

# The case for an increase to NHS non-executive director remuneration

## A collation of evidence from NHS Providers

To inform NHS England's (NHSE's) work on non-executive director (NED) and chair remuneration, NHSE has asked NHS Providers to share the evidence, feedback and insight we have from our members in relation to two issues:

- 1 Foundation trusts' approach to NED and chair remuneration since 2019
- 2 NED and chair morale and motivation (and by extension the potential impact on recruitment and retention of high calibre individuals to these roles)

This document has been compiled by Sarah White, senior policy manager (workforce) and Izzy Allen, senior policy advisor (governance) on behalf of NHS Providers.

Please contact [sarah.white@nhsproviders.org](mailto:sarah.white@nhsproviders.org) and [izzy.allen@nhsprovider.org](mailto:izzy.allen@nhsprovider.org).

## Overview and recommendations from NHS Providers

- Given the need to recruit and retain talent in board level positions across the NHS provider sector, our view is that NHSE should support NHS trusts and enable foundation trusts (FTs) to uplift NED and chair remuneration as a matter of priority.
- This should not wait for a wholesale review of the [NED and chair remuneration structure](#), but rather be taken as an immediate action because:
  - the current remuneration structure has achieved its stated intention of bringing NHS trust and FT NED/chair remuneration into broad alignment, and long passed its staged implementation date of April 2022.
  - fair and timely uplifts are important to recognise the value of the critical, strategic contribution made by NEDs and chairs, and the skills and experience required to fulfil these roles. NEDs and chairs already report significant additional workload (often far beyond their contracted days) and face considerable responsibility and accountability as part of the unitary board structure in helping trusts to navigate unprecedented operational and financial pressures, levels of risk, and the complexities of system working.

- remuneration plays an important role in enabling a more diverse pool of candidates to apply for and take up NED and chair roles which are currently filled predominately by those with portfolio careers and in a relatively secure personal, financial position.
- the reference rates of remuneration were based on data from 2018 and there have been considerable increases in the cost of living since then<sup>1</sup>.
- there is a lack of clarity at present, particularly for FTs which retain some discretion in these matters and must then manage councils of governors' expectations about NED and chair pay. This will be a distraction for organisations until it is resolved with clearer national guidance and support for an appropriate uplift.
- NED and chair remuneration increases, for trusts and FTs, should in future be tied to the annual very senior manager (VSM) pay uplifts resulting from the Senior Salaries Review Body (SSRB) process. This makes practical and logical sense: non-executives in trusts and FTs face similar pressures and hold positions of considerable responsibility and accountability. This approach would mean that NHSE, trusts, and FTs are always clear regarding NED and chair remuneration without further detailed reviews of the structure being necessary.

## NHS Providers' remuneration survey data

Each year, NHS Providers conducts a remuneration survey<sup>2</sup> of its members. The most recent was undertaken in summer 2023. The results give an overview of the pay arrangements and structures in place for executive directors, chairs and non-executive directors (NEDs) for 2022/23, and insight into trends observed in recent years.

We are pleased to share select data pertinent to NED and chair remuneration with NHSE in this document. The data are anonymised and can be shared internally within NHSE, with the Department of Health and Social Care, and used in any NHSE documents that are not for external publication.

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<sup>1</sup> Inflation (CPI) started to rise from March 2021 when it was 0.7% to 11.1% in October 2022. It was at 9% in April 2022 at the intersection between 2021/22 and 2022/23.

<sup>2</sup> The evidence presented draws on responses received from 155 trusts, accounting for almost three quarters (74%) of all trusts in England. The data are presented back to provider trusts but not shared publicly.

### Contact

Sarah White, senior policy manager (workforce) [sarah.white@nhsproviders.org](mailto:sarah.white@nhsproviders.org)  
Izzy Allen, senior policy advisor (governance) [izzy.allen@nhsproviders.org](mailto:izzy.allen@nhsproviders.org)

## FTs' approach to NED and chair remuneration since 2019, in comparison to trusts

Since NHSE's 2019 directive and the structure to align remuneration for chairs and NEDs in trusts and FTs, our remuneration survey has found interesting year on year trends.

### NEDs

Since the 2019/20 remuneration survey, each year the difference in the average non-executive basic remuneration between FTs and trusts has decreased. This shows that trusts and FTs have adhered to NHSE's directive, and means that FT NED remuneration growth has been more constrained. Indeed our data show that FTs' basic NED remuneration is on average £1000 per annum lower than it was in 2019/20, despite the economy's well-documented inflationary pressures.

