National Audit Office

DEPARTMENT OF HEALTH

NHS Pay Modernisation in England: Agenda for Change

REPORT BY THE COMPTROLLER AND AUDITOR GENERAL | HC 125 Session 2008-2009 | 29 January 2009

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SUMMARY

1 Implemented between December 2004 and December 2006, the objective of the Agenda for Change programme was to reform and standardise the pay and conditions of around 1.1 million staff in the NHS in England, representing a pay bill in excess of £28 billion a year in 2007-08 **(see Box 1)**. Agenda for Change covers most staff within the NHS. Consultants and other doctors and dentists have been subject to their own pay reform programmes.

2 The key principle behind Agenda for Change was to introduce a system that would pay staff on a consistent basis by reference to the work they do and the skills and knowledge they apply. Previously, different roles in the NHS were subject to different pay scales which had built up over time. In addition some NHS trusts had developed local terms and conditions for particular groups of staff.

3 The need for a new system of rewarding staff was set out by the Department of Health (the Department) in February 1999 in "Agenda for Change: Modernising the NHS pay system". The Department's stated aims for pay modernisation were to:

- enable staff to give their best for patients, working in new ways and breaking down traditional barriers;
- pay fairly and equitably for work done, with career progression based on responsibility, competence and satisfactory performance; and

- simplify and modernise conditions of service, with national core conditions and considerable local flexibility.

4 There was widespread agreement within the NHS that a new pay system was needed. The old system comprised numerous pay structures covering 54 professions plus technical, administrative, maintenance and other support staff. There were a multitude of separate allowances ranging from, for example, 'radiation protection supervisors allowance' to 'authorising clerks allowance'. Different staff groups were entitled to different amounts of leave and different length working weeks; and there were a multitude of shift patterns and on-call arrangements and payments. The lack of comparable terms and conditions across all staff groups created barriers to developing new roles for staff and new ways of team working. The lack of consistency in determining pay also led to equal pay claims.

5 National negotiations for a new reward system started in 1999, and were carried out by the Department of Health and its counterparts in Scotland, Wales and Northern Ireland; the NHS Confederation (the employers' representative body); and trade unions. Final agreement was reached in late 2004. By March 2006 the vast majority of staff in England had moved on to the new pay bands.

6 To implement Agenda for Change, each NHS organisation was required by the Department to evaluate all jobs, either through matching them to national NHS job profiles or through local job evaluation. The process is described further in **Figure 2**, page 13. The job evaluation scores determined the pay band for each post. Trusts then had to update the payroll details of all the staff concerned with new pay rates. Once this process was complete each NHS organisation was expected to use the Knowledge and Skills Framework to review the skills of all staff to identify and address development needs to allow them to perform better **(as described in Box 1)**.

BOX 1

NHS pay modernisation – for all staff except doctors, dentists and senior managers

The pay modernisation programme was made up of three main elements:

1 New harmonised terms and conditions and a simplified single pay spine.

2 A job evaluation scheme to assess the appropriate pay band for each post.

In this report these two elements are referred to collectively as 'Agenda for Change'

3 The introduction of a competency based staff development framework (known as the Knowledge and Skills Framework), which involved the creation of an outline for each post of the knowledge and skills required; an annual review to assess each post holder's knowledge and skills against the outline; and an agreed personal development plan for each employee based on skills gaps identified at the annual review.

Pay is not directly linked to the Knowledge and Skills Framework, although movement through two 'gateways' in each pay band is dependent on a satisfactory annual review.

7 This report is the third in a series of National Audit Office reports on NHS pay modernisation in England, the first looked at the new contract for consultants (published April 2007); while the other examined the new contracts for general practice services (published February 2008). This report examines the implementation and costs of Agenda for Change and the implementation of the Knowledge and Skills Framework. It also assesses whether the intended benefits have been achieved and identifies some of the barriers to fully realising them. Our analysis and findings relate to the application of Agenda for Change as a whole, but we make particular reference to the nursing profession since it is, by far, the largest pay group, accounting for 40 per cent of the total annual pay bill. Nurses' terms and conditions of employment were also used as the central reference point for the work to harmonise the terms and conditions of the many other groups of staff covered by Agenda for Change **(see Box 2 overleaf)**. Our methodology is detailed in Annex 1 of this report.

BOX 2

Nursing and Agenda for Change

Qualified nurses are 35 per cent of the workforce covered by Agenda for Change, and their pay makes up 40 per cent of the pay bill (2007-08). Pay for qualified nurses starts at £20,225 and extends to £77,179 for consultant nurses (see Figure 1 on page 12). Agenda for Change allows for nursing roles to be paid on the highest pay band (up to £93,098) if justified for particular roles.

Other staff carry out less specialised nursing duties, in particular healthcare assistants, and their pay starts at £12,922. Healthcare assistants can progress to new assistant and associate nursing roles with a maximum pay of £20,818 (see Figure 1).

Qualified nurses' earnings have risen by 4.2 per cent a year on average since 2003-04. This rate of increase includes incremental progression for those who have not reached the maximum of their pay band as well as the annual pay award. The average annual rate of increase for nurses is lower than for other staff groups (including healthcare assistants and associate nurses) whose earnings have risen by 5.8 per cent a year since 2003-04 (see Figure 7 on page 21). Pay for nurses had been subject to

a clinical regrading review in the late 1980s and, as a result, Agenda for Change had less impact on nurses' pay than it had on pay for other staff groups.

The terms and conditions of the new Agenda for Change employment contract were based on those that already applied to nurses, for example a standard full-time working week for all staff of 37.5 hours and 27 days annual leave on appointment.

Key Findings

Implementation of Agenda for Change

8 The Department initially set a deadline of 30 September 2005 for trusts to set up the job evaluation scheme (including training staff), to evaluate posts, and to transfer staff to their new Agenda for Change pay points. The task, however, was a large one and this deadline, ten months after the final agreement had been reached, proved unachievable. The Department continued to monitor progress closely and by March 2006 ninety-nine per cent of staff in England had been transferred to their new pay points.

9 By October 2007, 41 per cent of NHS staff had received a knowledge and skills development review in the last 12 months. The process was a new experience for many staff and take up was slower than expected. As a consequence of the slow implementation of the Knowledge and Skills Framework, the Department re-launched it in November 2007; and in May 2008 the Parliamentary Under Secretary for Health Services wrote to all NHS organisations emphasising the need to use the Knowledge and Skills Framework. At the time of our fieldwork in August and September 2008, the proportion of staff who had had a knowledge and skills review had increased to 54 per cent.

Cost of Agenda for Change

10 The strategic plan for the NHS (NHS Plan 2000) set out clearly the Department's intention to increase pay in the Health Service in order to improve recruitment and retention of NHS staff. The annual cost of employing staff on Agenda for Change in the NHS (England) rose by £7.4 billion (36 per cent) from £20.8 billion in 2003-04 to £28.2 billion in 2007-08. Some 13 per cent of this additional cost is due to growth in the Agenda for Change workforce, and a further 22 per cent is due to an increase in employers' contributions to the pension scheme from 2004-05. The remaining 65 per cent reflects higher levels of pay, through pay awards, effects such as pay progression as people move through the pay system, and the impact of Agenda for Change. The Department does not believe it is possible to isolate the total cost to date of Agenda for Change from other elements of the pay bill.[1]

11 We have estimated the impact of Agenda for Change for each of the five years from 2003-04 to 2007-08 by comparing the actual pay bill with a model which makes two different assumptions of what pay growth might have been without Agenda for Change resulting in two counterfactual scenarios. In 2007-08, we estimate that the annual pay bill was between £166 million (0.6 per cent) higher and £239 million (0.8 per cent) lower than it might have been had Agenda for Change not been implemented.

1 The Department's evidence to the Health Select Committee's Enquiry "Public Expenditure on Health and Personal Social Services 2008, Uncorrected Evidence" HC28-i, November 2008.

12 Both scenarios start with a saving of £374 million in 2003-04. This saving may have been due to reduced pressures on pay while Agenda for Change was being negotiated. After 2003-04 our first scenario suggests that Agenda for Change added a cost to the NHS pay bill each year, although the rate of increase declined in 2007-08. Our second scenario shows added costs for 2004-05 and 2005-06 and savings thereafter. The costs of Agenda for Change are explored further in paragraphs 2.15 to 2.19.

The benefits of Agenda for Change

13 Agenda for Change provided NHS trusts with the opportunity to look at how their services were staffed and to think about how these services might be delivered better with different ways of working. Trusts report that because of the timetable for implementation of Agenda for Change, they did not have the capacity to fully consider how they would develop benefits locally, for example by using the job evaluation process to design new roles. Most staff are not working sufficiently differently from when they were on their old pay contracts and as a consequence staff initially received increased pay for doing their existing roles.

14 Agenda for Change was expected to help increase the numbers of people wishing to work in the NHS, but staff numbers had already peaked by the time Agenda for Change was implemented. Numbers of NHS staff working in grades covered by Agenda for Change rose from 0.92 million in 2000 to 1.13 million in 2005 when Agenda for Change was implemented and have since fallen to 1.09 million. Agenda for Change was expected to help improve staff morale and, whilst staff morale is a complex issue affected by other events, including the drive to reduce financial deficits, Healthcare Commission NHS staff surveys show that job satisfaction did not improve between 2004 and 2006 although there were improvements in some areas in 2007.

15 There is a widespread view in the Department and amongst NHS Employers and other commentators that Agenda for Change has made it easier to show that NHS pay is fair and equitable. A test case is being heard by the Employment Tribunal and is due to conclude in February 2009, though it could be prolonged if any issues are subject to appeal.

16 Agenda for Change was also intended to contribute to improvements in equal opportunity for NHS staff. The Healthcare Commission's annual surveys of NHS staff show that the proportion of staff who believe their employer does not act fairly with regard to career progression or promotion has not decreased.

Benefits yet to be realised

17 Agenda for Change and the Knowledge and Skills Framework were expected to facilitate new ways of working within the NHS, which would contribute to improved quality of care for patients and delivering services more efficiently and effectively. These changes were to be achieved by using the job evaluation scheme, to design and evaluate new roles, and the Knowledge and Skills Framework to help staff to develop competencies.

18 Around half of trusts reported to us that they have used Agenda for Change to improve clinical pathways by creating new roles for staff. This picture was supported by evidence at trusts we visited. Most commonly these were 'assistant practitioner' roles where less qualified staff take on work from nurses (or other healthcare professionals) and 'advanced practitioner' and 'nurse consultant' roles, where senior professional non-medical staff take on responsibility for tasks formerly carried out or supervised by medical staff, such as prescribing.

19 There is a perception among some managers and staff that the Knowledge and Skills Framework is complex and burdensome. In the trusts that have maximised use of the Framework, there has been a management commitment to making the system work, and staff and managers have received adequate training and are given time to carry out the process. A small number of trusts have integrated the Knowledge and Skills Framework into their performance management systems. They are better placed to use the annual review to assess performance in carrying out important daily tasks, as well as to review the application and acquisition of knowledge and skills over the year.

20 The Department expected that Agenda for Change would result in a 1.1 – 1.5 per cent year-on-year rise in productivity (the ratio between the quantity of healthcare provided by the NHS and the volume of resources being used by the NHS). This rise was planned to contribute to net savings of at least £1.3 billion over the first five years of Agenda for Change, and some of these gains were expected to be from higher quality of care, according to the Department's Business Case to the Treasury. The Department has not carried out a specific exercise to demonstrate the productivity savings resulting from Agenda for Change nor have trusts attempted to measure the resulting efficiency or productivity gains. Without the means to measure the specific impact of Agenda for Change it is not possible to determine whether the productivity savings have been achieved.

21 The more general measures of NHS productivity and efficiency that are available do not take account of changes in quality of services and cannot easily be disaggregated to show the specific impact of the programme (paragraphs 3.13 to 3.19). The best available productivity statistics for the NHS as a whole are compiled by the Office for National Statistics. This measure shows NHS productivity declined by 2.5 per cent per year between 2001 and 2005, as the growth in the amount of healthcare provided was overtaken by the more immediate growth in resources used by the NHS. Between 2005 and 2006, growth in inputs slowed more quickly than growth in output, so productivity fell by only 0.2 per cent that year. This measure of productivity needs to be considered alongside other corroborative data which suggest that productivity has declined a little less steeply than the crude measure suggests. The Department has measured efficiency gains on a project by project basis, but these do not take account of the increased resources used by the NHS overall.

