

16 February 2015

Dear xxxxxxxxx,

NHS Pay Proposals and implications for NHS England staff

On 9 February 2015 an e-mail from the National Director: Transformation and Corporate Operations was issued to all NHS England staff outlining the recent NHS pay proposals. Following that e-mail, I am writing to provide you with more information about these proposals and their potential implications for you.

As you may be aware, the proposed national NHS industrial action was called off following the release of the Government's proposals relating to NHS pay. The proposals, which provide for a pay increase for staff on lower pay bands also includes proposed changes to NHS redundancy calculation terms, which are required to offset some of the costs of the pay proposals. Specifically, the government proposals, which would be implemented from 1 April 2015 following a national agreement being reached includes a floor for calculation of redundancy payments of £23,000 and a ceiling for calculation of £80,000 with an end to employer top up for early retirement on grounds of redundancy.

I can confirm that, if agreed, these proposals would apply to all NHS England staff employed on Agenda for Change or Very Senior Manager contracts of employment from the date of the national agreement being reached. These proposals would not apply to staff employed on national Medical and Dental terms and conditions of employment unless their employment contract explicitly states that redundancy provisions are built upon Agenda for Change terms and conditions of employment.

What does this mean for you?

Redundancy Calculation

We understand that these proposed changes mean that for any employee on an Agenda for Change or Very Senior Manager (VSM) contract of employment, who has a pensionable remuneration of more than £80,000 per annum, then the calculation of their redundancy payment would be capped at a maximum figure of £80,000, rather than being calculated based upon actual salary.

The effect that this would have is that for anyone earning more than £80,000 in pensionable remuneration would have a reduction in the redundancy calculation and the actual severance payment to be made would have to be reduced accordingly. Therefore, this proposal would mean that the maximum redundancy payment an individual could receive, with 24 or more years' recognised service for the purposes of redundancy calculation, would be £160,000.

For individuals who are earning more than £23,000, but less than £80,000, these proposals would have no impact upon their redundancy calculation, which would remain based upon actual salary.

For those earning less than £23,000 in pensionable remuneration, this would create an increase in the redundancy calculation and, consequently an equal increase in the actual redundancy payment to be made. NHS England considers that this is a tangible benefit for staff on lower pay and is committed to implementing these changes as quickly as possible.

The calculation for redundancy is made upon the date that employment is terminated, not at any point prior to that date.

Compulsory Redundancy

At present, staff that are due to leave NHS England on grounds of compulsory redundancy are due to receive an element of pay in lieu of notice, rather than being required to work their full notice period. To ensure that such payments can be made, as an exception, then NHS England will move the date of termination for all compulsory redundancies to at least 1 April 2015.

This movement of the termination date for all compulsory redundancies has the effect that the Department of Health will support PILON payments, where applicable, for individuals as an exception. However, it will also mean that should the new redundancy calculation proposals be agreed, then these would fully apply to individuals leaving NHS England on or after 1 April 2015. This would potentially be of benefit to people leaving employment on lower pay bands, but would equally have the effect of reducing redundancy payments to people on higher pay bands.

To ensure that staff due to leave on grounds of compulsory redundancy are provided with as much information as possible about the potential implications of these national proposals, we will be providing two sets of estimated redundancy calculations, one based upon current redundancy calculation arrangements and the other based upon the Government's proposed revisions to the calculation arrangements, if this would apply to you. These estimates will be provided, along with the formal notice of dismissal on grounds of compulsory redundancy, which NHS England is now in a position to issue.

Voluntary Redundancy

For those staff that have been due to leave NHS England on grounds of voluntary redundancy, we have carefully considered the content of the proposed national agreement. Given that these proposals contain a significant benefit for our lower paid staff, by raising the 'floor' for calculation of redundancy payments to £23,000, then NHS England wishes to ensure that this benefit can be realised for people in our lower pay bands.

On that basis, NHS England has determined that the termination date for people approved to leave following a successful application for voluntary redundancy will be moved from 31 March to 1 April 2015. If the new national agreement has been reached by that date, then the new calculation provisions would be applicable. Whilst this would extend the benefit of the new calculation arrangements to lower paid staff, it would equally impact upon the calculation 'ceiling' for staff with pensionable remuneration in excess of £80,000, thereby reducing the overall redundancy payment provided to individuals earning in excess of that figure.

Now that this position has been confirmed, we will be able to advise people about the outcome of their application for voluntary redundancy and where this is in the process of being considered or approved.

Employer Pension 'Top Up' Contribution

The proposed national agreement also signals that there will also be an end to the provisions in Agenda for Change Section 16 and in the NHS Pension Scheme Regulations that would enable individuals to take early retirement with an unreduced pension, subject to the minimum pension age provisions set out, of either age 50 or age 55 within Agenda for Change.

This proposal would mean we would no longer be required to pay for the difference between an individual accessing their pension early and what their unreduced pension benefits would be. Consequently, this would mean that only actuarially reduced pension benefits would be payable once these changes came into effect through a national agreement, which would reduce the pension to be paid.

In addition, given that these proposed changes will require new pension calculation arrangements to be introduced, the NHS Pensions Agency is unfortunately unable to provide you with new pension estimates should these new arrangements be in effect from 1 April 2015.

Conclusion

Clearly, this is a developing position and is subject to national agreement through the NHS Staff Council, involving NHS Employers and NHS Trade Unions. However, as this situation develops further, we will update you. Finally, I do recognise that you may be anxious and have many questions on what this might mean for you. I give you an absolute undertaking that as soon as the position is made clearer on the potential impact and timing of these changes that we will update you, whilst also continuing detailed discussions with NHS England's trade union representatives and national officers.

Yours sincerely,

Chief People Officer / Regional Director of HR and OD