Department of Health & Social Care

The Department of Health and Social Care's written evidence to the Senior Salaries Review Body for the pay round 2026 to 2027

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1. Introduction

This document is the governments' written evidence to the Senior Salaries Review Body (SSRB), in response to SSRB's call for evidence, it has been developed jointly between the Department of Health and Social Care (DHSC) and NHS England.

In July, the government remitted SSRB to provide recommendations for the 2026 to 2027 pay award for very senior managers (VSMs) and executive and senior managers (ESMs). SSRB responded and asked DHSC to provide evidence on all aspects of its terms of reference as well as a number of additional points of interest. Once it is finished collecting evidence for this pay round SSRB will write a report as usual, including recommendations for VSM and ESMs pay uplifts for the 2026 to 2027 financial year.

For the 2025 to 2026 pay round, SSRB made 3 recommendations. Firstly, they recommended a 3.25% uplift for ESMs and VSMs in the NHS in England. After careful consideration, government accepted this headline pay uplift recommendation.

Secondly, they recommended an additional 0.5% of the ESM and VSM pay bill in each employing organisation is used to address specific pay anomalies, targeted at mitigating the effects of pay overlaps with the Agenda for Change (AfC) pay scale. The government rejected this recommendation.

Thirdly, SSRB recommended that the ESM pay framework should be withdrawn. Government is currently considering this recommendation in light of the abolition of NHS England.

This year, the government is again inviting SSRB to make recommendations on pay for VSMs and ESMs. This chapter sets out the wider context for the department's evidence for the 2026 to 2027 pay round and provides a brief overview of evidence itself.

Our evidence aims to provide information on the government’s approach to the pay and reward of NHS VSMs in provider trusts (NHS trusts and NHS foundations trusts) and integrated care boards (ICBs) and ESMs within DHSC arm's length bodies (ALBs).

This year's evidence follows a similar structure to previous years, summarised below. Given the accelerated timeline, some of the data and evidence has not changed from last year; however, we have still provided it for completeness.

Chapter 2 covers finance and describes the financial context within which NHS pay awards will need to be met.

Chapter 3 outlines the strategy on NHS senior manager pay and describes the unique policy challenges with this workforce group. In addition, it provides data on senior manager

numbers, analysis of earnings and the labour market context.

Chapter 4 covers ALBs, and specialist executive and senior managers.

Chapter 5 details information about the total reward package, including access to the pension scheme and further benefits.

The NHS workforce

An engaged workforce is central to delivering the government's objectives for the NHS. Pay is an integral part of this, and it is vital that we ensure the way we reward the workforce reflects the challenges they face and the responsibilities they carry. The 10 Year Health Plan (10YHP) has set out the vision for how this government will make an NHS 'fit for the future'.

When the Prime Minister and Secretary of State for Health and Social Care published the plan on 3 July 2025, they made it very clear that the NHS faces a choice; reform or die, and that the only answer was to choose reform. Making that choice and delivering on the ambitions set out in the plan is not possible without an engaged workforce that has been empowered to deliver the 3 big shifts in care: from hospital to community, from analogue to digital, and from sickness to prevention.

The 10YHP sets out our vision for the models of care staff will deliver and the tools they should have to do it, as well as how the department will improve the NHS as an employer. The 10 year workforce plan will be published later this year and will detail how the department will ensure it has the right people in the right places with the right skills to deliver on our plan.

Evidence approach

On 13 March 2025 it was announced that the DHSC and NHS England will merge into a single organisation under the mantle of DHSC. This means that the evidence contained in this document covers what has previously been covered across DHSC and NHS England evidence. This should reduce duplication and further streamline government evidence. As with last year, rather than including data ourselves, we will reference data in the 'data pack'. As always, we will provide our own narrative and interpretation, signalling clearly where data pack figures, or publicly available data sources, are being referenced. Any feedback on this approach would be appreciated.

Note, where we use the date format '2026 to 2027' we are referencing the financial year, unless otherwise stated.

2. NHS finances

This chapter will outline the financial context including efficiency and productivity within which NHS pay awards will need to be met. The government's position is that pay awards must be funded from departmental budgets and there is no additional funding available for pay settlements.

To set a balanced budget post SR, we have made significant prioritisation decisions across both DHSC and NHS England, and systems will be asked through a forthcoming multi-year planning process to set out their plans over the next 3 years. The productivity and efficiency section sets out the significant ask on both integrated care boards (ICBs) and NHS trusts in relation to productivity and efficiency in 2025 to 2026, with pay and non-pay pressures, alongside unplanned events such as industrial action, directly impacting the scale of the challenge.

Pay awards above what is considered affordable in the SR settlement will require further tough national and local re-prioritisation of the decisions and would impact and challenge the speed and delivery of front-line services and the 10YHP. For the 2025 to 2026 pay uplift, funding was met from within DHSC budgets through decisions on reprioritisation, the dissolution of NHS England, and reshaping and reducing ICB costs. Further pay awards above what is considered affordable will require difficult government trade-offs from within existing DHSC budgets, including a reduction in ambitions for service or performance improvement.

Under the 2025 Spending Review (SR), NHS funding will rise by an average of 3% in real terms annually and is expected to deliver ambitious productivity targets of 2% per year equating to £17 billion in savings. Setting the departmental financial plan for 2026 to 2027, is predicated on the successful delivery of the 2% productivity target, alongside managing a wide range of material financial risks through 2025 to 2026.

Economic context

Low and stable inflation is a key component of a stable macroeconomic environment and a prerequisite for sustainable economic growth and improved living standards. Headline Consumer Prices Index (CPI) inflation has risen over the past year to 3.8% in September – above the 2% target. Services inflation, an indicator of underlying inflationary pressure, has fallen by 1.0 ppts since the start of Q1 2024 to 2025. Overall, risks to inflation remain two-sided, reflecting domestic cost pressure from wage growth which has been a major factor in services inflation persistence, and prices as well as external pressures from energy markets and trade policy.

The unemployment rate has risen over the last year, reaching 4.8% in the three months to August 2025. Wider sources also suggest that the labour market has continued to loosen. Vacancy levels in the economy have fallen over the past three years, and Real Time Information (RTI) data on payrolled employees shows a gradual fall over the last seven months.

Measures of average wage growth have historically been higher than median pay settlements, as they are affected by compositional changes in the labour force and factors such as changes to working hours. Settlement data are the most comparable data to PRB decisions, as they are a direct measure of consolidated pay awards, and are not directly affected by other factors such as changes to working hours or changes in the composition of employment. According to Brightmine, median settlements across the economy were 3% in Q1 and Q2 2025. Average earnings growth is forecast to slow further over the coming months, with the OBR expecting earnings growth to fall to 2.2% in 2026 to 2027.

Funding growth

Table 1: mandate funding for NHS England

NHS England	NHS England revenue departmental expenditure limits (RDEL) excluding ringfence (RF) (cash) £ billion	NHS England capital departmental expenditure limits (CDEL) excluding ringfence (RF) (cash) £ billion
2023 to 2024	171.036	0.439
2024 to 2025	186.838	0.431
2025 to 2026	195.593	0.394

Source: 2024 to 2025 and 2025 to 2026 financial directions to NHS England

Table 1 above shows the closing mandates for NHS England up to 2025 to 2026 and the opening mandate in 2026 to 2027. This outlines the funding for NHS England over the last few years and the subsequent growth. The figures are adjusted annually to account for reallocation of resource, additional funding, and changes of responsibility between government bodies. Figures exclude depreciation, annually managed expenditure (AME) and the technical accounting budget, namely capital grants or Private Finance Initiative.

The 2025 to 2026 totals will be updated with closing financial directions in April 2026, to reflect any changes to NHS budgets agreed, including funding provided to the NHS for the pay awards announced in May 2025.

Financial position of the NHS

The Autumn Budget 2024 set out that NHS England RDEL budgets will rise to £181.4 billion in 2024 to 2025 and £192 billion in 2025 to 2026. The latest Financial Performance

Report for 2025 to 2026 shows that with planning completed, all 42 systems have balanced plans for the year, after receiving £2.2 billion in deficit support funding. The year-to-date (YTD) position points to an overspend of £51 million which is largely driven by a shortfall in efficiency plans. It is expected that YTD system overspends will be recovered in the latter part of the year resulting in a forecast position in line with the plan. However, material risks remain from the cost of managing industrial action, implementing planned restructuring and headcount reductions and delivery of efficiency plans over the remainder of the year.

Table 2 shows the breakdown of funding provided to NHS providers since the 2017 to 2018 financial year, including preliminary outturn data for 2024 to 2025.