22 Agenda for Change does make it easier for managers to estimate costs now there are common staff terms and conditions. It is also simpler for budget holders, such as ward managers, to understand and monitor their budgets. In addition there is now a single process for determining pay increases for all staff, except doctors, dentists and senior managers.

23 Agenda for Change is a system which aims for consistency across the NHS. It is unclear how the relevance of Agenda for Change will be affected as the NHS moves further towards greater local management, competition and choice. Foundation Trusts have the freedom to use local terms and conditions. None-the-less even if they choose to use these freedoms and flexibilities, Agenda for Change should offer a shared baseline to develop a transparent system for evaluating roles.

Conclusions on Value for Money

24 The Department and NHS, in partnership with the trade unions, successfully implemented Agenda for Change for some 1.1 million employees, doing so within a short timescale. The new system gives the NHS a single and transparent system for employing staff, and simplifies significantly the administration of pay within the NHS.

25 Achieving the benefits of Agenda for Change was predicated on staff working differently to deliver improvements to patient care and improving productivity in return for better pay. Measuring productivity benefits would have required trusts to have developed productivity measures when they introduced changes in the way staff work. The Department did not put in place the necessary arrangements with trusts, so the Department has limited evidence to show what impact pay modernisation has had on productivity. The Department's Business Case in 2002 estimated that Agenda for Change would result in net savings over the first five years of at least £1.3 billion. Specifying a level of savings in this way was unrealistic since the Department placed no requirement on trusts to achieve efficiency or productivity improvements locally as part of implementing Agenda for Change. While in this period the Department can show some efficiency savings generally, as recorded by the NAO in its report "The Efficiency Programme: A Second Review of Progress Report" (HC156, 2007), the Department cannot demonstrate the contribution that Agenda for Change has made to their achievement.

26 For most trusts, the Agenda for Change programme largely stopped at the point when staff transferred to their new pay bandings, with the Knowledge and Skills Framework being seen as a subsequent exercise, that not all trusts have completed. Consequently, the Department re-launched the Knowledge and Skills Framework in November 2007 and emphasised the need to use the Framework again in May 2008.

27 As a result we conclude that Agenda for Change cannot yet be shown to have enhanced value for money. The Knowledge and Skills Framework is key to realising many of the benefits from Agenda for Change more widely, but has not been implemented by all trusts and for all staff. The Knowledge and Skills Framework is only one part of the picture; and the opportunities presented by Agenda for Change need to be combined with clear leadership and management if trusts are now to achieve the full potential of the programme. There are, however, some examples of trusts using Agenda for Change to work differently, and these provide models for others to follow.

Recommendations

a **The potential of the Knowledge and Skills Framework has not been realised by many trusts, yet effective use of the Framework is essential for maximising the benefits from Agenda for Change.** Trusts should have a champion at board level to make sure that all staff have annual reviews; that managers have the training to use the Knowledge and Skills Framework effectively; and staff have the time to participate fully in reviews. The champion should work with operational colleagues to exploit opportunities where effective use of the tools within Agenda for Change and the Framework can contribute to wider organisational and service improvements through better, more productive ways of working.

b **Some trusts have achieved benefits through Agenda for Change by staff working differently and using the Knowledge and Skills Framework to meet organisational needs but sharing good practice is patchy.** The Department and NHS Employers should disseminate and share best practice on the use of the Knowledge and Skills Framework and how Agenda for Change can be used to improve efficiency and patient care. The Department should commission NHS Employers to identify good practice examples in trusts and share these through national conferences and local workshops of trusts.

c **The Knowledge and Skills Framework is viewed by trust managers and staff as too complicated, and as a consequence some trusts are discouraged from making the best use of this tool.** The Department, through NHS Employers, and in partnership with NHS trade unions, should review and simplify the guidance for using the Knowledge and Skills Framework including, for example, practical guidance on the amount of supporting documentation staff need to bring to their review and how long a review should take.

d **Trusts are deterred from using the electronic version of the Knowledge and Skills Framework because of a lack of clarity on the different functionality of the electronic Knowledge and Skills Framework and the Electronic Staff Record.** As the Department provided trusts with both these packages the Department should clarify the functions of both systems and help trusts rectify the shared problems they have encountered.

e **The introduction of a formal system of job evaluation has been an important reform for the NHS under Agenda for Change, but not all trusts are continuing to make full use of it.** Directors of Human Resources in trusts should check that the job evaluation process is applied rigorously to all new and modified roles. Strategic health authorities and trusts should regularly compare and benchmark a sample of posts with other trusts.

f **Agenda for Change was expected to achieve specific and measurable benefits, but there has been no formal assessment of the programme by the Department or by individual trusts.** Regular measurement of the productivity, efficiency and quality improvements attributable to Agenda for Change represents an important lever to bring about new and innovative ways of working and performance improvement.

- To motivate trusts to get more out of Agenda for Change the Department should recommend that trusts specify, within business cases for changes to the way services are delivered, how the planned improvements to patient care and/or productivity will be augmented by use of Agenda for Change, for example through the creation of new roles or a change in the grade mix of staff around a given patient pathway.
- The Department in turn should collate information from individual trusts which shows how working differently under Agenda for Change has contributed to the changes in productivity and patient care, so that there is a picture nationally of how Agenda for Change is delivering improvement.

PART ONE

Introduction

1.1 Agenda for Change is the name given to the project for reforming pay in the NHS. It applies to 1.1 million employees across all staff in the NHS with the exception of doctors, dentists, very senior managers and directors of NHS organisations. Agenda for Change covers 412 of the 413 NHS bodies in England:

- 169 acute trusts (of which 82 have foundation trust status).[2]
- 60 mental health and care trusts (of which 31 have foundation trust status).
- 152 primary care trusts (five of which are also classified as care trusts).
- 11 ambulance trusts.
- 10 special health authorities (such as NHS Blood and Transplant).
- NHS Direct.
- 10 strategic health authorities.

The single trust which is not employing its staff on the Agenda for Change terms and conditions of employment is Southend University Hospitals NHS Foundation Trust.

1.2 The main sub-groups of staff covered by Agenda for Change are qualified nurses (a third), other healthcare professionals such as occupational therapists and radiographers (a third) and infrastructure support including, for example, building maintenance, catering, laundry and managers (a fifth). The total pay bill for staff employed on Agenda for Change contracts in England in 2007-08 was £28,182 million.[3]

1.3 This report examines the implementation and costs of Agenda for Change and the Knowledge and Skills Framework in England. Responsibility for health in the rest of the UK lies with the devolved administrations in Scotland, Wales and Northern Ireland. This report also reviews the extent to which the benefits of the new reward system have been realised and examines some of the barriers to fully realising the benefits. This report is the third in a series of National Audit Office reports on NHS pay modernisation in England. The first looked at the new contract for consultants (published April 2007) and the second examined the new contracts for general practice services (published in February 2008).

Aims of Agenda for Change

1.4 Before the introduction of Agenda for Change, there were 11 defined staff groups within the NHS each with their own pay structures and systems of determining pay (termed Whitley Councils) and with wide variations of terms and conditions. In addition, nurses' and allied healthcare professionals' pay was covered by a pay review body. The Whitley Councils and the pay review body covered 54 professions plus technical, administrative, maintenance and other support staff.

1.5 The old pay arrangements were complex and inflexible. There were a multitude of separate allowances, 59 of which were mentioned in the Agenda for Change handbook. These allowances ranged from 'radiation protection supervisors allowance' to 'authorising clerks allowance'. Different staff groups were entitled to different amounts of leave, different length working weeks and there were a multitude of shift patterns and on-call arrangements and payments.

2 At 1 January 2009, MONITOR website.
3 Data from the Department of Health.

1.6 The lack of comparable terms and conditions across all staff groups created demarcation barriers that made it difficult to develop non-traditional roles for staff. It also meant that there were different ways of rewarding staff who were working in the same team. Such a system was complex to administer and required multiple yearly negotiations on pay and conditions. There was a lack of consistency in determining pay with the result that some groups of staff had brought equal pay claims, one of which has been successful while others have been settled out of court.[4]

1.7 From December 1997 the Department of Health (the Department) outlined its strategy to employ more staff to help achieve its aim of improving access and the quality of care in the NHS. To meet these ambitions the Department wanted a modern and fit-for-purpose reward system to transform the NHS into a modern and attractive employer. In February 1999, the Department published its proposals for a new pay framework for NHS staff, 'Agenda for Change: Modernising the NHS Pay System' which aimed to:

- enable staff to give their best for patients, working in new ways and breaking down professional barriers;
- pay fairly and equitably for work done with career progression based on responsibility, competency and satisfactory performance; and
- simplify and modernise conditions of service with national core conditions and considerable local flexibility.

A more extensive list of benefits was set out in the Final Agreement in December 2004, see **Box 3**.

BOX 3

Agenda for Change Final Agreement – 'Success Criteria'

- More patients being treated more quickly
- Higher quality care
- Better recruitment and retention
- Better teamwork/breaking down barriers
- Greater innovation in deployment of staff
- Fair pay
- Improve all aspects of equal opportunity and diversity
- Better pay
- Better career development
- Better morale

Source: Agenda for Change Final Agreement, Department of Health, December 2004

1.8 The Department wanted to increase the amount of money paid to staff to reward their commitment to the NHS and help attract new staff. The Department estimated that £1.4 billion would be added to the annual pay bill over the two years 2004-05 and 2005-06 to move staff on to the new Agenda for Change pay spine. In its Business Case to the Treasury, the Department estimated that there would be savings from Agenda for Change that would exceed the implementation costs, so that over the first five years of the contract there would be a net saving of at least £1.3 billion. These savings were to come from increased productivity, reduced pay drift (see glossary) and a reduction in the likelihood of equal pay claims.

Outline of Agenda for Change

1.9 Agenda for Change is primarily a set of harmonised terms and conditions and a system of evaluating jobs in a consistent way. With the Knowledge and Skills Framework, which provides a way of defining the skills needed in a job as well as a process for reviewing an individual's knowledge and skills against that outline, it gives a structure for a career in the NHS.

1.10 Agenda for Change provides one system of pay banding with common terms and conditions for all staff groups. The pay scale is divided into nine bands **(Figure 1 overleaf)**.

1.11 NHS staff were moved on to Agenda for Change pay bands on the basis of the score given to their job by the job evaluation scheme. Each pay band has a minimum and maximum rate with several pay points in between (see Annex 2). Staff were positioned on the lowest pay point in their new band which was not less than their previous pay **(Figure 2 on page 13)**. Where staff were moved to bands where the maximum was lower than their existing pay their pay was protected.[5]

1.12 Annual movement up the pay band to the next pay point in the band is automatic except at two 'gateways'. The first is after a year when staff must show they are applying the basic knowledge and skills needed for their jobs. Staff pass the second gateway after some years in post so long as they can show they are applying the full range of knowledge and skills required. The link between satisfactory application of knowledge and skills and movement up the pay band through the two gateways is the only formal link between competence and pay within Agenda for Change.

4 The successful staff were speech and language therapists.
5 Pay protection lasts until the Agenda for Change maximum has risen to equal pre-existing pay or 31 March 2011, whichever is the sooner.

1.13 Agenda for Change also provides for higher pay for staff in London and surrounding areas (see Annex 2 for details) and recruitment and retention premia which any trust can choose to use to meet specific local market conditions and skills shortages.

1.14 Terms and conditions of all staff were harmonised to reflect those of nurses as these represent the largest single pay group. Other staff groups whose working weeks were shorter or who were entitled to more annual leave than nurses have had their terms bought out by their trust or they have been brought into line gradually over three to five years. Conversely, staff who gained as their working weeks were reduced or their annual leave increased moved on to the new terms immediately.

