Dear Ms Hird,

I should first of all like to offer my thanks for the NHS Pay Review Body's (NHSPRB) work over the past year on the 2020 report. The Government continues to appreciate and value the independent expert advice and contribution that the NHSPRB makes.

The timing of the SR announcement has unfortunately delayed the commencement of Pay Round 2021/22. I am writing now to set out how the Government proposes working with the NHSPRB in relation to the 2021/22 pay round and to formally begin the Review Body process.

You will have seen that the Chancellor of the Exchequer announced that pay rises in the public sector will be restrained and targeted in 2021/22 at the Spending Review. As the Chancellor set out, Covid-19 is having a very significant impact on the economy, labour market and the fiscal position and has suppressed earnings growth and increased redundancies in the private sector and this is reflected across departmental spending settlements. Taken from the latest ONS data, public sector total remuneration in 2019 was already 7% ahead of the private sector, adjusting for characteristics, and it has since been shielded from the pandemic’s economic effects. According to ONS Average Weekly Earnings data, in the six months to September, the private sector has seen a pay cut of nearly 1% compared to last year, yet public sector earnings were up by almost 4%. Since March, the number of people in employment in the UK fell by 782,000, whilst over a similar period of time public sector employment increased.

Whilst we have announced a pause of pay awards for the majority of the public sector, we recognise the uniquely challenging impact coronavirus is having on the NHS and so have made a commitment to continue to provide NHS workers with a pay rise. This means that for your remit group, all Agenda for Change staff employed by the NHS, we would welcome your pay recommendations. We expect these recommendations to take account of the extremely challenging fiscal and economic context, and consider the affordability of

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1 Public and private sector earnings: 2019, ONS
2 Average Weekly Earnings: 2020, ONS
pay awards. HMT will set out the fiscal and economic context in more detail as the round progresses and my Department will provide you with evidence on the affordability of pay awards.

It is vitally important planned workforce growth is affordable, particularly given the NHS budget is set until 2023/24 and there is a close relationship between pay and staff numbers. The affordability of pay recommendations will have to be considered within the context of the significant financial and economic pressures that have resulted from the Covid-19 pandemic, both within the NHS and wider public finances. The evidence that I will provide in the coming months will support you in your consideration of affordability and I request that you describe in your final report what steps you have taken to take account of affordability, the need for workforce growth and making best use of the funds available to deliver the best care for patients. These considerations must also be balanced with the importance of continuing to recruit, retain and motivate NHS staff.

We announced at Spending Review that for those public sector workers earning the full time equivalent of less than £24,000 we would continue to pay uplifts at a value of £250 or the National Living Wage increase, whichever is higher. Whilst we do not want to prejudge your recommendations for the NHS I want to set out that staff within the NHS with salaries below this threshold should expect to receive pay increases no lower than this level and we would expect your recommendations to be made within this context. More detail on the government’s public sector pay policy can be seen in the SR document.

As always, whilst your remit covers the whole of the United Kingdom, it is for each administration to make its own decisions on its approach to this year’s pay round and to communicate this to you directly.

We are hoping to expediate the process as much as possible this year and would welcome your report in early May 2021, subject to further discussion with the OME.

Finally, I would like to thank you again for your invaluable contribution, and I look forward to continuing our dialogue in future.

Yours ever,

MATT HANCOCK