Table 2: NHS providers RDEL breakdown

NHS Providers RDEL breakdown (£ million)	2019 to 2020	2020 to 2021	2021 to 2022	2022 to 2023	2023 to 2024	2024 to 2025
Gross deficit	1,560	158	126	1,001	1,606	1,094
Gross surplus	-567	-363	-442	-299	-305	-318
Reporting adjustment	-323	-450	-240	-252	12	0
NHS providers SRP (sector reported performance)	670	-655	-556	450	1,312	776
Plus additional RDEL adjustment	338	-77	-39	528	69	293
Net NHS providers RDEL NRF	1,008	-732	-595	978	1,382	1,070

Share of resources going to pay

The growth rate in NHS trust and foundation trust provider sector (NHS trusts and NHS foundation trusts only and so does not include other providers of NHS services such as primary care and some community services) permanent and bank staff spend has exceeded the growth rate in overall NHS England funding in each of the past 3 financial years.

Table 3 shows the proportion of funding consumed by NHS trust and foundation trust permanent and bank staff spend since the 2022 to 2023 financial year. This only covers staff working within hospital and community health settings and excludes agency spend by these organisations. Further information is set out in the 'Productivity in the NHS' section on the elimination of agency expenditure.

Table 3: increases in revenue expenditure and the proportion consumed by pay bill

Year	NHS England RDEL (£ billion)	NHS provider permanent and bank staff spend (£ billion)	% of spend on staff	Increase in total spend	Increase in provider permanent and bank staff spend
2022 to 2023	152.553	73.942	48.47%	3.98%	7.37%
2023 to 2024	165.926	82.004	49.42%	8.77%	10.90%
2024 to 2025	179.570	89.910	50.07%	8.22%	9.64%

Notes:

- 2022 to 2023: NHS England RDEL figure excludes non-recurrent funding for a non-consolidated pay award compared with the corresponding figure in table 1. NHS trust and foundation trust permanent and bank staff spend excludes a corresponding amount

- 2023 to 2024: NHS England RDEL figure excludes Health Education England (HEE) funding compared with the corresponding figure in table 1

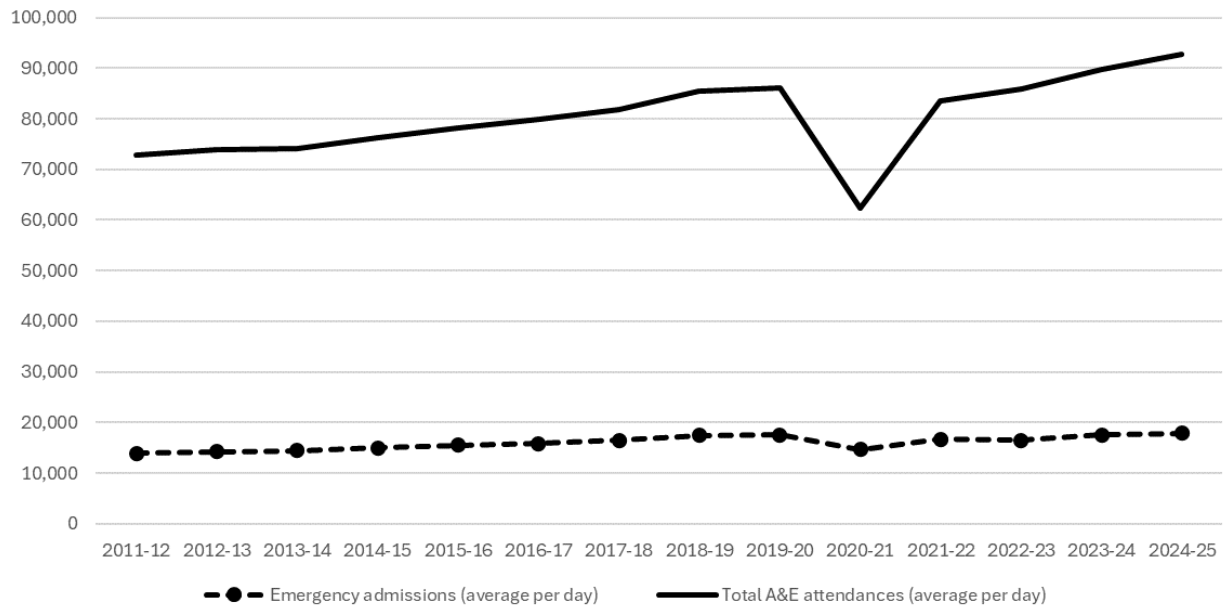
- 2024 to 2025: NHS England RDEL figure excludes HEE funding and additional pensions funding compared with the corresponding figure in table 1. NHS trust and foundation trust permanent and bank staff spend excludes a corresponding amount for additional pensions spend

- Figures in the table are correct to the specified level of significance. Percentage increases may not match increases calculated from budget or spend figures as given in the table due to rounding

Demand pressures

Demand for emergency care is now above levels seen before the COVID-19 demand spike, with more accident and emergency (A&E) visits.

Figure 1: total and emergency admissions per calendar day



Source: Statistics - A&E Attendances and Emergency Admissions

Figure 1 shows the total attendances and emergency admissions to NHS England per calendar day between 2011 to 2012 and 2024 to 2025.

In 2019 to 2020, there were an average of 68,540 A&E attendances and 17,551 emergency admissions per day. In 2024 to 2025, there were 74,941 A&E attendances and 17,873 emergency admissions per day. This equates to a 9% increase in A&E attendances, while emergency admissions grew more slowly demonstrating an increase of 2% between 2019 to 2020 and 2023 to 2024.

Table 4: total patient referral to treatment (RTT) pathways completed per working day

Year	RTT estimated clock starts per working day	RTT total completed pathways and unreported removals per working day	Waiting list
2018 to 2019	82,231	81,272	4,345,467
2019 to 2020	79,712	79,552	4,386,297
2020 to 2021	55,824	53,595	4,950,297
2021 to 2022	74,916	69,322	6,365,772
2022 to 2023	79,511	75,665	7,331,186
2023 to 2024	82,163	81,332	7,538,830
2024 to 2025	82,440	82,878	7,418,598

Source: NHS England consultant led referral to treatment statistics.

Elective reform is a key focus for the NHS, with the government supporting the NHS to deliver on the commitment that 92% of patients will wait no longer than 18 weeks from referral to consultant-led treatment - in line with the NHS constitutional standard - by March 2029. The size of the challenge remains significant. The waiting list currently stands at 7.4 million (as of July 2025). This is down from 7.6 million in July 2024, but up from 4.5 million in July 2019 before the pandemic. At the end of June 2024, the start of the current parliament, only 58.9% of waits were within the 18-week standard with nearly 200,000 patients waiting more than 52 weeks for elective treatment. Currently, in July 2025, the data has shown some improvement with 61.3% of waits now within the 18-week standard, but this is still way below the constitutional commitment of 92%. During this time, between July 2024 and June 2025, 5.2 million additional appointments have been delivered, compared to the previous year, which is more than double the government pledge of 2 million in their first year.

The Elective Reform Plan - published in January 2025 - outlines an ambitious package of reforms that the NHS is expected to deliver with national funding and support. It includes action to manage demand and transform outpatient services, provide faster and more local diagnostics, implement more productive surgical pathways and improve patient experience.

The DHSC 2025 SR settlement includes £1.8 billion of additional funding, announced at Autumn Budget 2024, to support the delivery of 2 million extra operations, scans and appointments (equivalent to 40,000 per week) during this government’s first year. The government has reached and surpassed this target.

This is supported by £6 billion additional capital investment over 5 years for diagnostic, elective, urgent and emergency capacity in the NHS to March 2030. This includes £1.65 billion capital funding in 2025 to 2026 to deliver new surgical hubs, diagnostic scanners and beds to increase capacity for elective and emergency care.

Monthly per working day RTT activity across 2024 to 2025 was above pre-pandemic levels, 16% higher than activity seen in 2019 to 2020. However, activity levels are still lower than originally planned; the 2022 Elective Recovery Plan envisaged they would be 30% higher by 2024 to 2025. This has been due to slower productivity recovery, in part due to industrial action. NHS analysis estimates that the waiting list could have fallen by an extra 430,000 from December 2022 to March 2024 without strikes.