1.15 Some staff had brought successful equal pay claims under the Whitley system. Prior to the 2007-08 financial year, the annual accounts of NHS Trusts did not separately record payments made in respect of equal pay claims, but the Department estimates that the NHS has paid out approximately £70 million in compensation and out of court settlements in respect of equal pay claims to date.[6] To reduce the likelihood of further equal pay claims, Agenda for Change was underpinned by a job evaluation scheme, (see Annex 3). The factors and the scoring system used in Agenda for Change were tailor-made for the NHS as the Department judged no pre-existing system was capable of evaluating all of the posts covered.[7]

1.16 Alongside the changes to terms and conditions, the Department introduced the concept of a Knowledge and Skills Framework (see Annex 4 for the key skills). The key elements are a knowledge and skills outline for each post and annual knowledge and skills reviews for each member of staff to compare individuals' knowledge and skills against the outline for their posts. The annual review should form the basis for discussions of development, opportunities for career progression and involve the creation of a personal development plan, based on skills gaps identified at the annual review. The Knowledge and Skills Framework is linked to pay in that movement through two 'gateways' in each pay band is dependent on a satisfactory annual review.

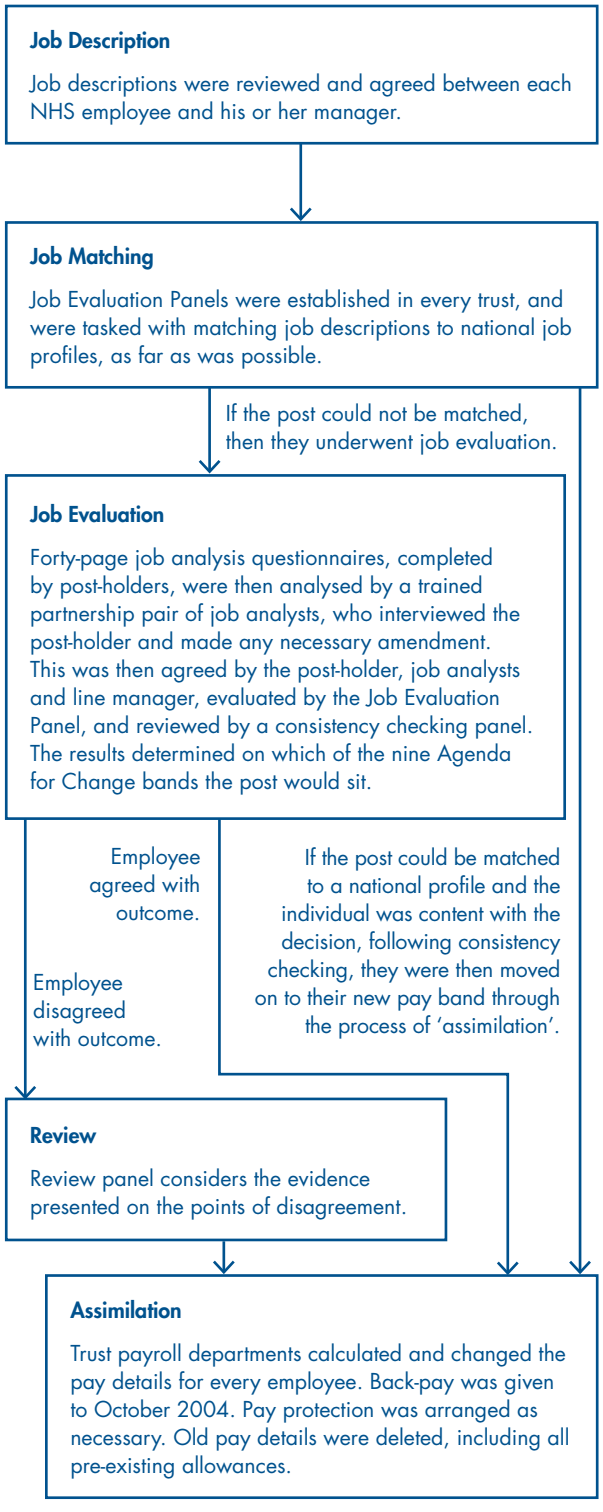
1 Agenda for Change Pay Bands (pay scales for 2008-09)

	Minimum Basic Pay £	Maximum Basic Pay £	Examples of Nursing job profiles	Examples of other job profiles
Band 1	12,517	13,617		Catering Assistant
Band 2	12,922	15,950	Clinical Support Worker – Nursing (hospital)	Health Records Assistant
Band 3	14,834	17,732	Clinical Support Worker – Nursing higher level (mental health)	IT Analyst
Band 4	17,316	20,818	Nurse Associate, Midwifery Care Assistant	Health Records Officer
Band 5	20,225	26,123	Nurse, Midwife	Radiographer
Band 6	24,103	32,653	Nurse Specialist	Biomedical Scientist
Band 7	29,091	38,352	Nurse Team Manager	Embryologist
Band 8a	37,106	44,527	Modern Matron	Clinical Psychologist
Band 8b	43,221	53,432	Consultant Nurse	Consultant Occupational Therapist
Band 8c	52,007	64,118		Consultant Psychologist
Band 8d	62,337	77,179	Higher Level Consultant Nurse	Consultant Clinical Biochemist
Band 9	73,617	93,098		Public Health Consultant

Source: Department of Health

6 The individual NHS organisations concerned in the cases were responsible for funding these payments.
7 The Job Evaluation Scheme and the Knowledge and Skills Framework were developed in partnership with the trade unions.

2 Implementing Agenda for Change



Source: National Audit Office

Negotiating and implementing Agenda for Change and the Knowledge and Skills Framework

1.17 Negotiations for Agenda for Change were lengthy because of the number of stakeholder groups involved. There were 17 trade unions ranging from small professional bodies such as the British Dietetic Association to UNISON with a membership of 400,000 working in healthcare. The timing of the cross-government 2002 Spending Review also caused some delay as the Department's Business Case for Agenda for Change became subsumed in the wider spending review.

1.18 A Framework Agreement was negotiated between the UK Health Departments, the NHS Confederation and trade unions in December 2002 and a Proposed Agreement including a three year pay-deal was announced in January 2003. The Department then piloted Agenda for Change at 12 'early implementer' sites from June 2003. The Final Agreement was reached in November 2004, and national roll-out began on 1 December 2004 **(Figure 3 overleaf)**.[8]

1.19 Agenda for Change applied equally to all Health Service bodies in England, Scotland, Wales and Northern Ireland.[9] All of the early implementer sites were in England, although limited pilots of parts of the Agenda for Change system were undertaken in some Scottish Boards.[10] The Department collected data from the pilots on costs and re-estimated the national cost using these data.

1.20 In England the Department oversaw closely the implementation of Agenda for Change. The task was a large one, in England around 380,000 roles were matched to national job profiles and around a further 35,000 roles were evaluated locally.[11] Each role may equate to a single real post or to many hundreds.

1.21 Implementation of Agenda for Change has been slower in the other countries of the United Kingdom. By the end of 2006, 70 per cent of staff in Scotland and 68 per cent of staff in Wales had been moved on to Agenda for Change scales. Delays occurred both at the job evaluation stage and in transferring staff to new pay rates. The delays led to complex administrative problems which caused further delays. For example, there was no clear understanding of how to backdate pay or apply payment protection for staff who had received several annual increases to their 'Whitley' pay while Agenda for Change was being implemented.[12]

8 Arrangements for unsocial hours payments had not been agreed at this stage, and were taken out of the negotiations so that the main scheme could be implemented. New unsocial hours arrangements were finally implemented in April 2008.
9 This study applies only to England.
10 www.dhsspsni.gov.uk/scu-agendachange-reviewdocument.pdf
11 Information from the Department's Computer Assisted Job Evaluation tool database.
12 "Implementation and Outcomes of Agenda for Change in NHS Wales", David Jenkins, 31 December 2007.

3 Timeline for development and implementation of Agenda for Change

September 1997	Exploratory talks on a new NHS pay system begin.
December 1997	White paper on modernising the NHS published.
February 1999	'Agenda for Change: Modernising the NHS Pay System' published.
October 1999	First Joint Statement of progress by Department and NHS Staff Council.
November 2000	Second Joint Statement of progress.
November 2001	Third Joint Statement of progress.
July 2002	Spending Review 2002 concluded.
December 2002	Framework Agreement agreed and published.
January 2003	Proposed Agreement and three year pay-deal announced.
June 2003	Early implementer sites begin to pilot Agenda for Change.
November 2004	Agenda for Change Final Agreement signed.
December 2004	National roll-out of Agenda for Change began.
September 2005	Original deadline for assimilating staff on to new pay bands.
March 2006	99 per cent of NHS staff in England assimilated on to new pay bands.
October 2006	Original deadline for implementation of Knowledge and Skills Framework.
April 2008	New unsocial hours payments introduced.

Source: National Audit Office

1.22 The Department and trusts focused initially on Agenda for Change before implementing the Knowledge and Skills Framework. The Framework requires managers and their staff to agree a knowledge and skills outline for each job and to review individuals' progress against this at least annually. While nurses and some other healthcare professionals and their managers had experience of this type of process, many other staff did not and so the process was not immediately taken up. As a result, the Department, in partnership with the trade unions, re-launched the Knowledge and Skills Framework in late 2007 in recognition that it had not yet been fully implemented. In May 2007, the Parliamentary Under Secretary for Health Services wrote to all trusts' chief executives emphasising the need to implement fully the Knowledge and Skills Framework.

Methodology

1.23 Our methods were a questionnaire sent to Human Resources Directors at all acute, mental health, and ambulance trusts, ('trust census'). We had a response rate of 77 per cent to this questionnaire. We visited 17 NHS organisations including 10 acute trusts, three mental health trusts, an ambulance trust, two primary care trusts and a strategic health authority. At these visits we carried out semi-structured interviews with a range of staff and reviewed supporting documentation.

1.24 We carried out further interviews with staff at strategic health authorities, the Department and NHS Employers who had leading roles in designing and implementing Agenda for Change. We commissioned a leading academic on NHS workforce planning, Professor James Buchan at Queen Margaret's University, Edinburgh, to carry out a scoping exercise for us reviewing in particular the data available for assessing the impact of Agenda for Change.[13]

1.25 We also conducted a web-based survey of NHS staff and interviewed other stakeholders. In order to quantify the costs of Agenda for Change we estimated relevant NHS staff costs as they might have been had Agenda for Change not been implemented and compared these to actual figures taking account, where possible, of factors which have independently affected pay. More details of our methods may be found in Annex 1.

13 James Buchan and David Evans are authors of a paper for the King's Fund: "Realising the Benefits? Assessing the Implementation of Agenda for Change", published July 2007.

PART TWO

Implementation and costs of Agenda for Change and the Knowledge and Skills Framework

Implementation of Agenda for Change and the Knowledge and Skills Framework

The need for a new reward system

2.1 In our census of 244 trusts, completed by Directors of Human Resources, over 98 per cent agreed or strongly agreed that a new national contract for staff was needed. Most agreed or strongly agreed that the old arrangements were overly complex (88 per cent), and many agreed or strongly agreed that the lack of harmonised terms and conditions prior to Agenda for Change provided barriers to team working (62 per cent). This part of the report examines the implementation of Agenda for Change and the associated costs.

Lessons from the pilots

2.2 The Department piloted Agenda for Change at 12 'Early Implementer' sites. The pilot sites were given considerable freedom in their approach to implementation. In order to support and learn from the pilots the Department, via the Modernisation Agency, established a team of 'best practice facilitators' each with responsibility for two or three pilot sites.[14] These facilitators provided information which was used in the design of the processes for national roll-out, guidance and the national job profiles. The guidance and national profiles were produced in partnership with the trade unions.

2.3 While the Department found the pilots useful in terms of developing processes and guidance over half (53 per cent) of trusts disagreed that the Department and their strategic health authority had effectively shared the experience from the Early Implementers. National implementation began before the pilots had been completed so some of the lessons learnt were not fully available to other trusts when they began implementing Agenda for Change.

