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2023/24 pay award: revenue finance and contracting guidance (updated version)

Version 2.0, 15 August 2023

Key updates since the previous published version of the guidance are highlighted in yellow throughout the document.

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Summary

1. The Government has now announced the pay awards for medical and dental staff groups, following recommendations from the [Review Body on Doctors' and Dentists' Remuneration \(DDRB\)](#). This is an updated version of the guidance published following the Agenda for Change (AfC) pay award announced in May 2023. It describes the approach to funding the 2023/24 pay award for all staff groups and sets out the new actions that commissioners and providers should take to implement the new pay awards, in addition to the actions that should already have been taken to implement the AfC pay award from June. Updates since the previous version of the guidance, as well as new actions required of commissioners and providers, are highlighted in yellow throughout the document.
2. The Government announced pay awards for AfC staff in England in May, comprising a non-consolidated pay award for 2022/23 and a consolidated pay award for 2023/24. NHS Employers issued an [advisory notice](#) and [further guidance](#) on the AfC pay awards. Action should have been taken to action both payments through June payroll, in line with the previous version of this guidance.
3. NHS Employers has published the [Pay and Conditions Circular](#) for the 2023/24 award to hospital medical and dental staff, doctors and dentists in public health, the community health service and salaried primary dental care. The pay circular confirms that NHS organisations are instructed to implement the pay awards as soon as possible, which we anticipate will be September (subject to confirmation of final ESR technical changes).

Cash management

4. The following guidance sets out the steps that commissioners and relevant providers should take to agree new contract values and payment schedules, so that the cost impact of all pay awards and backpay can be appropriately funded within their single monthly provider payment in September 2023 (if

ESR technical changes are confirmed) and thereby minimise the requirement from NHS providers for additional cash requests.

5. Integrated care boards (ICBs) should engage with the providers within their system to identify the cash requirements for the pay awards and backpay due in September. Where the cash requirement of a provider for September exceeds their available resources, the short-term cash requirements of the system can be managed appropriately via the ICB cash request process in August (for payment in September) as an interim step, alongside the final funding for local pay pressures being agreed through new contract values locally (see Contracts section).
6. The combined cash requirement for ICBs and providers should be made in the CFF1 form using the 'business as usual' drawdown process, due on **16 August 2023**, to the Treasury and Transacting team, via nhsenglandcash.management@nhs.net. A separate field has been included in the CFF1 form for ICBs to indicate how much of the overall cash requirement relates to the pay award and backpay.

Allocations and other sources of income

7. Allocation adjustments will be issued to the following allocations to reflect the final updated Cost Uplift Factor (CUF) (see Table 1 in the following section), to cover the impact of the 2023/24 pay awards. Allocation adjustments have already been issued to cover the impact of the AfC award and a further set of adjustments will therefore be issued for the impact of the pay awards for medical staff groups.
 - ICB core programme (including Elective Recovery Fund) – covering NHS and non-NHS services in scope of the NHS Payment Scheme (NHSPS), and other services funded by ICB core programme impacted by DDRB pay recommendations. Mental Health Investment Standard will also be adjusted to reflect the additional funding.
 - ICB delegated other primary care (pharmacy, ophthalmic and dental) – delegated allocations will be uplifted to reflect the cost impact of pay

awards for secondary dental services. The ICB dental ring-fences will also be updated accordingly.

- Service Development Fund (SDF) – the SDF funding already notified to ICBs will be uplifted where appropriate to fund the impact of pay awards on pay costs.
- NHSE direct commissioning (including Elective Recovery Fund) programme allocations for specialised, public health, armed forces and health and justice services – covering NHS and non-NHS services in scope of the NHSPS.

8. Adjustments to published 2023/24 allocations will be actioned through in-year reporting and processed as baseline adjustments in generating final 2024/25 allocations.

9. Updated [ICB running cost allowances](#) (RCAs) which reflect the additional impact of the 2023/24 pay awards were published following the publication of the previous version of this guidance in May. No further changes will be actioned.

10. The impact of additional pay on training and education income will be funded on top of the published education and training tariffs. We are working with DHSC to formally implement this through an update to the tariff, or else with additional funding from NHS England. Further details about this will be communicated in due course.