Average elective demand growth pre-pandemic (between October 2016 and February 2020) was 2.1%. Demand returned to pre-pandemic levels in January 2023 and rebounded at a rate of 6.1% across 2022 to 2023. The rate of demand growth has fallen since then, at just 0.3% across 2024 to 2025 (although changes in the reporting of community pathways in February 2024 explain some of this decrease). Demand growth is

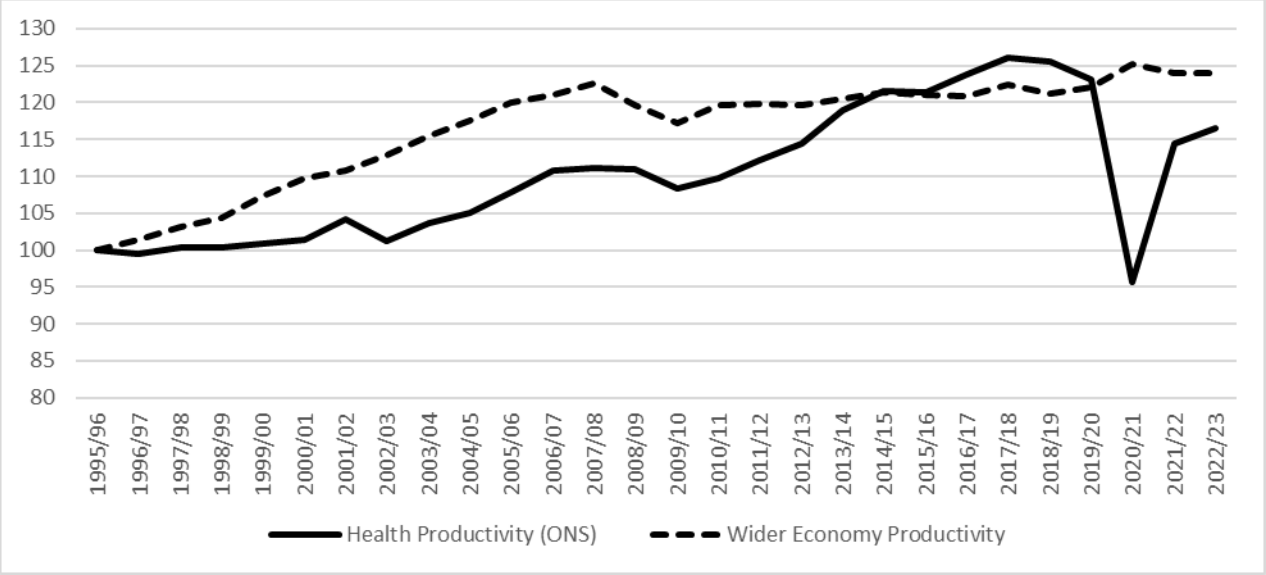
expected to return to the long-term trend seen before the pandemic at around 2% without mitigations from advice and guidance interventions.

Calculating productivity in the NHS

In England quality adjusted public service healthcare productivity increased on average by 0.9% per annum from 1995 to 1996 until 2019 to 2020 - a similar rate to the wider economy.

Office for National Statistics (ONS) figures showed a 22.2% reduction in productivity in 2020 to 2021. ONS has since reported a significant bounce back with productivity back to 5.3% below the 2019 to 2020 level by 2022 to 2023, but some of this recovery is due to the inclusion of Test and Trace and COVID vaccinations. A more modest recovery of 10.2% below the 2019 to 2020 level was reported by York University in 2022 to 2023 who published a similar measure that excluded Test and Trace and most COVID vaccinations.

Figure 2: ONS England Health versus wider economy multi factor productivity (index 1995 to 1996 equals 100)



These formal estimates are only published up to 2022 to 2023. However, NHS England has published an in-year measurement of productivity for the acute sector, aligned to the ONS annual approach. The measure was published in February 2025 and March 2025 and estimated acute productivity growth has averaged 2% over the last 3 years (2022 to 2023, 2023 to 2024, and YTD 2024 to 2025) but is still 7% to 8% below the 2019 to 2020 level.

The measure will become an official statistic in development since September 2025. It is broken down by provider so organisations can understand their own productivity and opportunities for improvement.

ONS publish an in-year quarterly measure, however this is experimental and has large confidence intervals around its findings. The quarterly public service productivity published in July 2025 found public service healthcare in the United Kingdom was 2.7% more productive in January to March 2025 than in January to March 2024, with 2.9% more output and 0.2% more input. As an experimental measure, it should be viewed with caution.

Sources:

- ONS Public service productivity estimates healthcare England FYE 2023
- Latest CHE Research Paper on NHS Productivity 2022 to 2023 update
- NHS productivity update Board Meeting February 2025
- NHS England public board meeting agenda and papers 27 March 2025
- ONS Public service productivity quarterly UK: January to March 2025

NHS England has developed the Model Health System (MHS) which is a data driven improvement tool designed to help systems and trusts improve their productivity and efficiency. The MHS gives trust-level benchmarking allowing systems and trusts to compare productivity, quality and responsiveness data to their peers to identify opportunities to improve. Data within the MHS relating to workforce productivity include:

- non-elective admissions per clinical whole time equivalent (WTE)
- elective admissions per clinical WTE
- A&E attendances (type 1 and type 2) per emergency medicine consultant

Productivity and efficiency in the NHS

The SR 2025 announcement included a commitment that the NHS would deliver 2% annual productivity growth over the 3 years of the SR (from 2025 to 2026 to 2028 to 2029), driven by significant technology and digital infrastructure investments. This includes up to £10 billion investment to advance NHS technology, supporting the move towards a single patient record, expanding and enhancing the NHS App, and harnessing AI and other digital tools. These investments will free up staff time, improve patient experience, and ensure the NHS is better equipped to meet future demand. The 2% annual productivity

target is an integral part of the settlement and does not represent further savings beyond what has already been agreed.

Increasing NHS productivity and efficiency remain essential to meet the growing demand for health services to support enduring improvements in performance and ensure financial sustainability. In recent years, funding and workforce levels within the NHS have gradually increased. However, though there has been some sustained progress since the COVID-19 pandemic, this has not yet translated into significant corresponding improvements in productivity. The 2% productivity growth aims to address this gap, to ensure that increased resources translate into measurable improvements in the quality of services patients receive.

The 10YHP emphasises the need for reform within the NHS, and the critical role that improving productivity must play in this. This includes focusing on system reform, leveraging technology, and investing in workforce development. Lord Darzi's recommendations also stressed that any financial increase, including pay, should be tied to productivity gains and wider systemic improvements. Following the Spending Review announcement in June, future pay decisions should be considered alongside these broader reforms to ensure sustainable investment that enhances both workforce well-being and service delivery.

To deliver the 2% productivity target, NHS England is focusing on 5 key areas:

1. Operational and clinical excellence: improving patient flow, reducing discharge delays, adopting best practices to minimise clinical variation, and delivering care in the right place at the right time through new models of care.

2. Workforce: optimising workforce capacity through best practice standards of planning and deployment, improving retention and culture and upskilling staff, including reducing the volume of temporary staffing, which will reduce bank and agency spend.

3. Health rather than illness: focusing on increasing healthy life years through prevention and screening, and shifting care upstream to primary, community, and mental health services.

4. Technology and transformation: modernising technology through the 'One Digital' estate, modernising data infrastructure, transforming the NHS App and digitally enabled services and releasing time for workforce through digital tools and services.

5. Reducing waste: achieving efficiencies in medicines, enhancing commercial processes, and improving corporate services by exploring large-scale automation.

Affordability

SR25 set departmental budgets for day-to-day spending until 2028/29. The Government has been clear in the SR that pay awards need to be funded in full from within these budgets and there will be no access to the reserve.

The Government has allocated its SR funding in order to deliver on its commitments in the Plan for Change and the 10 Year Health Plan. These require increased activity particularly in electives and to deliver other service and performance expectations, as well as meeting inflation and other cost increases.

DHSC is balancing these spending commitments across NHS England, its other ALBs and the core department, with an ambitious productivity assumption of 2% each year in the NHS which will be required to deliver to balance the settlement. DHSC have developed financial and delivery plans which currently allow for a pay uplift of 2.5% without having to make trade-offs against headline government health commitments. Should the independent pay review bodies recommend an award above this level, we would need to consider whether and how this could be made affordable from within existing DHSC budgets. Accepting such an award would inevitably have an impact on healthcare delivery.

DHSC, along with NHS, is already managing a wide set of material financial risks including industrial action costs and other demand pressures on the NHS. NHS pay is a significant material pressure where every 0.5% increase to pay costs c. £750m, so anything above the pay plan outlined above will require difficult trade-offs for the Government.

These trade-offs could include reduction in ambitions for service or performance improvement (for example, additional investment in digital and technology to support productivity improvements in future years). As staffing costs are the largest single area of NHS expenditure, it is likely that higher pay awards will affect the ability for the NHS to afford to maintain or expand staffing levels.

As you saw last year, the government has showed its willingness to make the difficult decisions needed to improve outcomes for the public from the health system. Including through identifying how extra funds will be freed up by cutting duplication and waste, and through abolishing NHS England, and reshaping and reducing ICB costs by 50% to empower NHS staff and deliver better care for patients.

With regards to VSM pay, costs are managed locally by employers and they have freedoms to choose whether or not to uplift pay in line with SSRB recommendations. A figure above affordability could lead to providers making difficult decisions at local level regarding prioritisation of budgets. This could lead to providers deciding not to uplift pay in line with the recommendations or could impact services and the level of care provided.

3. Very senior manager pay (VSMs)

Introduction

This chapter sets out the policy and strategic context for VSMs and workforce and earnings data for this group.

A VSM is defined as someone who holds an executive position on the board of an NHS trust, NHS foundation trust (FT) or integrated care board (ICB), or someone who, although not a board member, holds a senior position typically reporting directly to the chief executive.

VSM pay uplift

The government accepted last year's 3.25% headline pay recommendations for VSMs made by SSRB.