2.4 Evidence from our census showed that the pilots focused on the mechanics of evaluating jobs and assimilating staff on to the new pay points, rather than considering how the wider benefits of Agenda for Change could be secured. The pilots also gave little indication of the resources required by trusts to implement Agenda for Change, something that many trusts underestimated.

2.5 Piloting Agenda for Change allowed the Department to analyse the cost implications using data from the Early Implementers. As a result of this work, it became clear that unsocial hours payments were not operating as intended. This part of Agenda for Change appeared to cost much more than originally thought, and also, the data suggested that individual staff could make significant losses as well as significant gains from this element of pay. The employers and the unions therefore took the decision to negotiate this element separately.

The timeframe for national implementation

2.6 The Department initially set a deadline of 30 September 2005 for all trusts to have set up the job evaluation scheme (including training staff), to evaluate posts and to transfer staff to their new pay points. Although some of this work had been done while the pilots were being conducted, this deadline was only ten months after the Final Agreement had been reached and proved unachievable.

2.7 The Department continued to monitor progress closely and by March 2006 ninety-nine per cent of staff in England had been transferred to their new pay points. Trusts reported that they required more resources to implement Agenda for Change than they expected. As a result, staff involved in other human resources projects had to become involved in the process of evaluating and assimilating staff on to Agenda for Change pay bands.

14 When the Modernisation Agency was abolished in April 2006 the team moved to NHS Employers for a short time and then this work moved to the strategic health authorities at their request.

2.8 The scale of the implementation and the timetable meant that trusts did not have the capacity to plan for benefits, for example by using the job evaluation process to design new roles. As a consequence, they evaluated jobs primarily on the basis of what staff were doing when Agenda for Change was implemented.

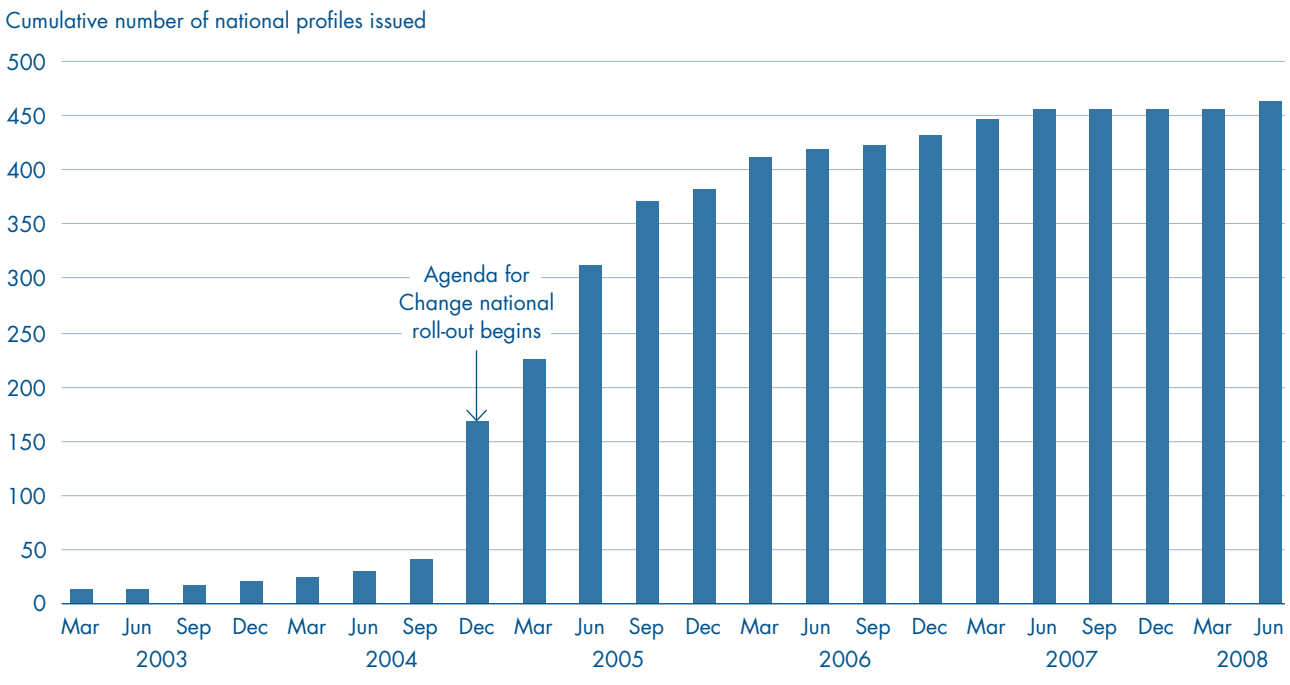
2.9 In our visits and in responses to our census, trust managers offered reasons why working differently had not been considered in the early stages of implementation. Firstly, increases in pay as a result of implementing Agenda for Change were not linked to, or dependent on, changes to the way staff work. Secondly, in order to meet the Department's timetable, trusts focused their time and resources on job evaluation and assimilation of staff on to the new pay bands. As a result there was little opportunity also to review the way staff were deployed and to develop new roles.

2.10 The Department believes that there were advantages to setting a testing schedule for implementation of Agenda for Change. Experience from other countries in the United Kingdom and of a similar pay reform in local government suggested that with longer timescales there are risks that implementation would stall. Assimilating most staff in the NHS in England on to Agenda for Change in such a short timescale was a big task and was successfully achieved by the NHS.

2.11 Around 39 per cent of trusts agreed that the Department and the strategic health authority had given them adequate guidance on implementing Agenda for Change. Trusts reported that the national job profiles which the Department provided were useful but publication was not always timely:

- Where they were available, the job profiles had enabled trusts to evaluate posts quickly and straightforwardly by 'matching' them to the specifications. More profiles were needed than the Department had originally anticipated as small groups of commonly occurring jobs were identified during the roll-out. Eventually 90 per cent of roles were matched to a national profile, exceeding the 80 per cent the Department planned for.
- Some national job profiles (296 of 463) were still being developed whilst Agenda for Change was being implemented **(Figure 4)**, and some that had been issued were later substantially amended, requiring trusts' job evaluation panels to reconsider these posts. The Department did, however, prioritise writing and reviewing national profiles for the most highly populated jobs so these were available first. Where posts could not be matched to a national profile, trusts had to use a 40 page Job Assessment Questionnaire to evaluate posts which did not match an available profile. This process required considerable administrative effort if trusts were to meet the implementation timetable.

4 167 national profiles (36 per cent) had been developed at the time national roll-out began in December 2004



Source: National Audit Office analysis of NHS Employers' data

Evaluating jobs on a consistent basis

2.12 The Department's Job Evaluation Handbook set out a procedure for checking the consistency of job evaluations at each trust. Strategic health authorities also sought to achieve consistency between trusts in their area, for example by hosting regular meetings with job evaluation 'leads'. There was no method for monitoring the consistency of the job evaluation scheme at a national level by proactively analysing a sample of jobs from across England.[15] When they have carried out subsequent external benchmarking exercises, or when they have merged since implementation, trusts report having identified inconsistencies in the initial job evaluation process.

2.13 Job matching depends crucially on the quality of the job descriptions used, although panels asked for additional information when they needed to. Trusts reported that the quality of job descriptions varied. In particular, some professional bodies within the NHS produced model job descriptions which put their members in a strong position to describe their roles fully. Other groups without these descriptions were not as well placed.

Implementation of Agenda for Change in partnership with staff representatives

2.14 The Department and trusts implemented Agenda for Change in partnership with staff representatives who worked alongside management colleagues at a national level, in human resources departments within trusts and on job matching and evaluation panels. The experience was positive for both management and staff. Managers attributed the low level of reviews of job evaluation decisions to partnership working. Those staff who sat on job matching and evaluation panels gained a thorough understanding of the job evaluation process and a better understanding of colleagues' roles within their trust. Partnership working has been extended beyond Agenda for Change to other initiatives. For example one trust reported that they had involved staff in development of their private finance initiative project and that they would not have done so but for the positive experience gained during implementation of Agenda for Change.

Calculating the Cost of Agenda for Change

2.15 The Department monitored the costs of Agenda for Change for 2004-05, but did not set up arrangements with trusts to continue to track the actual costs of Agenda for Change thereafter. At a local level, only a minority of trusts in our census could supply data on changes to pay costs associated with the introduction of Agenda for Change. The Department does, however, have data which show that the total annual cost of employing staff in the NHS (England) rose by £7.4 billion (36 per cent) in the five years between 2003-04 and 2007-08 to £28.2 billion.[16] Twenty-two per cent of the £7.4 billion is due to increases in employers' pension contributions and 13 per cent is due to growth in the Agenda for Change workforce. The remaining 65 per cent is accounted for by higher levels of pay, through pay awards, effects such as pay progression as staff move up the pay bands and the impact of Agenda for Change. In its evidence to the Health Select Committee Public Expenditure Enquiry the Department made clear that it was no longer possible to isolate the cost of Agenda for Change from other elements of the pay bill.[17]

2.16 In order to assess whether Agenda for Change has contributed to this £7.4 billion increase and if so by how much, we constructed two 'counterfactual' scenarios of what might have happened if there had been no new pay system and compared the results with the actual increase in pay costs. We took actual pay costs in 2002-03 and projected these forward, taking account of factors such as the growth in staff numbers and changes in employers' pension contributions over the period. Although Agenda for Change was implemented in the year 2004-05, the scenarios begin in 2003-04 because the three year pay-deal which commenced in that year was put in place as part of the negotiations for Agenda for Change.

2.17 The scenarios are based on marginally different assumptions about the increase in staff earnings had Agenda for Change not happened. The first assumes that average staff earnings, for the first two years, would have grown at the same rate (five per cent) as that prevailing in the five years preceding the implementation of Agenda for Change reducing slightly (to 4.5 per cent) from 2005-06. This reduction reflected the financial pressures on NHS trusts in the three years 2005-06 to 2007-08. The second is based on the assumption that earnings would have continued to grow at a steady 5 per cent, (see Annex 1 for details of our methods).

15 The Consistency Monitoring Sub-Group of the NHS Staff Council (a partnership body made up of staff and employers' representatives) has carried out some national level sample checking where concerns have been raised relating to particular staff groups.
16 Not including doctors and others not covered by Agenda for Change.
17 The Department's evidence to the Health Select Committee's Enquiry, "Public Expenditure on Health and Personal Social Services 2008, Uncorrected Evidence" HC28-i, November 2008.

2.18 Using the two scenarios, we calculated the difference between the theoretical pay costs had Agenda for Change not existed, and actual pay costs under Agenda for Change. This difference gives an estimate for the net impact of Agenda for Change **(see Figure 5)**. If applied to the most recent year, 2007-08, the two scenarios indicate that Agenda for Change has made a difference to the pay bill of between minus 0.8 per cent (£239 million) and plus 0.6 per cent (£166 million). The variation is small compared with the actual pay bill figure for 2007-08 of £28,182 million.

2.19 **Figure 6** shows the breakdown of factors contributing to the growth in pay costs (from our first scenario) over five years. Both scenarios show a saving of £374 million in 2003-04 as managers and staff awaited the implementation of Agenda for Change and therefore did not pursue local re-gradings and other pay flexibilities. After 2003-04 our first scenario shows that Agenda for Change increased NHS pay costs by a relatively small amount each year, and there are recent signs of this increase levelling off. Our second scenario shows savings as a result of Agenda for Change in 2006-07 and 2007-08.

Calculating the savings expected from Agenda for Change and the Knowledge and Skills Framework

2.20 The original Business Case for Agenda for Change identified other economic factors which it anticipated would lead to further savings. An overall figure for net savings of at least £1.3 billion over the first five years of the programme was given. These were to come from:

- gains from increased productivity;
- gains from increased staff resources ('participation rates'), for example because this would reduce the need to use expensive agency staff;
- a reduction in pay drift from its historical average of 1.6 per cent. Pay drift is the rate at which average earnings increase above the rate of the annual pay award;[18] and
- higher quality care.

