SCOTTISH EXECUTIVE

Health Department
Human Resources Directorate

Dear Colleague

DELIVERING THE BENEFITS OF PAY MODERNISATION IN NHSSCOTLAND

Summary

1. This HDL:

- confirms the approach to be taken by NHS Boards in fully implementing the new Consultant Contract, the new General Medical Services (GMS) contract and *Agenda for Change*, together known as pay modernisation;
- outlines the performance management arrangements for ensuring delivery of benefits from pay modernisation;
- provides links to supporting guidance on pay modernisation benefits.

Background

2. **All three existing strands of pay modernisation (to be joined soon by new contracts for pharmacy and dentistry) form a unified "toolkit" with a common goal – to reward, motivate and free up staff to deliver redesigned, improved services to patients.**

3. Implementation of pay modernisation requires the full delivery of each of the individual contracts if the potential benefits in service improvements are to be realised. Delivery must be linked to achievement of the Department's overall policy objectives for NHSScotland, and in particular focus on:

- improved productivity
- improved services for the public, including delivery of the clinical priorities of Cancer, CHD/Stroke and Mental Health
- service redesign around the needs of patients

1st July 2005

Addresses

For action
Chairs, NHS Boards and Special Health Boards
Chief Executives, NHS Boards and Special Health Boards

For information
Medical Directors, NHS Boards and Special Health Boards
Directors of Nursing, NHS Boards and Special Health Boards
Directors of Human Resources, NHS Boards and Special Health Boards
Members, Scottish Partnership Forum
Members, HR Forum
Members, SPRIG

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- improved recruitment and retention
- improved team working, and
- improved management and development of staff.

4. More specifically, implementation of pay modernisation must support the delivery of key NHS priorities, particularly:

- National access/waiting targets
- Improved delivery of unscheduled care
- Chronic disease management
- Integrated care
- Integrated service and workforce planning
- Staff governance
- Service redesign in line with local priorities

5. Workforce productivity is a key aspect of delivery against these objectives. You will be aware that the Department has commissioned work on productivity and will shortly be able to direct Boards to high-level data to enable them to analyse and benchmark their workforce productivity against the rest of NHSScotland.

6. A major investment of public money has been made in support of these contracts, and this must be accounted for through better services for patients. Agreements have been reached collectively with staff and professional organisations, and endorsed at staff ballots, that this investment will be used to secure increased flexibility in the workforce and to enable new ways of working to transform the delivery of care to patients. Delivery of these benefits will be achieved by **management, staff representatives and staff themselves working in partnership to achieve NHS priorities through support for redesign and improvements in services, on the basis of value for money** – making a difference in a way that can be demonstrated to the public.

7. The priorities listed at paragraph 4 are wide-ranging and challenging. Pay modernisation should not be an 'extra burden' which distracts from the focus of delivering on these existing priorities, but should rather be used as a tool across the whole range of priorities which *helps* and *supports* systems to manage and deliver them, from waiting times targets to chronic disease management, integrated care and workforce planning.

8. Pay modernisation represents a radical and major overhaul of previous arrangements. The Scottish Executive Health Department acknowledges and commends the enormous efforts already made by NHS Boards and staff, and by independent contractors and their staff, in introducing the new consultant and GMS contracts. These contracts have now entered their second year of implementation and are already making a difference. NHS Scotland is now delivering benefits associated with, for example, job planning in the consultant contract (more transparent scheduling of activity and provision of safe working hours) and the Quality and Outcomes Framework in primary medical services (reward linked directly to patient outcomes in primary care).

9. Implementation of *Agenda for Change* is not as far advanced as the other contracts. Much effort in 2005 will need to focus on the core requirement of assimilating staff onto the new *Agenda for Change* terms and conditions, and the completion of this initial phase of work will in itself be a major achievement. Assimilation must be a core objective of any pay modernisation delivery plan, given the fact that *Agenda for Change* affects over 90% of NHSScotland staff and is still in the early stages of implementation.

10. Equally delivery of pay modernisation is a journey that means much more than the initial transfer of staff onto the new contracts. It is an ongoing means to an end - a key tool to help secure sustainable, safe and effective changes to service provision that deliver better care for patients. And it will do much of this by effecting deep and incremental cultural change in behaviours, attitudes and ways of working. We are therefore at the very start of the journey. Initial introduction of the new contracts must now be built on by **using pay modernisation to help deliver service change** that will provide lasting improvements to patient care.