On 18 June 2025, NHS England wrote to ICBs, providers and to all NHS England regions with details of the 2025 to 2026 annual pay increase recommendations for VSMs. NHS providers' and ICBs' remuneration committees (RemComms) are responsible for implementing these uplifts in accordance with the VSM pay framework guidance. Pay uplifts are expected to be received in September for most VSMs, though this could vary as timings are dependent on decisions taken by local RemComms.

SSRB also recommended that an additional 0.5% of the ESM and VSM pay bill in each employing organisation is used to address specific pay anomalies, targeted at mitigating the effects of pay overlaps with the AfC pay scale. Government rejected this recommendation on the basis that, in the current fiscal context, an award of 3.25 % compensates VSMs and ESMs well for the work that they do, and because similar previous measures have not seen widespread use by employers.

Where pay anomalies exist, it is the responsibility of local RemComms to address and exercise their discretion to consider and adjust the pay of those staff who may be in this position.

NHS senior pay strategy

The 10YHP has set out the vision for how this government will make an NHS 'fit for the future'. Senior leaders will be critical in delivering on the ambitions set out in the plan.

For VSMs, the 10YHP outlines that we need to embed better incentives to improve performance. As per the updated VSM framework, published on 15 May 2025, very senior

leaders will benefit from enhanced pay where there is good performance, particularly in cases where leaders turn around failing organisations. Conversely, annual pay increases will be withheld from executive leadership teams who do not meet public, taxpayer and patient expectations on timeliness of care or effective financial management.

The pace, scale, and complexity of change across the NHS makes senior leadership roles increasingly challenging and requires them to possess an adaptable skillset and broad experience as well as personal resilience. Senior leaders must effectively engage at all levels within the NHS, and across systems and communities, with a focus on service delivery, transformation and improvement, as well as staff engagement, development and retention. The new operating model described in the 10YHP reaffirms this requirement, amplifying the importance of community engagement at local level in improving the health of local populations and tackling health inequalities. In recent years, VSMs have had to also manage the impact of widespread industrial action across the NHS and tackle the elective backlog.

Executive-level roles continue to be challenging to recruit to. Roles particularly challenging to recruit to in 2024 to 2025 included directors of finance, chief financial officers, directors of nursing and chief nursing officers.

In addition, there are some unique retention challenges facing the VSM workforce. As was the case last year, around 40% are aged over 55 and are therefore potentially eligible for retirement, however this remains consistent with the skills and experience required for these roles. Between March 2024 and March 2025, it is estimated that the leaver rate for VSMs in trusts was just over 9%. This compares to under 10% in 2023 to 2024.

To maintain a healthy talent pipeline to these critical leadership roles, it is important to achieve the right balance of responsibilities and accountabilities, with support and development, rewards and incentives. This is a key tenet of the VSM pay framework published in May 2025, which seeks to strengthen the link between reward and performance outcomes, increase transparency and provide flexibility to attract talented candidates to the most challenging roles. In April 2025, NHS England also published a new standardised Board Member Appraisal Framework. Work is underway to explore potential for broadening its scope to all very senior managers, including the ones who do not sit on the board, aligning it with the VSM pay framework.

It is right that we hold all NHS leaders and managers to the high standards expected of them; this accountability is critical in building trust with patients, staff and the public. The forthcoming regulation of senior NHS managers through a statutory barring mechanism is a necessary part of building this trust and helps to place NHS management on a par with the clinical professions. NHS England is also developing a management and leadership framework, including professional standards and a national code of practice for all levels of NHS management, which is due for completion in autumn 2025. Together with regulation,

this forms a wider programme of measures to professionalise NHS leaders and managers while strengthening their professional accountability.

It is essential, however, that regulation and increased accountability is accompanied by high quality professional development to support all levels of management and leadership in meeting the standards expected of them. A new College of Executive and Clinical Leadership will be established to provide support and development to all levels, including very senior managers, equipping leaders and managers with the tools they need to succeed in their roles.

The 10YHP commits to accelerating delivery of the accepted recommendations from the 2022 Messenger and Pollard review Leadership for a Collaborative and Inclusive Future, which focused on strengthening leadership and management across health and its key interfaces with adult social care. Delivery of these recommendations includes - by April 2026 - establishing new national and regional talent management systems to ensure a strategic national approach to identifying and developing future leadership talent. Prioritising a focus on career pathways and identifying high potential at more junior levels will also be needed to build talent pools and pipelines for the future.

All the above programmes of work, delivered through the 10YHP, will help ensure we have more effective leaders to tackle the various challenges the NHS is facing.

NHS VSM pay framework

The department worked very closely with NHS England to design the new NHS VSM pay framework, which was published on 15 May 2025.

Given the recent introduction of the VSM pay framework, we are not currently in a position to share evidence on the impact it has had. Since its launch, anecdotal feedback suggest that it has been well received, with employers actively seeking to adhere to the pay ranges for new VSM appointments.

As part of the VSM pay framework implementation, we will undertake a review and evaluation in the coming year that will consider what further changes may be required to the framework. One element will be to consider extending the new performance related pay provisions in 2026 to 2027 to organisations who fall into segments 3 and 4 of the new NHS Oversight Framework (NOF). Further guidance for organisations will be provided in due course.

Since launching the VSM pay framework, ICBs are now undergoing significant structural change and reconfiguration, and as part of this change, we will consider where and how changes will be required to any existing frameworks relating to VSMs working in ICBs going forwards.

As per the VSM framework, we advised organisations to withhold pay from VSMs working in organisations in segment 5 of the new NOF. However, due to unexpected delays with the publication of segment 5 organisations, we are currently in the process of advising systems that for 2025 to 2026, both NHS providers and ICBs should withhold pay from organisations that were in RSP in 2024 to 2025. In addition, ICBs will not be given a NOF segmentation for 2025 to 2026. This means that only VSMs working in ICBs that were in the Recovery Support Programme (RSP) will have their pay withheld for 2025 to 2026.

For 2026 to 2027 onwards, work will be undertaken later this year to determine how best to assess ICB performance in their new configurations.

As part of the system transformation, and ICB reconfiguration, consideration will need to be given as to whether the ICB pay ranges are right or whether further work needs to be undertaken. Once we have more clarity on the new shape and size of ICBs, we will be advising ministers on whether it is appropriate to review the pay ranges.

We would like to give thanks to SSRB for providing comments on the draft framework in both the 2024 and 2025 report and for their additional asks.

At this stage it is too early to provide SSRB with sufficient supporting evidence on their additional asks, namely:

- the difference the VSM framework has made to numbers of appointable candidates applying to VSM roles in challenged organisations
- how effectively we have been able to implement the new frameworks and how far they are achieving their objectives, including the impact of linking pay to performance measures
- whether there have been any unintended negative impacts

As we develop an evidence base, our aim is to provide further information on the impact of the framework in subsequent pay rounds. Given that SSRB normally engages senior leaders in discussion groups as part of its evidence gathering, we would particularly welcome any further insights into the above questions from senior leaders. We look forward to reading SSRB's report for 2026 to 2027.

Scrutiny of very senior manager pay

Scrutiny and oversight of VSM pay are vital to ensure value for money for the taxpayer, transparency, and to allow the government to make sure that senior pay is set at an appropriate level which enables NHS organisations to recruit, retain and motivate top talent to deliver improved outcomes for patients.

VSM pay is locally determined by RemComms, who will make decisions based on the VSM pay framework. Additional scrutiny is put in place where pay does not comply with the thresholds set out in the framework. As part of these additional controls, DHSC has implemented a process whereby we approve or provide opinion on certain VSM pay cases.

In April 2025, we made changes to this process in order to improve efficiency and turnaround of cases. These changes, agreed by ministers, allowed us to accept SSRB's recommendation to provide central approvals of VSM pay within 4 weeks of submission of the pay case to the department.

We made the following changes:

- in the new framework, the threshold for approvals was raised from £150,000 to £170,000 for NHS trusts and foundation trusts, to bring it in line with the ICBs approvals threshold

- approvals for all the pay cases that are compliant with the VSM pay framework were delegated to NHS England

- approvals for non-compliant cases were delegated to DHSC senior officials, with an escalation mechanism to ministers. This mechanism would be for the cases that deviate the most from the framework

- lastly, ministers agreed to uplift the pay ranges on an annual basis, in line with the pay awards, once the Secretary of State makes a decision on these

These measures should allow NHS organisations to operate within the bounds of the framework more easily, limiting the need to come to the department for approval and ensuring resource is targeted at reviewing the most exceptional cases. We hope that the new approvals process will be seen as more proportionate and practical by the system and, in turn, contribute to a strengthening of adherence to the VSM framework.

We agree that the pace and manner with which these cases are handled has an impact on recruitment and retention of the VSM workforce and we are very keen to minimise delays and ensure the process of clearances is efficient.

We will be monitoring progress on this going forwards. We will update SSRB on this, once sufficient cases have been received to make an appropriate assessment.

VSM earnings

Data on VSM workforce and earnings has been supplied by NHS England using the same definitions for what constitutes the VMS workforce as recent years. We note that following the decision to bring forward the timing of the pay round the snapshot used for data has been moved from June to March. As a result, we should be careful about making direct comparisons with previous evidence.