5 Impact of Agenda for Change on NHS pay costs

	2003-04 £m	2004-05 £m	2005-06 £m	2006-07 £m	2007-08 £m
a. Actual total NHS pay costs	20,825	24,425	26,443	27,232	28,182
b. NAO First Scenario[1]	21,199	24,367	26,316	27,023	28,016
c. **Impact of Agenda for Change on NHS pay costs (NAO First Scenario)** – difference between the actual pay costs and first NAO Scenario (a-b)	–374	58	127	209	166
d. NAO Second Scenario[2]	21,199	24,367	26,442	27,282	28,421
e. **Impact of Agenda for Change on NHS pay costs (NAO Second Scenario)** – difference between the actual pay costs and second NAO Scenario (a-d)	–374	58	1	–50	–239

Source: National Audit Office and Department of Health

NOTES

All pay costs exclude doctors and other staff not covered by Agenda for Change.

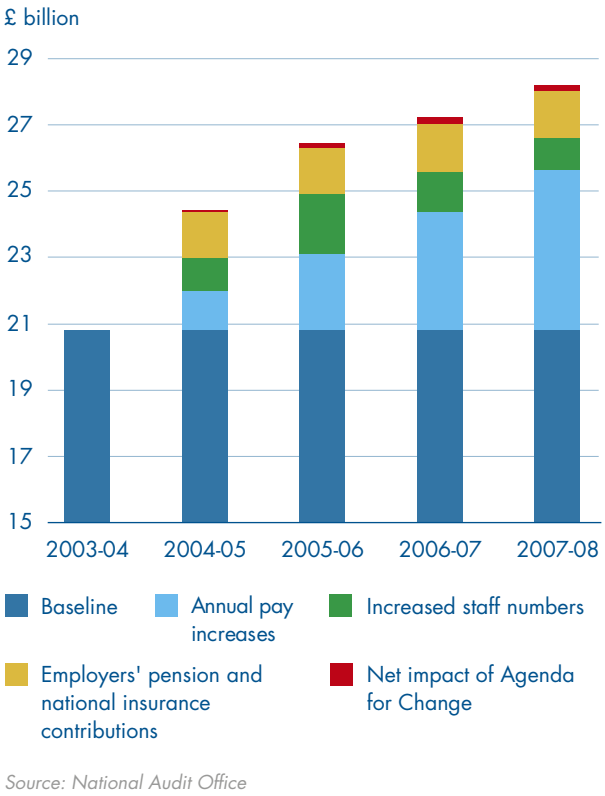
1 NAO estimate of pay bill as it would have been had there been no new pay system using the assumption that average earnings growth would have been lower than in previous years.

2 NAO estimate of pay bill as it would have been had there been no new pay system using the assumption that average earnings growth would have been the same as in previous years.

18 For example, if average earnings were £20,000 and a three per cent pay award was given, there would be a new average of £20,600. The effect of a further 1.6 per cent of drift, however, is to push average earnings up to £20,930. Pay drift can be caused by a number of factors including, for example, placing new staff higher up a pay scale or re-grading existing staff to combat recruitment and retention problems.

2.21 The Department and trusts have not collected the data needed to identify whether Agenda for Change has resulted in these anticipated savings. Our modelling suggests that there may have been some modest savings from Agenda for Change (see paragraph 2.19). We know, however, that these have not yet come from reduced pay drift as this has stayed, on average, above its historical rate of 1.6 per cent. It remains to be seen whether NHS pay drift will fall back to, or below, historical levels. Pay drift continuing at its current level would suggest that NHS average earnings have an inherent propensity to grow faster under Agenda for Change than under the previous pay systems, although other structural changes such as the current three year pay-deal may also affect pay drift.

6 A breakdown of pay costs for staff employed under Agenda for Change since the implementation (first scenario)



Source: National Audit Office

NOTE

The baseline is actual NHS pay costs in 2003-04 (see Figure 5 and paragraph 2.19). This Figure represents the first scenario. If the second scenario were represented it would show the impact of Agenda for Change as a net saving from 2006-07.

PART THREE

Benefits of Agenda for Change and the Knowledge and Skills Framework

3.1 The Department of Health set out the benefits expected from Agenda for Change in the Final Agreement success criteria. These broadly reflected the benefits in the original NHS Pay Modernisation Business Case presented to the Treasury, which also included increased productivity[19] and a reduction in the administrative burden of the NHS payroll. Agenda for Change and the Knowledge and Skills Framework are tools to support organisations in their work, and the expected benefits could not be achieved without other organisational efforts. In this part we report on progress made in realising the benefits grouped under four main headings:

- New ways of working – aimed at increasing quality of care.
- Better pay; better recruitment and retention; better career development; and improved morale.
- Increased productivity and a reduction in the administrative burden on the NHS.
- Fair pay and improving equal opportunity and diversity.

In its Business Case for Agenda for Change, the Department claimed that achieving these benefits would result in net savings of at least £1.3 billion over the first five years.

New ways of working to increase the quality of care

3.2 Trusts report that the new pay system gives them the means to simplify the process of identifying skills needed for a job and provides a transparent way of deciding the correct remuneration. The Department's emphasis during the national roll-out was on job evaluation and assimilation of staff on to the new pay bands. The Department (via the Modernisation Agency) provided some guidance to trusts on how to use Agenda for Change to engineer staff working differently to deliver improved care, but did not record or measure the extent to which trusts did this. The priority for trusts was to meet the Department's deadlines for job evaluation and assimilation on to new pay bands, which the Department monitored closely.

3.3 When it came to using Agenda for Change and the Knowledge and Skills Framework in practice, just over half of trusts in our census agreed or strongly agreed "We have used Agenda for Change to improve clinical pathways by creating new roles for nursing staff" (58 per cent) and just under half agreed or strongly agreed "Agenda for Change enables our trust to make changes that will deliver higher quality care" (46 per cent). Staff who responded to our survey were less positive with less than a third (31 per cent) agreeing or strongly agreeing with the statement "I have taken on increased responsibilities in my job as a result of Agenda for Change/Knowledge and Skills Framework".

3.4 When asked in our census how they had used Agenda for Change to design new roles, 47 per cent of trusts were able to provide us with examples. The examples and our visits showed, however, that new ways of working related only to a few specific roles or activities rather than across the organisation.

Better pay; better recruitment and retention; and improved morale

3.5 NHS employees' earnings have increased appreciably since 2000. The extent varies between professions and depends on where employees were previously on NHS pay scales. The average earnings for an NHS employee covered by Agenda for Change rose from £21,628 in 2003-04 to £26,537 in 2007-08;[20] an average annual increase, including incremental progression of 5.2 per cent in money terms.

19 NHS productivity, as defined by the Office for National Statistics, is the ratio between the volume of resources going into the NHS (inputs) and the quantity of healthcare provided by the NHS (outputs). If inputs rise faster than outputs then productivity goes down.

20 Data from the Department of Health.

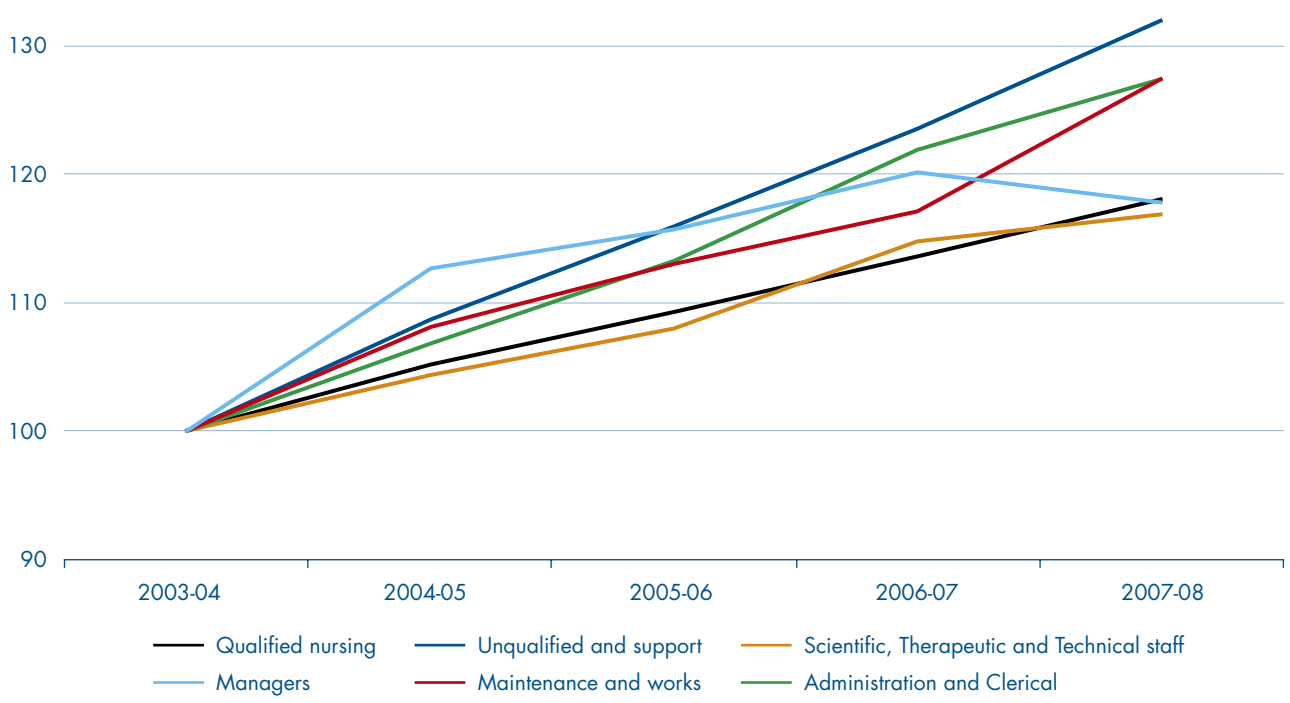
3.6 The minimum hourly rate in the NHS grew faster than average NHS earnings. In 2003-04 the minimum hourly rate in the NHS was £4.61. By 2005-06 it had risen to £5.88.[21] This is rate of increase is faster than in the national minimum wage over the period.[22]

3.7 Agenda for Change had varied effects on the earnings of different staff groups. Earnings for qualified nurses have risen by 4.2 per cent a year on average since 2003-04. This is a slower rate of increase than for other staff groups (including healthcare assistants and associate nurses) for whom earnings have risen by 5.8 per cent a year since 2003-04. The largest increases in earnings have been seen by unqualified staff, where many staff groups are now taking on greater responsibilities as more roles at Bands 3 and 4 have been created. **Figure 7** shows the rate of growth in average earnings for different staff groups between 2003-04 and 2007-08.

Recruitment and retention of staff

3.8 It is difficult to assess the effect of Agenda for Change on recruitment. Staff numbers in posts covered by Agenda for Change peaked at 916,548 in 2005-06, when Agenda for Change was still being rolled out nationally **(Figure 8 overleaf)**. The NHS faced severe financial constraints in 2006-07 and staff numbers stabilised as part of the drive to eradicate deficits. Agenda for Change may have contributed to the reductions in the number of posts for qualified staff which were vacant for more than three months in 2005-06 although this reduction too may be a result of deficits and trusts choosing to freeze posts instead of advertising vacancies **(Figure 9 overleaf)**. Agenda for Change may have had a positive impact on staff retention in 2003 and 2004 as more staff than usual may have decided to stay in the NHS to see how the new pay system would affect them.