11. In line with the approach to funding the AfC pay award, additional non-recurrent funding will be issued to ICBs in 2023/24 to contribute to the impact of the pay award on those parts of NHS trusts' cost base which are funded by non-NHS income (e.g. local authorities, R&D income). The funding is issued to ICBs on a host provider basis (to the ICB where each NHS trust is financially apportioned) and is separately identified. NHS trusts will need to secure funding on a recurrent basis from the relevant income sources from 2024/25. There are two components to this funding: one to support local authority income-funded staffing (calculated using the 2023/24 plans submitted by NHS trusts); and one to support other elements of the cost base (calculated nationally and distributed based on the total pay bill for NHS trusts within the system).

12. Where changes are agreed to General Practice and General Dental Services contracts following the Government announcement of pay awards for medical staff groups, the relevant adjustments will be made to fund the cost impact of these contract changes to the delegated ICB primary medical care and other primary care allocations (covering the impact on primary and community dental services, with ICB dental ring-fences updated accordingly). Where changes are agreed and allocation adjustments are made, supplementary guidance will be issued to ICBs.
13. Following the publication of the previous version of this guidance in May, changes to the maximum reimbursable rates have now been set out in the PCN DES Specification for the Additional Roles Reimbursement Scheme (ARRS), as a result of the AfC pay award. As in previous years, the overall PCN entitlements and maximum ICB funding available for 2023/24 will remain the same for the year, as they are already set and underpin the five-year contract in place.

Contracts and payments with providers

14. Where 2023/24 contracts have now been agreed, ICBs and providers should – where necessary under the detailed guidance in the paragraphs below – now take action to vary the value of their contract, with reference to the final updated Cost Uplift Factor (CUF) in Table 1, calculated to cover the impact of the 2023/24 pay awards.
15. The value of any contract value change will depend on whether the contract value has already been uplifted for the AfC pay award (in which case refer to the 0.7% change compared to the May interim CUF) or parties have waited for the announcement of all pay awards to vary their contract (in which case refer to the 2.3% change compared to the March CUF). Local NHS leaders will be relied on to work together to ensure issues relating to contract agreement are resolved collegiately and in a timely manner. NHS England regional teams will track local progress and help systems resolve issues where necessary.

16. Commissioner allocations, as outlined in paragraphs 7-13, will be adjusted to fund commissioners for the annualised impact of the change in CUF on NHS and non-NHS services in scope of the NHSPS.

Table 1: Final updated Cost Uplift Factor (CUF)

Cost	Original CUF (Version 1.0: 30 March 2023)			Interim CUF (Version 1.1: 11 May 2023)		Final CUF (Version 2.0: 7 August 2023)	
	Estimate	Cost weight	Weighted estimate	Estimate	Weighted estimate	Estimate	Weighted estimate
Pay	2.1%	68.9%	1.5%	4.5%	3.1%	5.5%	3.8%
Drugs	1.3%	2.4%	0.0%	1.3%	0.0%	1.3%	0.0%
Capital	4.0%	7.1%	0.3%	4.0%	0.3%	4.0%	0.3%
Unallocated CNST	1.5%	2.2%	0.0%	1.5%	0.0%	1.5%	0.0%
Other	5.5%	19.3%	1.1%	5.5%	1.1%	5.5%	1.1%
Total CUF			2.9%		4.5%		5.2%
Efficiency factor			-1.1%		-1.1%		-1.1%
Net CUF			1.8%		3.4%		4.1%
Change from Original CUF (Version 1.0)					1.6%		2.3%

17. The following section sets out the payment rules that will apply for NHS-funded services.

Aligned payment and incentive (API) arrangements

18. Where ICBs and NHS trusts have a contract operating on aligned payment and incentive (API) arrangements, **ICBs should agree an adjustment to uplift the value of fixed payments for all inter-system contracts by the CUF change** in Table 1 to minimise negotiations and expedite the flow of funding to providers (except in relation to ambulance trusts, noting paragraph 19 below). API adjustments require NHS England approval¹ and we confirm that all adjustments in accordance with the guidance are approved without the need to submit to NHS England. The CUF value is an annualised figure, and so ICBs should apply the updated CUF change against the total annual fixed element value to fund both the back pay from 1 April 2023 and forward pay elements for the remainder of 2023/24.