NHS England earnings statistics provide information on average pay and earnings for VSMs using the definitions used elsewhere in this document. In the 12-months to March 2025 average basic pay per FTE for VSMs in NHS trusts increased to slightly over £150,000 which is an increase of around 3% compared with the period to June 2024.

Where the increase in average basic pay per FTE is lower than the pay award this could represent either a change in the composition of the workforce or the impact of the £110,000 pay threshold used in the VSM definition with people being captured for the first time at the lower end of the income distribution.

These figures will not capture the impact of the 2025 to 2026 pay decision where the government accepted the recommendation of SSRB that core pay should be increased by 3.25%.

Table 5: average pay and earnings for VSMs in NHS trusts

Average pay and earnings for VSMs in NHS Trusts	12 months to March 2025	12 months to June 2024	Change
Basic pay per FTE	£150,290	£145,618	3.2%
Earnings per person	£155,152	£152,385	1.8%
Basic pay per person	£142,420	£138,509	2.8%
Non-basic pay per person	£12,731	£13,876	-8.3%
% of earnings not basic pay	8%	9%	N/A

Source - NHS England earnings statistics, note that some of this period is overlapping due to the earlier timeline for this year's evidence round.

Table 6 below shows the differences in average pay and earnings for different types of VSM. As expected, Chief executives have the higher average basic pay (approximately £210,000) and earnings (approximately £230,000) in line with them having the highest level of responsibility.

Table 6: differences in average pay and earnings for different VSM roles

Job Role	Mean annual basic pay per FTE	Mean monthly sample size based on role count	Mean annual earnings per person
Board Level Director	£145,614	398	£148,631
Chief Executive	£211,988	195	£231,355
Chief Information Officer	£142,316	45	£142,805
Chief Operating Officer	£153,052	114	£156,824
Chief People Officer	£146,166	109	£147,300
Chief Strategy Officer	£144,042	62	£147,127
Deputy Chief Executive	£173,222	27	£174,680
Director of Nursing	£143,714	231	£147,903
Estates and Facilities Director	£132,862	32	£129,043
Finance Director	£156,739	185	£163,005
Improvement Director	£130,785	14	£131,442
Medical Director	£153,892	257	£188,087
Other Executive Director	£139,150	297	£141,624

Source - NHS England earnings statistics

Differentials with other national contracts and pay overlaps

There are 2 other pay review bodies covering NHS staff in addition to SSRB - the NHS Pay Review Body (NHSPRB) covering non-medical staff and the Review Body on Doctors' and Dentists' Remuneration (DDRB) making recommendations for doctors and dentists.

Because of the different pay systems that are in place and the spectrum of seniority covered by the different contracts there have been questions about the interaction between different contracts and the risk for pay overlaps which can impact staff incentives.

In 2025 to 2026, full-time staff in band 9 of the AfC structure have a base salary of over £109,000 (increasing to over £125,000 for those with a minimum of 5 years' experience) while consultants have full-time basic pay of at least £109,000 increasing to over £145,000 for those with at least 14 years of experience as a consultant.

Table 7: pay scale minimum and maximum for alternative national contracts in 2025 to 2026

Contract	Grade	Pay scale minimum	Pay scale maximum
Consultant	2003 consultant	109,725	145,478
Specialist	2021 specialist	100,870	111,441
Agenda for Change	Band 8d	91,342	105,337
Agenda for Change	Band 9	109,179	125,637

Source - NHS Employers

Under the new VSM pay framework, pay ranges are set according to the role and the size of the organisation, with organisations with higher turnover and executive level roles attracting higher pay. Under these pay ranges there are some cases, particularly for smaller organisations or ‘level 2’ roles where VSM pay can sit below the top of the Agenda for Change structure and data shows that there were around 1,500 band 9 staff who had earnings of more than £110,000 in the 12-months to March 2025.

Workforce numbers

Data on workforce numbers are supplied through NHS England workforce statistics using the same definition which has been used in recent cycles based around earnings and job role data from ESR. As in previous years we remain committed to improving the robustness of identifying very (and executive) senior managers. The new VSM pay framework will support this work.

Table 8 shows that as of March 2025 there were almost 2,900 staff (2,700 FTE) identified under this definition in NHS trusts with a further approximately 770 staff (560 FTE) in ICBs. In NHS trusts this represents an increase of around 160 staff (140 FTE) compared to the previous year though some of this may be people crossing the earnings threshold of £110,000 which has not been updated in several years. The number of VSMs identified in ICBs shows a reduction of around 70 staff (20 FTE) between March 2024 and March 2025.

Table 8: very senior managers working in NHS trusts and ICBs between March 2019 and March 2025, standard VSM definition

Month	NHS trusts - headcount	NHS trusts - FTE	ICBs - headcount	ICBs - FTE
March 2019	1,622	1,577	N/A	N/A
March 2020	1,768	1,722	N/A	N/A
March 2021	2,078	2,008	N/A	N/A
March 2022	2,178	2,089	N/A	N/A
March 2023	2,451	2,337	774	546
March 2024	2,721	2,581	844	589
March 2025	2,885	2,720	771	562

Source - NHS England workforce statistics. Integrated Care Boards were not in operation before 2023.

As an alternative, table 9 shows how the number of people with a 'job role' that indicates they are a member of the executive team has changed since 2019. In March 2025 the number of identified VSMs in NHS trusts was largely unchanged from the previous year.

Table 9: very senior managers working in NHS trusts using the board level job definition.

Month	NHS Trusts - Headcount	NHS Trusts - FTE
March 2019	1,605	1,566
March 2020	1,660	1,617
March 2021	1,697	1,651
March 2022	1,756	1,700
March 2023	1,780	1,719
March 2024	1,948	1,889
March 2025	1,960	1,902

Source - NHS England workforce statistics

Workforce equality and diversity

We remain committed to providing information on the equality and diversity of the VSM workforce.

Table 10 provides information on the demography of the VSM workforce as of March 2025 in Trusts and ICBs and shows:

- there is a near even gender balance between male and female VSMs though we note that across the NHS workforce around 75% of employees are female
- non-white VSMs represent around 20% of the workforce.
- as in previous years the VSM cadre skews older with over 80% being over the age of 45. This is consistent with the length of time that is required to develop the skills and experience to be able to effectively undertake VSM roles

Table 10: demographic composition of VSMs in trusts and ICBs as of March 2025

Demographic group	Demographic	Trusts	ICBs
Gender	Female	50%	54%
Gender	Male	50%	46%
Age	25 to 34	1%	1%
Age	35 to 44	16%	15%
Age	45 to 54	43%	45%
Age	55 to 64	37%	35%
Age	65 and over	3%	4%
Disability	Disabled	6%	8%
Disability	Not disabled	78%	72%
Disability	Not disclosed	10%	12%
Disability	Unknown	5%	7%

Ethnicity	White	82%	77%
Ethnicity	Ethnic minorities	13%	14%
Ethnicity	Unknown	5%	8%

Source - NHS England workforce statistics

Gender and/or ethnicity pay disparities

The 'pay gap' is the difference in average pay and earnings between groups with different sets of characteristics (for example, male and female or White and non-White). It is important to note that the existence of a 'pay gap' does not signify people being paid differently for work of equal value but can be due to differences in 'average' role with people from some demographic groups being more likely to hold more senior positions which attract higher pay.

The table presents estimates for the gender and ethnicity pay gaps for different groups as of March 2025. The 'gender' gap measures the difference between male and female staff within a particular ethnic group while the 'ethnicity' gap measures the difference to white staff for a given ethnicity and gender group. When interpreting figures, we note the small sample for some groups - for example while there are over 1,000 in the 'White male' and 'White female' groups there is no other group with more than 150 staff.

Table 11: estimated gender pay gap (GPG) and ethnicity pay gap (EPG) for very senior managers using basic pay per FTE, as of March 2025

Grade	Ethnic group	GPG	Female - EPG	Male EPG
VSM	Asian - Asian British	2.4%	5.1%	-2.4%
VSM	Black - African - Caribbean - Black British	0.3%	2.1%	-3.2%
VSM	Mixed - Multiple ethnic groups	-12.5%	-5.4%	2.8%
VSM	White	-4.9%	N/A	N/A
VSM	Other ethnic group	N/A	-8.2%	N/A
VSM	Unknown	-3.2%	4.9%	3.1%
Non AfC	Asian - Asian British	-7.5%	-4.5%	6.3%
Non AfC	Black - African - Caribbean - Black British	10.2%	3.9%	-2.9%
Non AfC	Mixed - multiple ethnic groups	N/A	3.4%	N/A
Non AfC	White	2.9%	N/A	N/A
Non AfC	Unknown	-7.4%	4.4%	16.0%

Source - NHS England earnings statistics

Turnover

Turnover is an important metric in assessing recruitment and retention as generally we would want a lower leaver rate.