7 Rate of growth of earnings per full time equivalent broken down by staff groups

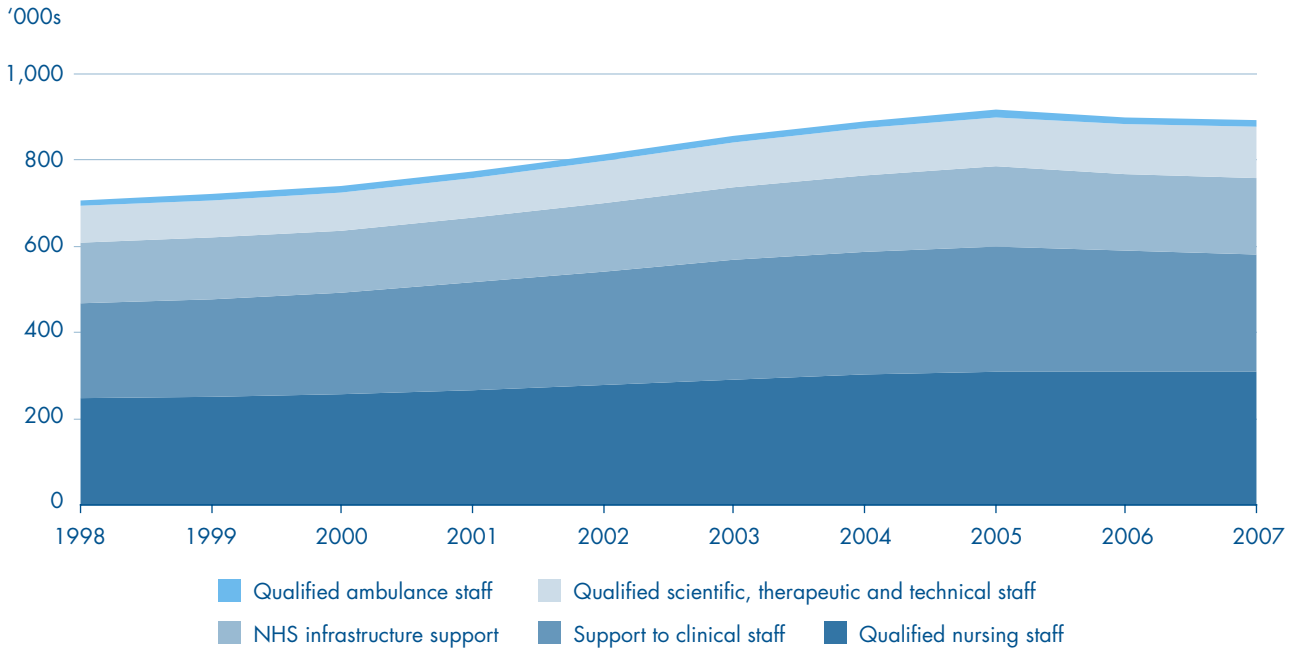


Source: National Audit Office analysis of data from the Department of Health

NOTE
Baseline = 100 in 2003-2004.

21 Data from the Department of Health.
22 The statutory national minimum wage for adults was £4.50 (October 2003 to September 2004) and £5.05 (October 2005 to September 2006).

8 Growth in NHS staff numbers in England on Agenda for Change terms and conditions peaked in 2005 at the time Agenda for Change was implemented

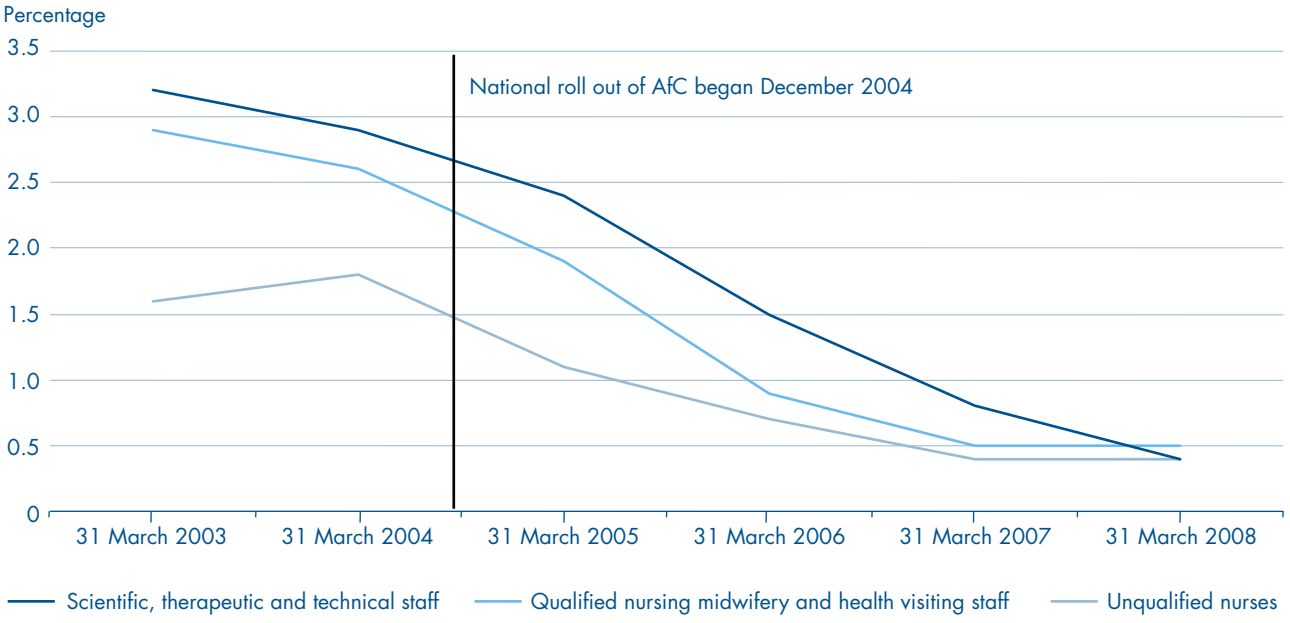


Source: Information Centre for Health and Social Care

NOTE

These are whole-time equivalent numbers. Total staff numbers are higher as some work part-time.

9 The percentage of posts vacant for three months or more has continued to fall since the roll-out of Agenda for Change but other factors may be responsible



Source: Information Centre for Health and Social Care

3.9 In our census, 63 per cent of trusts had no view on whether Agenda for Change has positively affected recruitment and retention of staff. Around half of trusts agreed that specific recruitment and retention payments allowable under Agenda for Change gave them more flexibility than previously to tackle local labour issues, although to avoid contributing to upward pressures on pay locally, few use them in practice. Other factors which contributed to NHS staff growth in the period 2000-2005 include increased numbers of training places **(Figure 10)** and increased recruitment from overseas.[23] According to the Department's figures, there has been a reduction in the proportion of the pay bill spent on agency nurses and the Department believes Agenda for Change contributed to this reduction. Besides Agenda for Change there have been other factors, however, which have also contributed to the reduction. For example, framework contracts with employment agencies; increased use of NHS 'bank' staff; and a fall in demand for nursing staff due to the financial deficits.[24]

10 Increases in training places 1999-2005

	Number of training places 1999	Number of training places 2005	Percentage increase 1999-2005 %
Nursing	17,692	23,651	33.7
Physiotherapy	1,473	2,360	60.2
Occupational Therapy	1,173	2,008	71.2
Radiography	581	864	48.7

Source: Health Select Committee, Workforce Planning, Fourth Report of Session 2006–07

Staff Morale

3.10 The Department intended that Agenda for Change would contribute to improvements in staff morale by delivering better pay and conditions, based on a fairer evaluation system and with a clear career progression framework underpinned by the Knowledge and Skills Framework. NHS staff had a range of views of Agenda for Change when it was implemented, for example 41 per cent of staff thought their Agenda for Change pay banding was fair in 2006, although with a slightly higher figure for nurses and midwives at 46 per cent **(see Box 4)**.

3.11 While nurses as a whole were slightly more satisfied with their pay banding than other staff groups a Royal College of Nursing survey of its members in 2006 showed that nurses' satisfaction with their pay band depended on the relationship between their new pay band and their pre-existing grade **(see Box 5 overleaf)**.

BOX 4

Nurses and midwives had more positive views of Agenda for Change than other staff groups

- 46 per cent of registered nurses and midwives responded that they thought that their pay re-banding was fair (41 per cent for all staff).
- 30 per cent agreed or strongly agreed that Agenda for Change had been implemented successfully within their trust (26 per cent for all staff).
- 41 per cent of registered nurses and midwives were satisfied with the information that their trusts had given them about Agenda for Change (36 per cent for all staff).

Source: NHS Staff Survey 2006, Healthcare Commission, 2006

23 5,000 overseas nurses registered with the Nursing and Midwifery Council in 2000, growing to more than 15,000 in 2002, and the number remained above 12,000 per year between 2003 and 2005. Similarly, the number of overseas physiotherapists registering in the UK rose from 500 in 2000 to 1,300 in 2005. Health Select Committee, Workforce Planning, 4th Report 2006-07.

24 For further information about temporary nursing please see the National Audit Office report *Improving the Use of Temporary Nursing Staff in NHS Acute and Foundation Trusts*, HC 1176, 2005-2006.

3.12 NHS staff views of their pay and benefits have remained largely unchanged since 2006 and Healthcare Commission NHS staff surveys show that job satisfaction overall did not improve between 2004 and 2006 although there were improvements in some areas in 2007. The Department published a staff survey analysis "What matters to Staff" in June 2008 in which just 37 per cent agreed with the statement "I feel fairly treated with pay, benefits and staff facilities". From consultation with stakeholders and interviews with staff we found that financial pressures in 2006-07 and the staging of the 2007 pay award contrary to the recommendations of the pay review body had contributed to NHS employees' negative views about pay.

Productivity

3.13 Increases in overall NHS productivity were expected as a result of implementing Agenda for Change. Productivity is a comparative measure between inputs and outputs **(see Box 6)**. In terms of inputs, the NHS has seen increases in staff numbers, average pay and annual leave and reductions in working hours. To achieve increased productivity in these circumstances staff would need to work differently as compared with before Agenda for Change.

3.14 The Department expected productivity gains year on year of 1.1 to 1.5 per cent following the implementation of Agenda for Change. The past seven years have seen large increases in spending on the NHS in England, coupled with a policy to employ more staff and pay them better. There is now greater capacity in the Health Service. There are more nurses and other frontline staff, waiting times have reduced and there have been improvements in the treatment of some conditions, especially cancer. Productivity in the NHS, however, fell between 2001 and 2005 as the growth in the amount of healthcare provided was overtaken by the more immediate growth in resources used by the NHS **(Figure 11)**. From 2005 to 2006 productivity stabilised largely because the rate of growth in staff numbers slowed, perhaps because trusts were freezing vacant posts in the drive to balance their finances in 2005-06 and 2006-07.

BOX 5

Nurses' satisfaction with their Agenda for Change pay bands (2006 survey)

Before Agenda for Change, newly qualified nurses were placed on Grade D, and after six months to a year they would progress to Grade E. This provided a clear distinction between less experienced nurses and their more experienced colleagues.

Under Agenda for Change all newly qualified nurses were placed on Band 5. This pay band, however, was sufficiently wide that 86 per cent of Grade E nurses were also placed on Band 5, albeit on higher pay points than their newly qualified colleagues. Fourteen per cent of Grade E nurses with more highly evaluated roles were assimilated on to Band 6. As a result, for former Grade E nurses who were placed on Band 5, there was both less of a distinction from colleagues who had previously been in a lower grade and a feeling of unfairness that some colleagues who had previously been in the same grade were now on a higher band.

Fifty-three per cent (around 50,000) of Grade E nurses who were placed on Band 5 felt their new pay band was not appropriate. Conversely, only 14 per cent of Grade E nurses who were placed on Band 6 felt their new pay band was not appropriate.

There was even more dissatisfaction amongst Grade G nurses who were placed on Bands 5 or 6, 72 per cent of whom felt their new pay band was not fair.

Source: Impact of Agenda for Change, Survey of Royal College of Nursing Members, September 2006

NOTE

These data were collected in October 2005 when less than half of nurses were assimilated on to Agenda for Change pay rates.

BOX 6

How NHS productivity is measured

Productivity is the ratio between the volume of resources going in to the NHS ('inputs') and the quantity of healthcare provided by the NHS ('outputs'). If inputs rise faster than outputs then productivity goes down.

Inputs – volume of resources going in to the NHS – there are three components:

- labour (for example nurses' pay);
- goods and services (including prescription drugs and electricity); and
- capital consumption (cost of deterioration in buildings and equipment).

Outputs – quantity of healthcare – measured activities include:

- hospital inpatient, day case and outpatient episodes;
- GP and practice nurse consultations and prescriptions; and
- ambulance journeys.

