

EMBARGOED: NOT FOR PUBLICATION BEFORE FRIDAY MARCH 27 2009

Issued by Mattison Public Relations on behalf of Incomes Data Services (IDS)

## **NHS Boardroom pay outpacing Government's 2% public sector pay cap**

- Executive pay increased by 6.4% in 2008
- Executive turnover within NHS trust boardrooms running at 15%
- Chief Executives of foundation trusts earning almost £25,000 more than chief executives of non-foundation trusts

NHS Trust Directors in England received an average pay increase of 6.4% last year, ahead of the Government's 2% target for public sector pay increases, reveals the latest NHS Boardroom pay report by Incomes Data Services (IDS) (Based on accounts to the year end March 2008).

According to IDS's research the median salary for a chief executive of a NHS Foundation Trust stood at £157,000 for the year to March 2008, compared to £132,600 for a chief executive of a non-foundation NHS Trust.

Steve Tatton, Editor of the *IDS NHS Boardroom Pay Report 2009*, comments: "The earnings of NHS trust directors are continuing to move ahead at a faster pace than the rest of the economy."

"In the current climate the remuneration of NHS directors, like any top executives working in the public sector, is subject to intense public scrutiny, particularly when unease about the widening gap between senior executives and the rest of the workforce is growing in both the public and private sector."

Since 1997 the median earnings of NHS chief executives have increased by 98 per cent compared to 50 per cent across the public sector as a whole (see graph below).

### **Widening gap between the earnings of foundation and non-foundation trust executives**

IDS says that executive salaries within foundation trusts increased by an average of 7.6% last year, compared to 5.7% for executives within non-foundation trusts.

Steve Tatton says: "It is argued that the reorganisation of the NHS has put boards under increased pressure and this is driving above-average pay rises, with salaries increasing

faster for executives within newly-established foundation trusts than in non-foundation trusts.”

“Foundation trusts represent the latest reorganisation of the health service in England and many trusts have rapidly adopted foundation status and are now justifying higher boardroom pay on the grounds of the greater responsibility this brings.”

Foundation trusts have been created to devolve decision-making away from a centralised NHS and have far greater control over their operational and financial decision making than non-foundation trusts.

Says Steve Tatton: “Foundation trusts have also been given a great deal of independence over the level of remuneration awarded to their directors. In contrast Primary Care Trusts (PCTs), which until recently has similar discretion over pay are now being governed by prescribed guidelines determined by the Department of Health.”

However, IDS says that these guidelines are coming under strain and are due for renewal.

Steve Tatton says: “Many PCTs view the existing pay frame as too restrictive and are increasingly breaching these salary guidelines by awarding recruitment and retention payments to boost directors’ pay and to ensure that they are offering competitive salary packages.”

IDS explains that in addition to this pay framework the Department of Health issues guidance each year prescribing how much NHS senior management salaries should increase overall. For the year to 2007/8 the rise in the overall pay bill for senior managers should have been no more than 1.3%, rising to 2.2% in 2008/9.

## Boardroom turnover is high

IDS’s research reveals that turnover within the boardrooms of English NHS trusts was 15% in the year to March 2008 with the turnover of executives in Primary Care Trusts running at 11%.

Steve Tatton says: “Heading up an NHS Trust is now a high pressure role and concerns over recruiting and retaining executives is driving these above-average pay increases. A number of trusts have cited the need to retain key staff when offering an explanation for awarding them higher than average pay rises.”

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