The NHS England data shows the number of people leaving different types of organisation or those who may be moving between sectors of the workforce (for example, leaving an ICB to join a trust).

Between March 2024 and March 2025, it is estimated that the leaver rate for VSMs in trusts was just over 9% with figures of 14.7% and 10.6% for ICBs and ALBs.

Table 12: number of staff leaving or joining VSM positions between March 2024 and March 2025

Measure	Trusts	ICBs	ALBs
Workforce - March 2024	2,721	844	487
Workforce - Mar 2025	2,885	771	715
Leavers	258	119	64
Estimated leaver rate	9.2%	14.7%	10.6%

Source - NHS England workforce statistics, turnover between March 2024 and March 2025 for VSMs and ESMs partitioned by organisation type.

Individuals will be classed as a 'leaver' should they leave the trust sector but move to an ICB role but would not be counted if they moved from one trust to another trust. As shown in table 13 there are a small number of staff who move between different parts of the HCHS system, for example, by moving from a trust to an ICB.

Table 13: number of staff moving between different parts of the hospital and community health sector between March 2024 and March 2025.

Organisation type in 2024	Organisation type in 2025	Count
Trust	ICB	20
Trust	ALB	10
ICB	Trust	15
ICB	ALB	6
ALB	Trust	11
ALB	ICB	4

Source - NHS England workforce statistics

As part of the exit process, staff are asked to provide information around their reason for leaving. While this is self-reported it can provide some intelligence as to why staff may be choosing to exit roles. For those in trusts around one-third of exists are recorded as being related to resignation with a further third for retirement. While these are higher than in evidence to SSRB for 2025 to 2026 we note the proportion of 'unknown' has reduced significantly which previously accounted for 29% of leavers from trusts and 49% in ICBs and can occur if, for example, someone moves from a VSM role to a non-VSM role or moves between organisations.

Table 14: proportion of staff by reason for leaving and organisation type between March 2024 and March 2025.

Category	Proportion in trusts	Proportion in ICBs	Proportion in ALBs
Resignation	33%	24%	50%
Retirement	36%	16%	25%
Redundancy	12%	21%	8%
End of fixed-term	8%	18%	9%
Other	5%	0%	2%
Unknown	6%	20%	6%

Source - NHS England workforce statistics

4. Executive and senior managers (ESMs)

An executive senior manager (ESM) is defined as someone who holds an executive position in one of DHSC's arm's length bodies (ALBs), or someone who, although not a board member, holds a senior position typically reporting directly to the chief executive. DHSC's ALBs such as NHS Blood and Transplant or the Care Quality Commission appoint their most senior managers to executive senior manager (ESM) roles, which use a different pay framework from VSMs.

The ESM pay framework was introduced in 2016 following an increase in the number of ALBs and roles arising from the 2012 health and care system reforms, and separated senior leaders in the ALBs from very senior managers (VSMs) in the rest of the NHS.

The framework is based on a job evaluation system implemented independently on behalf of ALBs and DHSC by the NHS Business Services Authority (NHSBSA). ALBs range in size, budgetary control, and breadth of responsibility but all ALBs have a national role and are key components in the health and social care system. They undertake an extraordinarily wide and diverse range of functions, encompassing highly specialised services on the one hand, to responsibilities affecting the entire health and social care system on the other. This level of responsibility is reflected in the size, budgets, and complexity of each ALB.

ESM pay framework updates

SSRB have previously commented that the ESM pay framework is outdated, and steps should be taken to provide greater alignment with the VSM pay framework. In their 2025 to 2026 report, SSRB went further and recommended that the ESM pay framework be withdrawn.

In 2024, DHSC commenced a review of the ESM pay framework, including reviewing the pay bands, with the ambition of uprating these to more appropriately align with market conditions and the new VSM pay framework. It was DHSC's intention to publish these updates alongside the 2025 to 2026 ESM pay award announcement. However, this project was paused in light of the announcement in March 2025 that NHS England would be abolished and a transformation programme created to oversee the integration of the department and NHS England. This integration will have impacts on the number of individuals in ESM roles, currently over 80% of ESM roles are employed by NHS England. Our previous ambitions for the ESM pay framework are being further reviewed given the recommendation of SSRB to withdraw the framework entirely.

ESM annual pay award 2025 to 2026

Annual pay uplift

The remuneration and annual performance-related pay of ALB CEOs and their executive directors paid under the terms of the ESM pay framework is determined by the DHSC Remuneration Committee. The committee operates within the parameters set by the Cabinet Office and taking into account the government's response to SSRB's recommendations for any pay round.

For the 2025 to 2026 pay round, the government accepted SSRB's headline pay recommendation for VSMs and ESMs. This was:

- a consolidated increase of 3.25% from 1 April 2025 for all VSMs and ESMs

This was communicated to ALBs in May 2025, alongside confirmation that funding for any uplifts would need to come from existing budgets.

Performance related pay for ESMs

The DHSC Remuneration Committee approved the use of non-consolidated performance-related pay (NCPRP) in ALBs, although not all ALBs choose to use this as part of their approach to total reward.

Historically, NCPRPs are only made to top performers. Usually, these awards can be no more than 5% of an employee's reckonable pay.

For the 2025 to 2026 pay round (recognising performance to the end of 2024 to 2025), the DHSC Remuneration Committee agreed that:

- there should be no formal restriction on the percentage of ESMs who could be given an award. However, they still expected to see differentiation in performance and a spread of performance ratings

- if ALBs proposed to pay awards to more than 20% of ESMs, a business case had to be submitted to the DHSC Remuneration Committee

- individuals could receive a non-consolidated award of up to but no more than 5% of their reckonable pay (the exception to this being if a higher percentage has been agreed previously as part of a total remuneration package approved by DHSC Remuneration Committee and ministers and/or HMT where appropriate)

- any money spent on NCPRP must come from existing budgets

While performance of ESMs is monitored in DHSC's ALBs, the uptake of performance pay is low. Two of the largest ALBs; CQC and NHS England do not utilise performance pay for their ESM cohort, together they equate to 87% of the total ESM roles across the ALBs. In NHS England, the staff below ESM grades are on Agenda for Change terms and conditions which has no provision for annual performance payments. NHS England therefore does not use performance pay for their ESMs to ensure a consistent approach with their wider workforce.

2025 ALB data collection

Due to the accelerated timeline for the written evidence for the 2026 to 2027 pay round, there was no additional data collected for DHSC's ALBs and the ESM workforce. The majority of ALBs confirmed they were likely to implement their ESM pay award at the same time as the wider NHS system pay awards implementation, that is August 2025. Where ALBs plan to delay implementation further, this is due to a desire to align the payment of ESM awards with the wider workforce who do not operate the AfC framework. It should also be noted that anecdotal evidence collected also suggests that a factor in the delay of the awards can be attributed to system lag across the current NHS pay mechanism.

We will be in a better position to collect meaningful and insightful data for the next round of evidence, especially as this will allow us to better understand the impacts of the DHSC-NHS England integration for the ESM workforce and pay framework overall.

For information we are including the data provided for the 2025 to 2026 pay round to SSRB.

As part of the work to develop an evidence base for SSRB for the 2024 to 2025 pay round and beyond, DHSC requested in-depth data on their ESMs from 11 ALBs and within DHSC. This is referred to henceforth as the ALB data collection.

This section provides an overview of the 12 data returns received and we have used the data to analyse diversity statistics, as well as report on the ESM pay across the cohort. The raw data return has been submitted to SSRB separately.

Table 15: contributing organisations to the ALB data collection

Arm's length body	Abbreviation
Care Quality Commission	CQC
Department of Health and Social Care	DHSC
Health Research Authority	HRA
Human Tissue Authority	HTA
Human Fertilisation and Embryology Authority	HFEA
National Institute for Health and Care Excellence	NICE
NHS Blood and Transplant	NHSBT
NHS Business Services Authority	NHSBSA
NHS Counter Fraud Authority	NHSCFA
NHS England	NHS England
NHS Resolution	NHSR

Source: ALB data collection 2024

Pay analysis

Given the specialist nature of the ALBs, there are not necessarily common and comparable roles to be found across all organisations. The ESM pay framework clusters roles into 4 ESM grades and each have a broad pay band.

This approach seeks to cluster roles at similar levels in the management hierarchy of the larger ALBs while also being able to reflect the responsibilities of executive director and CEO roles of the smaller organisations.

Table 16: ESM pay bands

Role grade	Pay bands: minimum	Pay bands: operational max	Pay bands: exception zone (max)
ESM 1	£90,900	£113,625	£131,300
ESM 2	£131,301	£146,450	£161,600
ESM 3	£161,601	£176,750	£191,900
ESM 4	£191,901	£207,050	£222,200

Source: ESM pay framework

Table 17: ESM base salaries and current pay bands

Grade	Number of ESMs in post	Above the operational max	At or above the exception zone max
ESM 1	283	259 (92%)	148 (52%)
ESM 2	106	84 (79%)	29 (27%)
ESM 3	20	20 (100%)	17 (85%)
Total	410	364 (89%)	195 (48%)

Below is a summary of the average basic pay and average total pay for all ESMs in 2024. Average basic pay increased by 5.45% between 2022 and 2023 data collection, most likely due to the annual pay uplift. Between the 2023 and 2024 data collection, the average basic pay increased by 3.2%, again most likely due to the annual pay uplift, however as fewer individuals received a consolidated award this increase is lower than the previous year.