Two methods are adopted to adjust the quantity of health care output by using information on improvements in quality of healthcare. The adjustments are based on:

- short term survival, health improvements following treatment in hospital, and changes in waiting times for hospital treatment; and
- outcomes from primary medical care.

Source: National Audit Office summary of Office for National Statistics methodology set out in Public Service Productivity: Healthcare, January 2008

3.15 The more general measures of NHS productivity and efficiency which are available do not take account of changes in quality of services and cannot be disaggregated to show the specific impact of Agenda for Change. The most comprehensive productivity statistics for the NHS as a whole in England (Figure 11) are compiled by the Office for National Statistics. Their most recent figures show three phases of productivity change from 1995 to 1996:

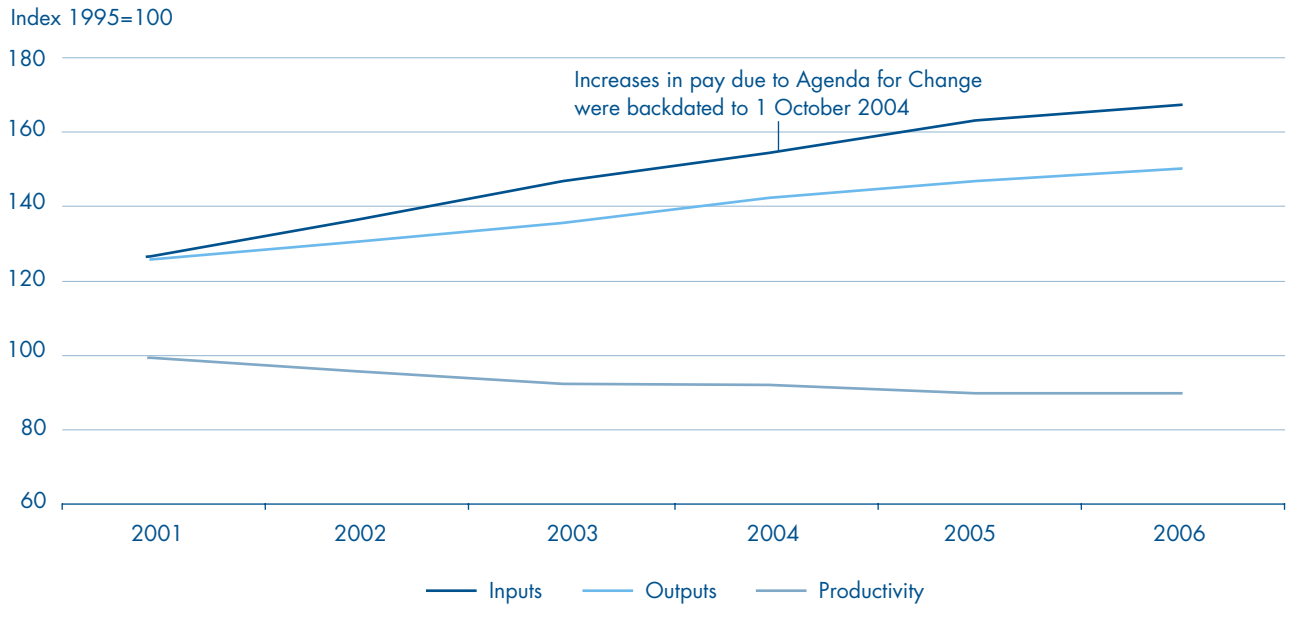
- from 1995 to 2001, productivity was stable, falling slightly at 0.1 per cent a year;
- from 2001 to 2005, productivity fell by 2.5 per cent a year without quality adjustments (two per cent a year with quality adjustments); and
- from 2005 to 2006, productivity levelled off, falling by only 0.2 per cent, without quality adjustments.

3.16 The period of declining productivity from 2001 to 2005, which overlapped with the implementation of Agenda for Change and reforms to doctors' pay was a period of rapid spending growth targeted at improving health outcomes and reducing waiting times. The Office for National Statistics data need to be interpreted alongside other evidence, such as a fall in the average length of stay in hospital, which suggest that the reduction in productivity may have been a little less steep than the raw statistics show.

3.17 The Department has not carried out a specific exercise to demonstrate the productivity savings resulting from Agenda for Change. Locally trusts have not attempted to measure productivity gains from Agenda for Change. Without the means to measure the specific impact of Agenda for Change, it is not possible to determine whether the productivity savings have been achieved. The Department has measured efficiency gains on a project-by-project basis, but these do not take account of the increased resources used by the NHS overall.

3.18 Around 35 per cent of trusts in the NAO census believed Agenda for Change had improved efficiency. When we asked for examples, however, these tended to be limited to opinions about reduced complexity of the pay systems, a simpler annual pay round, partnership working and usefulness of the job evaluation scheme, rather than evidence of productivity gains from staff working differently. Only six per cent of staff who responded to our survey agreed or strongly agreed with the statement "I feel that I am more productive as a result of Agenda for Change/Knowledge and Skills Framework".

11 Health care productivity index



Source: Public Service Productivity: Healthcare, Office for National Statistics, January 2008

NOTE

Includes all NHS costs including drugs and is not adjusted for changes in quality in healthcare. Disaggregated quality adjusted data for hospitals and community services are available up to 2005. They show a similar picture to Figure 11, except that productivity declined at two per cent a year on average in the period 2001 to 2005, rather than 2.5 per cent.

3.19 We found a recognition amongst trust managers that benefits were expected in the longer term from Agenda for Change and the Knowledge and Skills Framework, but after the transfer of staff to their new pay bands had been completed, many trusts had moved on to other initiatives or became absorbed in the re-organisations within the NHS which took place in 2006.

Reduced Administration

3.20 There is now a single pay review body for all non-medical staff, and pay negotiations have become simpler and more straightforward with the Department better able to model the effects of proposals to change pay rates and other terms and conditions. Amongst finance staff and budget managers, including ward managers, we found a consensus that harmonised terms and conditions had made it easier to prepare and monitor budgets as the payroll costs are now much more transparent. This consensus was supported by the responses of trusts to our census, where 85 per cent agreed or strongly agreed that the old arrangements were overly complex.

Fair pay, equal opportunity and diversity

3.21 The risk that some NHS pay arrangements do not comply with equal pay legislation has developed as the law itself has developed. In 1983 the Equal Pay Act was amended to allow claims where the applicant was carrying out 'work of equal value' in contrast to the original Act in 1970 which had applied only in situations where women and men were undertaking 'like work', that is the same or very similar work or work rated as equivalent.

3.22 In the 1980s and 1990s, around 1,600 speech and language therapists submitted equal value claims seeking to compare their work with that of clinical psychologists and hospital pharmacists. The Employment Tribunal heard three test cases in which it found in favour of the applicants. The remaining cases were settled out of court with approximately 350 claimants receiving compensation.

3.23 The Department intended that Agenda for Change would support and promote fair pay, equal opportunity and diversity. The Job Evaluation Scheme was developed by the Department, trade unions, NHS managers and two independent experts and was designed to deliver a system that was consistent with the principles of equal pay for work of equal value (see Annex 3).

3.24 Some elements of Agenda for Change are under challenge in the courts. The Employment Tribunal is hearing a test case which is due to conclude in February 2009.[25] There is scope for appeal to the Employment Appeals Tribunal and to the higher courts so the case may not be finally resolved for some time. The Department has established an Equal Pay Project Board, chaired by a Director of Workforce to manage these issues at a high level. The NHS Litigation Authority provides advice and assistance to individual trusts. Each strategic health authority has an equal pay lead whose role is to act as liaison between trusts and the Department.

3.25 One of the Agenda for Change success criteria was 'to deliver fair pay and to improve all aspects of equal opportunity and diversity'. The Healthcare Commission's annual NHS staff surveys show that the proportion which does not believe their employer "acts fairly with regard to career progression or promotion, regardless of ethnicity, gender, religion, sexual orientation, disability or age" has remained largely the same: seven per cent in 2005; nine per cent in 2006 and eight per cent in 2007.

What more needs to be done to realise the benefits from Agenda for Change and the Knowledge and Skills framework

3.26 The Department intended that the introduction of the Knowledge and Skills Framework would be one of the key drivers to help improve staff skills and ultimately the quality of care. This was to be achieved by outlining the skills and knowledge required to perform each role, annual reviews of how staff had applied their skills and knowledge, and personal development plans based on skills gaps identified as a result. There are, however, no mechanisms for measuring the extent to which the Knowledge and Skills Framework is being used to drive improvements in care more widely.

25 *Hartley & Others v Northumbria Healthcare NHS Foundation Trust and others.*

3.27 In addition, the Knowledge and Skills Framework has not been implemented for many staff. By October 2007, 41 per cent of NHS staff had had a knowledge and skills development review in the previous year.[26] At the time of our fieldwork in August and September 2008, the proportion of staff who had had a review had risen to 54 per cent.[27]

3.28 In our census around two-thirds of trusts agreed or strongly agreed "The Knowledge and Skills Framework assists career development" and that "The Knowledge and Skills Framework has made staff performance reviews/ appraisals more rigorous". Staff were less sure about the direct impact of annual reviews on improved performance, with 18 per cent agreeing or strongly agreeing that their "Knowledge and Skills Framework review was useful in helping me improve how I do my job".

3.29 When it came to using Agenda for Change and the Knowledge and Skills Framework with respect to nursing just over half of trusts in our census agreed or strongly agreed "We have used Agenda for Change to improve clinical pathways by creating new roles for nursing staff". Most commonly these were 'assistant practitioner' roles where less qualified staff take on work from qualified nurses and 'advanced practitioner' and 'nurse consultant' roles where senior nurses take on responsibility for tasks formerly carried out or supervised by medical staff, such as prescribing. Nurses and their managers were familiar with annual reviews and continuing professional development before the introduction of the Knowledge and Skills Framework so this was less new to them than to some other staff.

3.30 The reasons given for the slow implementation of the Knowledge and Skills Framework in trusts by staff related to their perception that the system was excessively bureaucratic. For example, the Knowledge and Skills Framework Handbook issued by the Department is 262 pages long. In our visits we found that some staff had developed systems for collecting large quantities of written evidence to use at their annual reviews which had made the process excessively burdensome.

3.31 In trusts where the use of the Knowledge and Skills Framework has been effective, there has been a commitment from senior managers to developing and managing their staff. Managers have been given appropriate training and the time to undertake reviews effectively. Staff also need to be given the time to be able to participate in the process and attention needs to be paid to ensuring the process is as streamlined as possible and clearly linked to organisational objectives.

3.32 In support of the Knowledge and Skills Framework, some trusts have used electronic systems to help them administer the process. Trusts that have used the electronic version of the Knowledge and Skills Framework ('e-KSF') have found it to be useful. Trusts report there is, however, a lack of clarity on the functions of the e-KSF compared to the Learning Management module of the NHS electronic staff record IT package.

3.33 The shortfalls in the use of the Knowledge and Skills Framework have been recognised by the Department, and in conjunction with NHS Employers and NHS trade unions it re-launched the Framework in 2007 with the aim of increasing its use in the NHS. NHS Employers emphasised the importance of the Knowledge and Skills Framework in achieving benefits from Agenda for Change, but said that it needed to be supported by senior managers within the NHS. The Parliamentary Under Secretary for Health Services wrote to all trusts' chief executives in May 2008 setting out the actions trust boards should take to get the most out of the Knowledge and Skills Framework.

3.34 Some trusts have effectively integrated the Knowledge and Skills Framework into their performance management systems, helping them not only to record the attainment of skills, but to measure performance in completing specific daily tasks. For example, some trusts have included targets for nurses which are aimed at reducing healthcare associated infection, such as compliance with hand hygiene procedures.

26 Healthcare Commission (2007) '*National Survey of NHS Staff*'.
27 National Audit Office census of trusts.

Sustainability of Agenda for Change

3.35 There are some risks to the success of Agenda for Change, in the shape of the changing landscape of the NHS. The development of patient choice, where patients can choose who provides their care creates a competitive market for healthcare where trusts compete against each other and the private sector to provide care. Increased competition and increased devolution in local decision making could make the national Agenda for Change system redundant should trusts, for example, opt for local terms and conditions to attract particular staff by paying more.