19. The previous version of this guidance in relation to the AfC pay award advised ICBs to agree an adjustment to uplift the value of fixed payments for

¹ Rule 3 of the aligned payment and incentive rules (Section 4 of the NHS Payment Scheme).

all contracts with ambulance providers by a further annualised factor of 0.6%, taking the **total annualised uplift change for ambulance contracts to 2.2%** (comprising the interim CUF change of 1.6% plus the ambulance factor of 0.6%). This factor was to recognise the unique staffing for these services in relation to AfC contracts and was calculated on the basis of 100% AfC staffing within ambulance providers. **On this basis, we advise that a further adjustment to ambulance contracts to reflect the final CUF is not required.**

20. For intra-system contract arrangements, where ICBs and NHS trusts are within the same system, systems may agree differential adjustments to the fixed element values to distribute the additional pay funding to address pay pressures as they are understood locally, considering sector and trust-specific factors.

21. Updated unit prices, reflecting the updated CUF in Table 1 will be issued. The variable element of API arrangements for elective services should be updated to reflect the updated unit prices and backdated to apply from an effective date of 1 April 2023, such that NHS trusts are funded for both the backdated and forward pay elements. Updated elective services baselines will be issued reflecting the final unit prices.

Contracts operating based on NHS Payment Scheme unit prices

22. **ICBs and providers should use the updated unit prices, which will be issued shortly, rather than the prices in Annex A of the NHSPS published on 30 March 2023. The updated unit prices should be applied from 1 April 2023 and payments should be backdated accordingly.** As advised in the previous version of this guidance, commissioners and providers will need to keep open, for at least quarter 1 of 2023/24, the financial reconciliation process under Service Condition 36 of their NHS Standard Contract, beyond the date by which all payments for the quarter would normally have been signed off.

Contracts with non-NHS providers operating based on local prices

23. Many staff working in non-NHS providers will not be formally within scope of the pay awards. Where ICBs have contracts with non-NHS providers operating on the basis of locally agreed prices², the requirement to make

² See the local payment arrangement rules in Section 7 of the NHS Payment Scheme.

changes to these local prices will depend on the terms of the agreed contract. If the agreed contract stipulates that prices are to be uplifted in the event of a new pay award or a change to the CUF, for instance, then the contract should be varied accordingly. If not, the default will be that the existing 2023/24 local prices should remain unchanged, unless the commissioner and provider locally agree otherwise.

Low volume activity

24. Updated low volume activity (LVA) values for ICB core and delegated secondary dental services will be issued in line with the final updated CUF in Table 1, alongside the updated unit prices. ICBs should seek to make all LVA payments to providers by 15 September 2023, including where a further payment is required for the differential value in the updated LVA values. Where the impact of the final updated CUF inflates any values to an amount above £500k, these will still be treated as an LVA arrangement and ICBs and NHS trusts do not need to agree contracts for 2023/24.

Contracts with NHS Wales

25. This approach is intended to be replicated in Wales to ensure that pay awards in both England and Wales can be funded in cross-border relationships. Where commissioners in Wales use NHS trusts in England to arrange services, payment values should be uplifted by the updated CUF value in Table 1 and the updated unit prices. Similarly, English commissioners using Welsh providers will be expected to fund equivalent uplifts when pay awards are announced in Wales.

Financial reporting

26. ICB and NHS trust plans were submitted on 4 May 2023 and will be used in monthly finance returns. Adjustments to the 2023/24 allocations set out in paragraph 7 will be actioned for M5 (August). Commissioners and NHS trusts should reflect the expenditure and income impacts from the DDRB pay recommendations from their M5 (August) financial reporting returns. Where they have yet to agree updated contract values, commissioners and NHS trusts should report variable payments uplifted for the final updated CUF

value in Table 1 to avoid artificial deficits or surpluses in financial reporting.

Variances from final plans due to the pay award will be captured through the in-year reporting process.

Queries

27. Queries on this guidance should be directed to england.finplan@nhs.net.

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This publication can be made available in a number of alternative formats on request.