3)	Total health expenditure. Total non-medical paybill. Elements of paybill growth; including FTE growth, headline pay award and paybill per FTE drift. Source of efficiency savings and productivity improvements.
Agency and Bank (Chapter 3)	Agency spend. Bank spend. Information about the number of hours worked, type of work, pay rates demographics. Comparative costs per head of employing permanent staff, bank staff and agency staff (including additional costs such as employer pension contributions and managing the bank).
Workforce (Chapter 4, 5, 6)	Evidence of workforce planning, including the detailed assumptions used to forecast supply and demand for staff. Potential impact of the decision to leave the EU and measures to mitigate the impact. Return to practice initiatives.
Shortfall and Vacancies (Chapter 4)	Vacancy and shortfall rates. Joining and leaving rates. Sickness rates.
Recruitment and Retention Premia (Chapter 4)	Evidence on the use of Recruitment and Retention Premia (RRP) payments.
Staff motivation (Chapter 5)	Regular staff surveys; including motivation, morale and engagement, Other relevant evidence on staff motivation (e.g. Friends and Family test).
Apprentices (Chapter 6)	Information about the use of apprentices, their pay, roles, use of the apprentice levy.
Living Wages (Chapter 7)	Calculations of the financial cost of implementing the National Living Wage or Living Wage Foundation living wage.