11. This means forging clear links at all levels (national, regional and Board) between **pay modernisation** and **achieving objectives for service improvement**. At national level this links with the work of the Centre for Change and Innovation. At Board and regional level it means close joint working between Board and regional redesign committees, pay modernisation boards and regional workforce networks identifying the ways in which pay modernisation can lever in or inspire the change being driven by service redesign committees.

Action

12. To achieve the full range of benefits Boards need to manage strategically the pay modernisation 'toolkit' to help deliver service change. This HDL does not seek to 'micro-manage' the ways in which Boards go about delivering pay modernisation benefits, but rather to establish a supportive framework which provides a clear focus on the identification and measurement of outcomes through improvements in patient care that support the objectives in each Board's local health plan – objectives that will be subject to increasingly vigorous performance management.

13. The emphasis of the actions outlined at paragraphs 14 to 16 is therefore not so much on the new pay systems per se, but rather on the **delivery of service improvements and outcomes (expressed in the NHS priorities listed at paragraph 4 and in local Board plans) achieved partly or wholly through pay modernisation**.

14. Boards are therefore asked to:

- ensure that realising the benefits of pay modernisation is critical. Board Chairs and Chief Executives should make sure that their executive teams are focused on this as a key factor supporting the achievement of challenging performance and service targets;
- ensure that Board Chairs receive regular reports from Chief Executives on implementation progress;
- ensure that Chief Executives identify a Director (who would normally be expected to be the Director of Human Resources) to lead this work, and the key responsibilities of other Directors and the structures required to support this work as a 'joined-up' corporate effort, making effective links with the Board's performance management and service planning functions, the service redesign committee, the area clinical forum and the regional service and workforce planning arrangements;
- ensure that area partnership forums are linked into this work;
- ensure that the benefits are effectively communicated, through concrete examples, to their local communities. This will be a cornerstone of the national demonstration of benefits in a way which the public and staff can understand;
- ensure that Board development plans reflect the organisational development aspects of pay modernisation including clinical leadership development;

- prepare an initial pay modernisation benefits delivery plan which details how the Board is using and will use pay modernisation for the rest of this financial year (to 31 March 2006) to help achieve benefits for patients through the delivery of key national objectives.
- Ensure that the delivery plan shows attainment of pay modernisation benefits against specific measurable and timebound indicators and demonstrate progress on the use of pay modernisation to deliver service change. It will normally be signed off by the Board Director of Human Resources, having been approved by the Chair and Chief Executive and agreed by the Board's Pay Modernisation Board and Staff Governance Committee.

15. Once received, Ministers will use the plans to performance manage and guide progress on benefits realisation. Boards are asked to submit a six-monthly progress report at 31 March 2006, detailing progess against their initial plans and an action plan for the following six months or beyond. The plans and progess reports will be shared with the HR Forum and the Scottish Partnership Forum. These plans and progress reports should describe how Boards are:

- using pay modernisation to help deliver key NHS priorities, as described at paragraph 4;
- using pay modernisation in an integrated way, as described at paragraph 19;
- fully delivering each of the individual contracts, as described at paragraph 3;
- sharing innovation and best practice/learning across regions and nationally.

16. Boards' plans and progress reports should not take a mechanistic 'tick box' approach or focus on the new pay systems as an end in themselves, but should explain fully how strategic outcomes in terms of improvements in patient care are being aided - whether wholly or in part - by the use of pay modernisation as a lever for change. Reporting progress in this way will not only allow Boards to fulfil their responsibilities to Ministers in accounting for the delivery of pay modernisation but will also give the Department a national overview that will enable it to showcase best practice, or identify any problems and take timely action to provide support where necessary.

17. The standard template to be used for the initial benefits delivery plan and the progress report is attached at Annex A. Boards are requested to finalise and submit their first returns by 30 September 2005 (draft plans to be submitted by 31 August 2005). Both draft and final plans should be submitted to Brenda Burnett, Directorate of Human Resources, Scottish Executive Health Department, GF Rear, St Andrew's House, Edinburgh EH1 3DG (e-mail: Brenda.burnett@scotland.gsi.gov.uk. To avoid unnecessary duplication this HDL supersedes any previous requests for information on the delivery of pay modernisation benefits. Further guidance will be issued in due course on what the reporting arrangements will be for the period beyond March 2006. Arrangements will be put in place to provide regular progress reports on the delivery of benefits.