Some ESMs benefit from additional payments, such as additional responsibilities allowances. Where these are paid, they are included in the average total pay calculation.

Table 18: basic and total pay by year

ALB data collection year	Average basic pay	Average total pay
2020	£125,470	£126,890
2021	£125,284	£126,390
2022	£128,263	£129,637
2023	£134,249	£138,737
2024	£138,544	£140,617

Source: ALB data collection 2024.

Table 19: basic and total pay by ESM grade for 2024 to 2025

Grade	Average basic pay	Average total pay
ESM 1	£126,856	£128,657
ESM 2	£156,074	£158,858
ESM 3	£201,713	£204,065

Source: ALB data collection 2024.

Allowances

ESMs may have different allowances included within their total remuneration package. A number of these are legacy allowances that are not available to new starters (for example, vehicle allowance) or are protected payments. In 2024, the average value of allowances paid was £10,340.

Diversity analysis

Ethnicity

Table 20: percentage ethnicity of ESMs per year

Ethnicity	2021 to 2022	2022 to 2023	2023 to 2024	2024 to 2025
White	81%	78%	80%	81%
Non-White	7%	9%	11%	10%
Not stated	12%	13%	9%	9%

Source: ALB data collection 2024.

Sex

Table 21: percentage sex of ESMs per year

Sex	2021 to 2022	2022 to 2023	2023 to 2024	2024 to 2025
Male	48%	47%	49%	48%
Female	52%	53%	51%	52%

Source: ALB data collection 2024.

Table 22: average basic and total pay for ESMs by sex

ESM cohort	Female basic pay	Female total pay	Male basic pay	Male total pay
2022 to 2023	£127,776	£129,188	£127,524	£128,721
2023 to 2024	£134,607	£137,066	£135,930	£140,508
2024 to 2025	£137,598	£139,320	£139,583	£139,899

Source: ALB data collection 2024.

Age

Table 23: breakdown of ESMs by age

ESM grade	Average age	Age range
ESM1	51	32 to 70
ESM2	53	37 to 66
ESM3	56	47 to 65

Source: ALB data collection 2024.

5. Labour market context and high-income comparisons

In this section we provide information on how pay and earnings for NHS VSMs and ESMs compare against similar roles in the wider economy with particular attention on economic forecasts for the coming year as well as comparisons against other high-income professions. The available evidence suggests:

- earnings growth in the wider economy has remained relatively strong but growth shows signs of reducing and has been lower toward the top of the income distribution. In 2026 to 2027 earnings growth is forecast to continue to reduce and be more in line with long-term averages

- earnings growth toward the top of the income distribution has been consistently lower than in the lower portion of the distribution - this is consistent with increases to the National Living Wage being more impactful for lower earners while the rest of the income distribution has compressed

- available data on pay settlements indicate median settlements currently averaging around 3% and with most firms offering less than last year. Surveys suggest this is likely to continue over the coming year

Earnings forecasts for 2026 to 2027

To maintain the position of the NHS within wider labour markets it will usually be the case that the change in NHS pay might expect to broadly match wider economy earnings growth. We also believe that the pay review body should take consideration to the expected change in earnings over the forthcoming pay period rather than reflecting current conditions.

Average earnings growth is forecast to be lower over 2026 to 2027 than 2025 to 2026, at 2.2% according to the OBR's March 2025 forecast with a reduction over the course of the year, at around 2.4% in the Q2 2026 to 2.0% in Q4 2026 and Q1 2027.

In the August Monetary Policy Report the Bank of England forecast average private sector earnings growth of 3.25% in Q4 2026. This is an increase from its previous forecast (2.75%) and remains higher than OBR forecasts.

Pay settlements - data and forecasts

General growth in earnings can be broader than that generated through pay settlements alone as it will encompass any changes to average pay and earnings resulting from

changes to the composition of the workforce (for example, having more people in higher paid positions) or any changes in additional pay (for example, more people doing additional hours).

While there are no official statistics covering pay settlements we can look to surveys from the likes of Brightmine (formerly XPertHR), Incomes Data Research (IDR) and the Bank of England for insight on the current value of pay awards which may align with decisions facing the pay review bodies.

In July 2025 Brightmine reported that median pay settlements for the quarter to June 2025 stood at 3% and this had remained stable for 7 consecutive rolling quarters although median pay awards were higher (4.3%) in the public sector following the impact of targeted pay awards for some groups. They noted that around 20% of awards in the sample were worth exactly 3% with a further around 14% of awards valued at 2%. They also stated that current awards tended to be below those of a year ago with around 81% of awards being lower than in the previous pay cycle and just under 5% being higher than last year.

Data from Incomes Data Research (IDR) showed median pay increases in 2025 of 3.3% with those in the private sector being around 3.2%. Some industries, such as retail or hospitality, saw higher than average awards following increases to the National Living Wage. While those within SSRB remit are unlikely to be directly impacted by the National Living Wage it can exert pressure further up the income distribution if firms attempt to maintain pay differentials.

Data from the Bank of England decision maker panel can also provide insight as to what wage pressures firms expect to face. In the 3 months to June 2025 firms reported wage growth of 4.6% but expected wage growth over the next 12-months was expected to fall by one percentage point to 3.6%

In aggregate this would suggest that many current pay settlements have been in the region of 3%, mostly lower than last year and with some evidence that further reductions are likely over the coming year.

Broader economic conditions

In addition to being aware of changes in wider earnings we should also be aware of other economic indicators and the impact they may have on labour markets including any impact for the NHS including things like recruitment and retention.

Between April and June 2025 unemployment stood at 4.7% which represented an increase of 0.1 percentage points over the previous quarter and around 0.7 percentage points above pre-pandemic levels. OBR forecasts are for unemployment to remain broadly stable in 2026 to 2027.

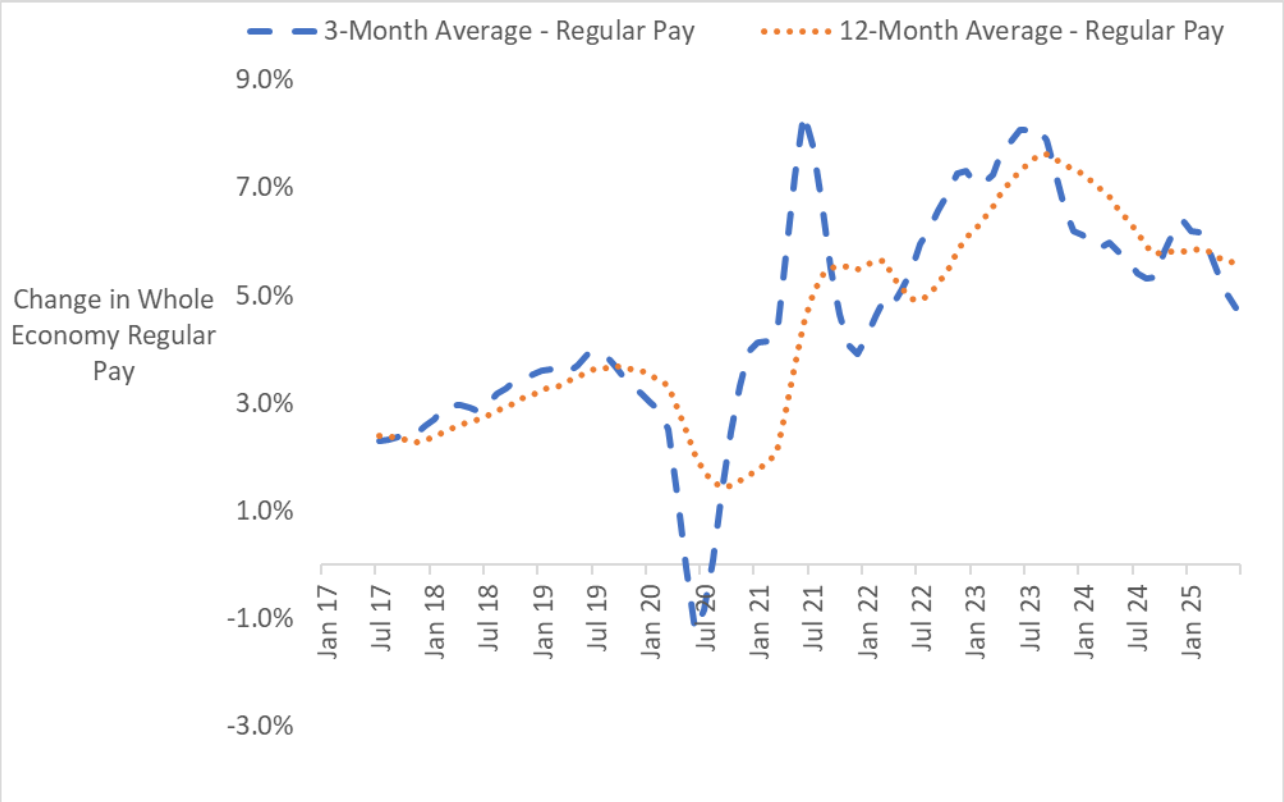
Alongside a rise in unemployment the number of vacancies has continued to fall - ONS data shows around 718,000 vacancies in the 3 months to July 2025 which represent a figure that has fallen for 37 consecutive quarters and is back below pre-pandemic levels. The ratio of vacancies to unemployed people, a measure of economic tightness, has continued to fall indicating a looser labour market.