3.36 The Department expects that most acute trusts will have increased autonomy as they become Foundation Trusts. Foundation Trust status devolves most decision making in the NHS down to local level and places an increased emphasis on financial stability and the generation of modest surpluses to invest in patient care. Foundation Trusts are able to agree their own local terms and conditions and can use recruitment and retention premia as they wish, though only Southend University Hospitals NHS Foundation Trust has done so. We found an example of one Foundation Trust which had declined to introduce the Knowledge and Skills Framework, and another which is planning to move away from it and introduce its own appraisal system.

3.37 Regardless of whether trusts choose to use their freedoms and flexibilities and adapt Agenda for Change to meet local needs, the implementation of a national job evaluation system and harmonised terms and conditions for staff gives the NHS an important baseline to work from. The Department believes that the implementation of Agenda for Change should make it easier for staff to move between trusts, provides a strong defence to equal pay claims and will remain an important reference point for trusts in the changing NHS landscape.

GLOSSARY

Acute Trust	An NHS trust that provides hospital-based healthcare services. An acute trust can cover one or more hospitals.
Clinical Pathways	The sequence of different interventions by professionals involved in the care of a specific group of patients.
e-KSF	The web-based computerised tool to support the use of the Knowledge and Skills Framework.
Electronic Staff Record	The resources and payroll database system currently used by all NHS organisations in England.
Foundation Trust	A new type of NHS trust that has greater management and financial freedoms, for example to retain surpluses.
National Job Profiles	Evaluated job descriptions covering 90 per cent of NHS roles.
Participation Rate	The quantity of staff resources available. Participation rates can go up, for example, through increased recruitment and retention or increased working hours or reduced annual leave and sickness absence. A benefit of increasing participation rates may be a reduction in the use of agency staff.
Pay Band	A series of pay points up which staff move annually (see Annex 2).
Pay Band Gateways	Two defined points on each pay band where movement upwards is dependent on a satisfactory annual review. It is a formal link between pay and personal development.

Pay Drift	Increase in average earnings over and above headline annual pay awards. Pay drift can be caused by several factors; examples include incremental progression through pay scales, the introduction of new allowances, and above inflation increases in pay band minimums and maximums.
Pay Protection	Period during which an employee's pay is frozen rather than being reduced as a result of job evaluation.
Productivity	The relationship between goods or services delivered ('outputs') and the resources used ('inputs') in producing them. If inputs go up faster than outputs then productivity goes down. The Department and the Office for National Statistics are developing a productivity measure of healthcare which takes account of the improved quality of healthcare provided as well as increases in quantity.
Recruitment and Retention Premia	Additional payments that can be used by NHS trusts to increase the salaries offered when they have difficulties recruiting staff.
Strategic Health Authorities	Ten regional bodies which support the Department to manage the NHS in England. They are responsible for performance management of Primary Care Trusts and strategic planning.
Whitley Councils	A system of regular formal consultative meetings between employers and employees. First proposed by J H Whitley in 1917 these councils have generally evolved into pay negotiating bodies.

ANNEX ONE

Methods

1 We designed our study to examine the following questions:

- Why did the NHS need a new pay contract?
- Has Agenda for Change cost more than expected?
- Was Agenda for Change effectively implemented?
- Are staff, the NHS, and the public receiving the benefits of Agenda for Change through its nursing staff?
- Are the barriers to obtaining the full benefits of Agenda for Change being effectively managed?

A census of all NHS Acute, Mental Health, Care and Ambulance Trusts

2 We carried out a census of all NHS acute, mental health, care and ambulance trusts to gather data on the implementation and perceived benefits of Agenda for Change.[28] We asked for the opinion of Directors of Human Resources on behalf of their trusts. We also collected quantitative data on costs, recruitment and retention, sickness absence and use of temporary staff. We received responses from 189 of the 244 trusts to which we sent the census (a 77 per cent response rate). To estimate the proportion of staff receiving knowledge and skills reviews across the NHS in England we have extrapolated using numbers of staff whole time equivalents. The results of our trust census are available on our website www.nao.org.uk.

Case study visits to 12 NHS Trusts (Foundation and Non-Foundation)

3 We visited 12 trusts in order to undertake more detailed cases studies of the way that Agenda for Change and the Knowledge and Skills Framework were planned for and implemented in the NHS. At each trust we used semi-structured interviews with a variety of staff which included Directors of Human Resources, Directors of Finance, trade union representatives, modern matrons, ward managers and staff nurses. The 12 trusts we visited were:

- Airedale NHS Trust
- Avon and Wiltshire Mental Health Partnership NHS Trust
- Christie Hospital NHS Foundation Trust
- City Hospitals Sunderland NHS Foundation Trust
- Derbyshire Mental Health Services NHS Trust
- Hampshire Primary Care Trust
- Heart of England NHS Foundation Trust
- Hull and East Yorkshire Hospitals NHS Trust
- Lambeth Primary Care Trust
- South East Coast Ambulance Service NHS Trust
- Southend University Hospitals NHS Foundation Trust
- Taunton and Somerset NHS Trust

28 Except Southend University Hospitals Foundation Trust.

We also visited five trusts as part of our planning and preliminary fieldwork:

- Aintree University Hospitals NHS Foundation Trust
- Cambridgeshire and Peterborough Mental Health Partnership NHS Trust
- Sandwell and West Birmingham Hospitals NHS Trust
- East of England strategic health authority
- Kings College Hospital NHS Foundation Trust

4 We interviewed staff at strategic health authorities who were responsible for supporting trusts to implement Agenda for Change.

A survey of NHS staff in England

5 Our survey was placed on the NAO website and was publicised to 62,000 staff in the 17 trusts we had visited. We received 878 responses (a response rate of 1.4 per cent). The results were analysed and are also published on the National Audit Office website. The figures used in this report are given as a percentage of the total valid responses given to the question.

Meetings with key stakeholders

6 We consulted with a variety of external stakeholders during the study using semi-structured interviews. Professor James Buchan also carried out interviews on our behalf. Stakeholders included the Department of Health, NHS Employers, Office of Manpower Economics, the Information Centre for Health and Social Care, the Royal College of Nursing, UNISON, Income Data Services, King's Fund, academics at the Universities of Aberdeen, Greenwich and York, NHS Scotland, NHS Wales and the Department of Health and Social Services and Public Safety of Northern Ireland.

Data Analysis

7 We analysed data provided by trusts, the Department of Health and the Information Centre for Health and Social Care.

Calculating the cost of Agenda for Change

8 To calculate the cost, we compared the actual rise in pay costs with assumptions about what might have happened had the move to Agenda for Change terms and conditions and pay bands not been implemented. To do this we constructed two 'counterfactual' scenarios which were highly sensitive to the assumptions used.

9 One assumption used was to project the average earnings growth for NHS staff in the five years before Agenda for Change into the five years afterwards and compare this with the actual cost. Earnings growth had been at five per cent year-on-year over the five years before Agenda for Change.

10 There are, however, good reasons to assume that average earnings would not have continued to grow at this rate, for instance the pressure on trusts due to the financial deficits in the NHS and the recent curb on public sector wages to combat inflation. As a consequence we prepared a scenario based on the assumption that earnings would have grown at five per cent for two years and then fallen thereafter to 4.5 per cent a year.

11 The actual costs of employing NHS staff since 2004-05 is based on the information provided to the NHS Pay Review Body by the Department's pay analysis team. These figures involve assumptions of the breakdown between staff groups in foundation trusts for the years since they attained foundation status.

12 Both our scenarios take into account the:

- Actual rise in full-time equivalent NHS staff covered by Agenda for Change since 2003-04 (4.4 per cent up to 2007-08);
- Estimated effect of pay drift under the old pay system; and
- The increase in employers' pension contributions from the NHS (rather than the Treasury) from 7 to 14 per cent in 2004-05.

Literature Review

13 We reviewed existing literature and research from a variety of sources including academic journals, the Department of Health, the Kings Fund, the Royal College of Nursing, NHS Employers, the Treasury, and Income Data Services Limited.

Gaining Expert Input

14 We engaged Professor James Buchan to assess the extent to which available data sets and indicators could be used to assess the impact of Agenda for Change.

ANNEX TWO

Agenda for Change Pay Spine showing Pay Bands and Pay Points for 2008-09 and high cost area supplements

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	12,517											
2	12,922	12,922										
3	13,269	13,269										
4	13,617	13,617										
5		14,023										
6		14,428										
7		14,834	14,834									
8		15,356	15,356									
9		15,950	15,950									
10			16,307									
11			16,781									
12			17,316	17,316								
13			17,732	17,732								
14				18,385								
15				19,038								
16				19,631								
17				20,225	20,225							
18				20,818	20,818							
19					21,373							
20					22,085							
21					22,797							
22					23,450							
23					24,103	24,103						
24					25,054	25,054						
25					26,123	26,123						
26						27,191						
27						28,141						
28						29,091	29,091					

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	
29						30,041	30,041					
30						31,109	31,109					
31						32,653	32,653					
32							33,603					
33							34,672					
34							35,859					
35							37,106	37,106				
36							38,352	38,352				
37								39,896				
38								41,439				
39								43,221	43,221			
40								44,527	44,527			
41									46,782			
42									49,394			
43									52,007	52,007		
44									53,432	53,432		
45										55,806		
46										58,419		
47										62,337	62,337	
48										64,118	64,118	
49											66,790	
50											70,055	
51											73,617	73,617
52											77,179	77,179
53												80,883
54												84,765
55												88,835
56												93,098

High Cost Area Supplement

Inner London	20 per cent of basic salary, subject to a minimum payment of £3,855 and a maximum payment of £5,938
Outer London	15 per cent of basic salary, subject to a minimum payment of £3,261 and a maximum payment of £4,156
Fringe	5 per cent of basic salary, subject to a minimum payment of £891 and a maximum payment of £1,544

ANNEX THREE

Job Evaluation Factors

The 16 job evaluation factors of the NHS Job Evaluation Scheme are:

1. Communication and relationship skills
2. Knowledge, training and experience
3. Analytical skills
4. Planning and organisation skills
5. Physical skills
6. Responsibility – Patient/client care
7. Responsibility – Policy and service
8. Responsibility – Financial and physical
9. Responsibility – Staff/human resources/ leadership, training
10. Responsibility – Information resources
11. Responsibility – Research and development
12. Freedom to act
13. Physical effort
14. Mental effort
15. Emotional effort
16. Working conditions

Features of the NHS Job Evaluation Scheme that are intended to promote equality include:

- A large number of factors so that many job features can be measured.
- Inclusion of factors that are features of predominantly female jobs.
- Avoidance of references in definitions to features which might operate in an indirectly discriminatory manner.
- Scoring and weighting designed in accordance with a set of gender neutral principles.
- A matching procedure to compare jobs to the national benchmark profiles on an analytical basis.
- Training for matching panel members, job analysts and evaluators.
- A Job Analysis Questionnaire to capture information for local evaluations.

Source: NHS Job Evaluation Handbook, 2nd Edition, Department of Health, October 2004.

ANNEX FOUR

Knowledge and Skills

Each post should have a Knowledge and Skills Framework outline made up of:

- The six areas that the NHS needs everyone to do, known as the 'core dimensions':
  - communication;
  - personal and people development;
  - health, safety and security;
  - service improvement;
  - quality; and
  - equality and diversity.
- A small number of other areas, known as specific dimensions, which relate more specifically to the job, for example, information processing and health protection.

Once the dimensions relating to a post have been identified, the Knowledge and Skills Framework post outline describes them in more detail, including:

- the level at which the knowledge and skills should be applied on a range from 1 to 4;
- the indicators which describe the types of skills and knowledge that apply in each of the dimensions; and
- the areas of application which give practical hands-on examples of the skills and knowledge relating to the particular post.

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NHS Pay Modernisation in England: Agenda for Change

A report by the Comptroller and Auditor General

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