18. Boards can expect vigorous follow-up action by SEHD to ensure they are meeting their national performance targets, and to take remedial action if the targets are at risk. Satisfactory progress by Boards towards pay modernisation targets will be an important identification that national performance targets will be delivered. Boards' performance against national targets, supported by enabling measures including performance on pay modernisation, will be an important issue for Boards' annual reviews with the Health Minister.

An Integrated Approach

19. As noted above, implementation of pay modernisation must be integrated

- across the three contracts; and
- with other service developments (eg local service redesign, clinical strategies around cancer, CHD/Stroke, mental health and children's health, regional service planning, development of Community Health Partnerships etc) to maximise potential benefits.

20. An example of the potential benefits to be gained from an integrated approach can be found in the response to the pressures on medical workforce capacity flowing from Modernising Medical Careers, and the opportunities for clinical workforce redesign to respond to this development. Many developments are now led by other clinical professionals and this opportunity should be enhanced in the interests of patient needs. We will be interested to see how Boards use the new contracts to address this challenge.

Further information

21. Further information on the benefits to be gained from the contracts are to be found in the following supporting guidance:-

- For the nGMS contract, the "Primary Medical Services Strategic Tests" letter and assessment Process http://www.show.scot.nhs.uk/sehd/paymodernisation/gms/index.htm
- For the new consultant contract, the 'PMT 16' letter: http://www.show.scot.nhs.uk/sehd/paymodernisation/ConsultantContract.htm
- For *Agenda for Change*, the November 2004 National Agreement Annex E "Partnership Agreement Success Criteria": http://www.show.scot.nhs.uk/sehd/paymodernisation/AfC/docs/afc_agreement_final.pdf

22. The national Pay Modernisation Team supports NHS Boards in delivering pay modernisation and its website contains examples, based on existing experience in NHSScotland, of ways in which the contracts can be used to deliver benefits. The Team can direct NHS Boards to additional materials and information from across Scotland and the UK and also shares learning and innovation. The Team's website is at www.show.scot.nhs.uk/sehd/paymodernisation.

Conclusion

23. This HDL has emphasised the importance of delivering the benefits of pay modernisation; the approach to be taken in planning for and delivering benefits; and the mechanisms by which performance will be monitored and managed. It sees pay modernisation as a key tool to help Boards to achieve safe, sustainable and effective service change that delivers service improvements, enabling Boards to meet NHSScotland's key priorities. It therefore highlights the achievement of national targets, including better access to service and better outcomes for patients, as the key objective in achieving pay modernisation benefits.

24. Good progress has already been made in introducing the contracts and with continued focus the full implementation of pay modernisation will deliver real and lasting benefits for patients, staff and the NHS in Scotland.

Yours sincerely

KEVIN WOODS
Chief Executive of NHSScotland and Head of the Health Department

ANNEX A

DELIVERING THE BENEFITS OF PAY MODERNISATION: HEALTH BOARD ANNUAL BENEFITS DELIVERY PLAN AND SIX MONTHLY PROGRESS REPORTS

Context

1. The HDL dated 1 July 2005, *Delivering the benefits of pay modernisation in NHSScotland*, requests all Health Boards to:

- provide by 30 September 2005 an initial Pay Modernisation Benefits Delivery Plan that describes how it is delivering the benefits of pay modernisation;
- produce a progress report at 31 March 2006 showing attainment of pay modernisation benefits against measurable performance indicators, demonstrating progress made on the use of pay modernisation to deliver service change that improves care to patients, and setting out an action plan for the following six months or beyond.

Format for annual delivery plan and progress reports

2. Health Boards should develop a succinct but composite action plan that addresses the priorities listed at paragraph 4 and specifies how pay modernisation is being used to deliver benefits through service improvements. The plan should be specific about which aspects of each contract are being used in what timeframe to ensure improvements in meeting service priorities.

3. The attached pro-forma and summary cover sheet should be used for the annual Pay Modernisation Benefits Delivery Plan and progress reports.

4. Paragraph 4 of the HDL lists the key NHS priorities to be supported by pay modernisation:

- Meeting national access/waiting targets and objectives for the clinical priorities (Cancer, CHD/Stroke, Mental Health)
- Improved delivery of unscheduled care
- The implementation of chronic disease management programmes
- The development and implementation of integrated care
- The delivery of integrated service and workforce planning
- The implementation of Staff Governance arrangements
- Service redesign in line with local priorities

5. Health Boards should list the specific local targets to be achieved under each of these priorities (as expressed in each Board's local priorities) and record them on the summary cover sheet to the pro-forma. Boards should then identify the pay modernisation actions they are taking to help deliver these targets, identifying how they are using pay modernisation as a lever to achieve their aims. The Delivery Plan should show the actions to be achieved over the period to 31 March 2006 and, where possible, beyond.