Inflation, which we believe should be of secondary importance to pay setting, is currently forecast to average around 1.9% in 2026 to 2027 (OBR, March 2025 forecast) which would be a reduction from the forecast 3.2% in 2025 to 2026 (OBR, March 2025 forecast) and would be broadly in line with the government's 2% inflation target. For comparison the Bank of England currently forecast average CPI of around 2.5% in 2026 to 2027.

Previous growth in earnings

ONS publishes data on average weekly earnings which is the lead measure on earnings growth per employee and is based on data from the monthly wages and salaries survey. Changes in average weekly earnings cover more than just pay settlements and include the impact of changes in average working hours or alterations to workforce composition

Figure 3: increase in average weekly earnings in the private sector, 3-month and annual growth rates between January 2017 and June 2025, £ per month, 3 month moving average



Source - Office for National Statistics

Description: this is a chart showing the increase in average weekly earnings in the private sector between July 2017 and June 2025 on both a 3-month and annual average basis. It shows that the increase in earnings, using the 3-month average, is 4.8% as of June 2025 but has reduced from around 8% during 2023.

As data on pay growth is broader than the impact of pay awards solely, we are also interested in pay settlement data which closely resembles the decision facing PRBs and does not include the impact of changes to workforce composition or pay drift. Brightmine data shows that settlements are expected to average 3% in 2025, and has been at 3% for 8 rolling quarters from 3 months to the end of December 2024 to the end of July 2025. Information from the Bank of England Decision Maker Panel estimated year ahead wage growth of 3.6% in July 2025.

Earnings growth across the earnings distribution

In addition to a general understanding of earnings growth we can assess how earnings growth is changing across the income distribution. For medical staff we might be particularly interested in earnings growth toward the top of the income distribution.

ONS data, based on 'real-time' information from the pay as you earn (PAYE) system shows that in the 3 months the June 2025 median earnings growth was 5.8% but this varied substantially across the earnings distribution with much higher growth (7.8%) for those in the 25th percentile and lower growth (2.6%) at the very top of the income distribution - this is likely impacted by increases to the NLW in April 2025.

Table 24: estimated growth in earnings by income distribution percentile - 3-month moving average to June 2025 compared to 3-month average to June 2024

Date	10th percentile	25th percentile	50th percentile	75th percentile	90th percentile	95th percentile	99th percentile
June 2025	7.6%	7.8%	5.8%	4.7%	3.7%	3.2%	2.6%

Source: Real Time Information, UK - Office for National Statistics

6. Total reward and NHS pensions

Introduction

Pay makes up one part of the overall reward package, and while important, there are other benefits which have both financial and non-financial value and impact the motivation, recruitment and retention of VSMs and ESMs, and should therefore be considered by SSRB.

The total reward package in the NHS is generous. While arrangements for VSMs and ESMs are for employers to decide locally, terms and conditions are, in many cases, broadly similar to those offered under Agenda for Change. These benefits are above the statutory minimum and exceed those offered in other sectors. VSMs may also benefit from local arrangements, such as car and relocation allowances.

ESMs within the ALBs may also benefit from flexible and hybrid working conditions, including the ability to work from home, allowances and performance-related pay. Comparisons with the wider labour market should not just be limited to pay but include the full reward package. SSRB has previously found that these additional benefits, in general, are competitive.

NHS Pension Scheme

The NHS Pension Scheme remains a valuable and generous part of the total reward package available to ESMs and VSMs.

There are 2 NHS Pension Schemes. The legacy scheme, which includes the 1995 and 2008 Sections, and the 2015 Scheme. Both are defined benefit schemes but they have some key differences; the way benefits are calculated, the normal pension ages and the accrual rates. The legacy scheme is now closed to new members and all NHS staff who joined the Pension Scheme since 1 April 2022 are automatically in the 2015 scheme.

Table 25: comparison of retirement ages and accrual rates for members of the 1995 Section, 2008 Section and 2015 Scheme

Scheme or section	Normal pension age (NPA)	Accrual rate
1995 Section	60	1/80th
2008 Section	65	1/60th
2015 Scheme	State pension age	1/54th

One key benefit of the 2015 Scheme is that for active members, the pension they earn is increased every April by the Consumer Price Index (CPI) in the year before. Accrued pensions are increased by CPI plus 1.5%, which is a rise of 3.2%.

GAD calculates that scheme members can generally expect to receive around £2 to £6 in pension benefits for every £1 contributed.

The department keeps the rules of the pension scheme under review to ensure it continues to help the NHS attract and retain the VSMs and ESMs needed to deliver high quality care for patients.

NHS Pension Scheme membership

The department continues to monitor scheme membership rates through ESR. The table below demonstrates changes to the estimated scheme participation rate over the past year. This shows that membership rates increased across all salary ranges between June 2024 and June 2025, with an overall increase of around 3 percentage points.

Table 26: estimated membership of the NHS Pension Scheme for VSMs

Salary range	Size of cohort sample	Estimated membership rate in June 2025	Difference between 2024 and 2025 (percentage point change - all positive)
£110,000 to £125,000	780	88%	1 percentage point
£125,000 to £150,000	2,360	90%	3 percentage points
£150,000 to £175,000	750	87%	5 percentage points
£175,000 to £200,000	350	82%	10 percentage points
More than £200,000	330	71%	4 percentage points
All	4,570	87%	3 percentage points

Total change from 2024	Plus 3.1 percentage points

Source: DHSC analysis of electronic staff record

The table below sets out an illustrative accrued pension according to the member's pensionable pay and years of service.

Table 27: accrued pension according to pensionable pay and years of service

Pensionable pay	5 years' service	10 years' service	15 years' service
£110,000	£10,600	£22,100	£34,400
£125,000	£12,100	£25,100	£39,100
£150,000	£14,500	£30,100	£46,900
£175,000	£16,900	£35,100	£54,700
£200,000	£19,400	£40,200	£62,600

As with last year, these figures do not allow for the impact of annual allowance tax charges. The lifetime allowance was removed in 2023 so no longer applies to these projections. These figures assume the member has earned the same pensionable pay over the whole time period.

Retirement options

VSMs and ESMs who wish to retire earlier than their normal pension age (NPA) have the option of taking voluntary early retirement which allows staff to fully retire up to 10 years earlier than their NPA (subject to Normal Minimum Pension Age legislation), although their pension will be actuarially reduced (by around 5% per year), to account for the fact that it is being paid earlier and therefore longer.

The generosity of the accrual model, potentially combined with retirement flexibilities, enable ESM and VSM members to take early retirement, with an actuarial reduction, before the normal pension age in the scheme and still receive a good value pension relative to the amounts they have contributed to the scheme. If a member is physically or mentally unable to reach NPA within their role, ill-health retirement is a feature of the scheme that is available at any age.

As highlighted in previous evidence submissions, ESMs and VSMs also have the option, with the agreement of employers, to take partial retirement or retire and return. These flexibilities allow members to claim their pension when it is most valuable to them but don’t require them to leave or change their job. As well as supporting VSMs and ESMs with their work-life balance later in their careers, partial retirement may also support NHS employers, by allowing them to retain experienced members of staff.

Communicating the package

Total reward statements (TRS) are provided to NHS staff to give a better understanding of the benefits that they have or may have access to as an NHS employee. TRS provide personalised information about the value of staff employment packages, including remuneration details and benefits provided locally by their employer.

All NHS Pension Scheme members also receive an annual benefit statements (ABS) every August, which shows the current value of their scheme benefits. On 25 July 2025, there were 3,073,848 statements available, of which 1,091,850 have been viewed by members. In comparison, on 21 September 2024, there were 3,054,253 statements available and 374,657 views.

As part of the NHSBSA 5-year strategy, there is a commitment to invest in communication with members through the UK Pensions Dashboard Programme. This will enable members to access their pension information online, securely, and all in one place. The dashboard will provide clear and simple information about all an individual's pension savings, including their state pension.

In addition to this, the department and NHSBSA are working together to improve the NHS Pensions App functionality to link with the dashboard. The app will provide members with user-friendly, clear access to their pension data, allow them to see their pension benefits accruing, and future retirement date options. Using technology to make information more readily available to members aims to reduce the amount of time and costs spent on traditional communication such as sending letters to update members and responding to individual member queries.

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