



Department
of Health &
Social Care

Agenda for Change Pay Deal

Context and Funding for 2018/19

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Agenda for Change in 2018/19

On 27th June 2018, the Agenda for Change (AfC) multi-year pay and contract reform deal was agreed by the NHS Staff Council (a partnership of NHS trades unions and NHS Employers). In response, on the same day the Secretary of State for Health and Social Care made a Written Ministerial Statement welcoming the agreement and confirming that additional funding will be available to support it, which can be found at the link below:

<https://www.parliament.uk/business/publications/written-questions-answers-statements/written-statement/Lords/2018-06-27/HLWS777/>

From 2018/2019, the AfC pay deal will apply to existing and new staff on the AfC employment contract employed in both NHS bodies and non-statutory non NHS organisations that provide NHS services, the terms and conditions of which are set out in the NHS terms and conditions of service handbook. Eligible organisations are those that dynamically use the AfC contract, i.e. those organisations that employ existing and new staff on the AfC contract, and update the contract to reflect all new or amended contract terms agreed by the NHS Staff Council.

Under the AfC pay and multi-year contract reform deal, the new pay structure has been implemented and is effective from this July for organisations listed in Annex 1 to the NHS terms and conditions of service handbook. Under the AfC pay deal, the new pay structure which includes the new pay values is effective this July. Any pay arrears will be backdated to April and paid in August salaries.

The government has made an additional £800m available to meet the costs of the AfC pay deal in 2018/19. Funding for the remaining two years of the pay deal will be met from the recently announced NHS long term settlement. This note sets out how the £800m is being made available to the system.

How we are allocating the £800m

The £800m is covering the costs of the pay deal not only in NHS providers, but DHSC arm's length bodies, CCGs/CSUs and non-NHS non-statutory bodies that are dynamically operating Agenda for Change. The full £800m allocation will be distributed directly by The Department of Health and Social Care (DHSC). The provisional allocation between these different bodies is as follows:

Type of Organisation	Provisional Total
NHS providers	£756m
Non-NHS organisations	£12m
NHSE/CCGs/CSUs	£20m
Other ALBs	£12m
Total	£800m

NHS Providers

DHSC has worked closely with NHSI on the payment methodology to providers. The methodology is based on 2018/19 financial plans and Electronic Staff Record (ESR) data on the proportion of staff at different spine points to calculate a specific uplift for each provider. NHSI is making full details on the methodology available in a separate communication. The final overall payment matches the national impact of the bottom up calculation to the national modelling of the cost of the pay award at 2.03% (over and above the 1% that is already funded).

We feel that this methodology represents an equitable way of distributing the funds, though inevitably there may be some local circumstances that aren't adequately reflected in any methodology based on data available at national level.

DHSC will make 1/12 of the annual total available to providers in w/c 16 July. 4/12s of the total will be paid in August to cover arrears, and then 1/12 will be paid in each month subsequently. Providers should record these payments against an income account code that feeds into additional income.

The methodology potentially over-compensates some providers, for example for wholly owned subsidiaries where staff are paid via ESR but staff are not employed dynamically on the AfC contract, and for private patient income. NHSI will use month 4 financial reporting to identify any such overpayments.

The M4 finance returns will also be used to pick up other issues of which we are aware including staff on retained employment models, and any pressures associated with staff in non-statutory non-NHS organisations who are dynamically operating agenda for change but are not directly commissioned. We will discuss handling with NHSI once the outcome of the refresh is known.

Non-statutory Non-NHS organisations

DHSC will also directly allocate additional funding for 2018/2019 to eligible non-statutory non-NHS organisations directly commissioned by CCGs and/or NHS England. This will be for organisations who provide NHS services and employ staff dynamically on the AfC contract, i.e. existing and new staff. Organisations should apply for additional funding by completing the proforma 'Agenda for Change Pay Deal - Eligibility Criteria'. We expect organisations to respond to any reasonable information requests.

The payment schedule will be agreed as part of the funding agreement.

For organisations who are not directly commissioned, costs should be reflected in NHS provider M4 finance returns as above. NHSI will provide further detail to trusts in due course.

Electronic Staff Record

Most employers listed at Annex 1 of the NHS terms and conditions of service handbook use the Electronic Staff Record (ESR), a national payroll and HR system.

<http://www.nhsemployers.org/tchandbook/annex-1-to-3/annex-1-nhs-employers>

If your organisation is not listed at Annex 1 of the handbook but your staff are paid via the ESR, you should consider taking steps to stop the pay increase locally otherwise the ESR system will automatically pay the increases in line with the AfC pay deal to all staff paid via the ESR. You may wish to make a temporary adjustment to your local payroll system until you have confirmation that your organisation is eligible to receive any additional funding.

It is important to stress that the ESR system cannot make individual changes on behalf of local organisations that use ESR, any decision to stop pay increases in line with the AfC pay deal must be made by the organisation.

If your organisation is not listed at Annex 1 of the handbook, you use the ESR system but you intend to fund the pay increases for your staff in line with the AfC pay deal, whether or not you receive additional funding, then you need take no action to stop the increases that will apply from this July.

NHSE/CCGs/CSUs

The £20m for NHSE/CCGs and CSUs will be added to NHS England's funding as part of the usual Mandate refresh process and associated revisions to financial directions.

NHS England will make the direct payments or adjust running cost limits for individual organisations, rather than funding coming directly from DHSC. NHS England is separately communicating additional funding being made available to each individual CCG or CSU.

Arm's-Length Bodies

DHSC is working with each ALB to confirm the level of funding each will receive to cover the costs of their staff in scope of the AfC pay deal. This is currently expected to be £12m in total.

DHSC will adjust agreed 2018/19 admin and programme limits in line with an agreed assessment of direct AfC costs. This will be done formally as part of the quarter 2 Consol process. We will also adjust cash limits accordingly. Given ALBs have a cash limit for the year, we do not anticipate any issue with ALBs funding the pay awards until the formal adjustments have been made.

Funding from 2019/20

The Department of Health and Social Care (DHSC) will confirm in due course how funding will be made available from 2019/2020. Other than ALBs we do not envisage direct payments from DHSC. Funding associated with the pay award is part of the recently announced long-term settlement for the NHS.