6. The Delivery Plan, based on the information above, will therefore identify the pay modernisation levers which each Board is using to help meet measurable service delivery targets, and by what date. Each Plan should make clear which benefits will be delivered between completion of the Plan and the time of the follow-up progress report.

7. Each Plan should provide examples against the priorities listed above to demonstrate how pay modernisation is being used to improve service delivery. These should:

- include a clear narrative
- be supported by robust data, eg acquired from ISD sources (and including the baseline data referred to at paragraph 9)
- demonstrate how the achievement of NHS priorities are being aided by use of pay modernisation

8. The attached sample pro-forma provides a worked example of how Health Boards should complete the pro-forma.

Related data gathering exercises

9. Boards have supplied or are supplying the Pay Modernisation Team and SPRIG with baseline information on each contract as follows:

a) data on the nGMS strategic tests;
b) data for inclusion in the monthly *Agenda for Change* monitoring reports on matching and assimilation;
c) data collected as part of the internal audit following the introduction of the new consultant contract, as requested in PMT 16;
d) consultant contract activity data already collected by specialty and Health Board, accessible from the ISD website.

10. This information (on which further details can be accessed from the Pay Modernisation Team website at www.show.scot.nhs.uk/sehd/paymodernisation) will form a baseline equating to correct implementation of the agreed terms and conditions, against which the delivery of benefits can then be measured.

Next Steps

11. Health Boards are requested to take the following action:

a) Develop their initial Pay Modernisation Benefits Delivery Plan for the period between now and 31 March 2006 and beyond, and submit it by 30 September 2005 to the Director of Human Resources, SEHD (contact: Brenda Burnett, Directorate of Human Resources, Scottish Executive Health Department, GF Rear, St Andrew's House, Edinburgh EH1 3DG (e-mail: Brenda.burnett@scotland.gsi.gov.uk)) who will then share it with the HR Forum and Scottish Partnership Forum. Plans should be signed off by the Health Board Chair and Chief Executive, having been agreed with the Board's Pay Modernisation Board and Staff Governance Committee.

In addition, a draft of the initial draft Delivery Plan should be submitted to the Director of Human Resources in SEHD by 31 August 2005.

b) Prepare a progress report for submission by 31 March 2006 assessing achievement against objectives set in the initial plan, as well as the action plan for the following six months or beyond. Guidance on the reporting arrangements for periods beyond 31 March 2006 will be issued later this year.

SEHD
1 July 2005

HEALTH BOARD

PAY MODERNISATION BENEFITS DELIVERY PLAN
AND
PROGRESS REPORT

SUMMARY COVER SHEET

Health Board:

Contact:

Date:

<u>Summary Page</u>

NHS [insert name of Board here] priorities are:

1. **Meeting national targets**

2. **Improved delivery of unscheduled care**

3. **The implementation of chronic disease management programmes**

4. **The development and implementation of integrated care**

5. **The delivery of integrated service and workforce planning**

6. **The implementation of the staff governance arrangements**

7. **Service redesign in line with local priorities**

PRO-FORMA FOR PAY MODERNISATION BEFEFITS DELIVERY PLAN AND PROGRESS REPORT

Priority Area	Specific Area	Supporting data to measure baseline and demonstrate progress	Actions to be taken	Anticipated Results (Quantifiable and with dates)	Progress
Meeting National Access/ Waiting Times	Orthopaedics	Waiting times Information	Job plan reviews for all orthopaedic consultants with EPAs allocated to support waiting time reductions	Additional 2 clinics Per week	
		ISD(M)53 Consultant Contract information	Services objectives agreed with consultants to improve new follow up ratios and theatre utilisation rates	% of new patients increased to match Scotland average	
		Out patient information – new follow up ratios	New orthopaedic extended practice role developed for physiotherapist, supported by KSF and job evaluation	Additional clinic appointment capacity of 10 patients per week	
		Day case: in patient Ratios	GP with special interest in orthopaedics appointed to support reduction in out-patient waiting time	Primary care referrals to secondary care reduced, waiting time for access to specialist reduced by 5 weeks	
		Theatre utilisation rates	Back pain service developed in primary care supported by extended role physiotherapist and GPwSI to reduce waiting time for patients and free up secondary care capacity	Waiting time for patients with back pain reduced by 5 weeks	