In 2019/20, on average, the basic remuneration of NEDs in foundation trusts was 41.9% higher than those in NHS trusts. This difference has decreased each year: to 15% in 2020/21, 5.4% in 2021/22, and just 3.5% this year. (See figures 1 to 4 below.)

FIGURE 1

#### 2022/23 Non-executive director (excluding the chair) basic remuneration

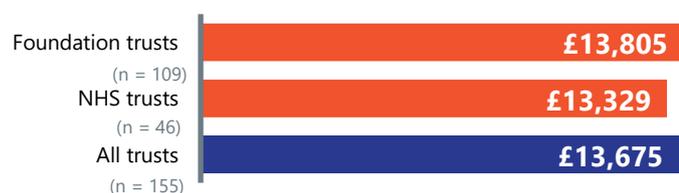
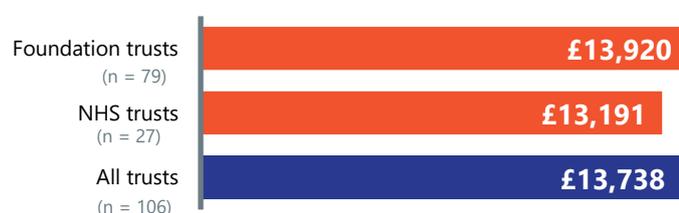


FIGURE 2

#### 2021/22 Non-executive director (excluding the chair) basic remuneration



#### Contact

Sarah White, senior policy manager (workforce) [sarah.white@nhsproviders.org](mailto:sarah.white@nhsproviders.org)  
 Izzy Allen, senior policy advisor (governance) [izzy.allen@nhsproviders.org](mailto:izzy.allen@nhsproviders.org)

FIGURE 3

**2020/21 Non-executive director (excluding the chair) basic remuneration**

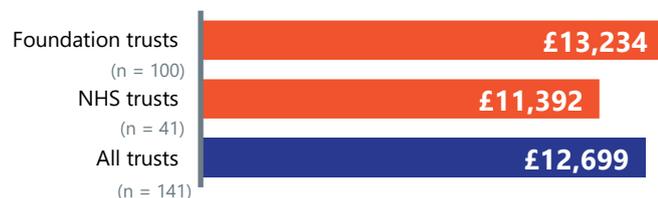


FIGURE 4

**2019/20 Non-executive director (excluding the chair) basic remuneration**



## Chairs

The average basic remuneration for chairs reported in this year's survey was 5.9% higher in trusts (£54,516) than FTs (£51,377): trust remuneration has aligned with FTs and now outstrips it. In 2019/20, on average, the basic remuneration of chairs in FTs was 29.2% higher than in trusts. There was increasing alignment over the first two years with the differential decreasing to 16.4% in 2020/21 and 3.9% in 2021/22. (See figures 5 to 8 below.)

In this year's survey, no members reported any additional remuneration/allowances for chairs. In previous years either two or three members (from both FTs and trusts) reported additional remuneration of between £2,000 and £10,000.

FIGURE 5

**2022/23 Chair basic remuneration by foundation trust status**



**Contact**

Sarah White, senior policy manager (workforce) [sarah.white@nhsproviders.org](mailto:sarah.white@nhsproviders.org)  
 Izzy Allen, senior policy advisor (governance) [izzy.allen@nhsproviders.org](mailto:izzy.allen@nhsproviders.org)

FIGURE 6

**2021/22 Chair basic remuneration by foundation trust status**



FIGURE 7

**2020/2021 Chair basic remuneration by foundation trust status**



FIGURE 8

**2019/2020 Chair basic remuneration by foundation trust status**



***NEDs' and chairs' cost of living and 'other' uplifts***

Additionally, since 2019, trusts have consistently been more likely than FTs to award a cost of living uplift to NEDs (which includes chairs in this section of our survey).

FIGURE 9

**Percentage of trusts reporting cost of living uplifts awarded to NEDs (including chairs)**

<i>Year</i>	<i>FTs</i>	<i>NHS trusts</i>
<i>2019/20</i>	34%	60%
<i>2020/21</i>	15%	46%
<i>2021/22</i>	6%	12%
<i>2022/23</i>	23%	33%

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This is another indication that FTs have been following NHSE guidance in order to close the gap between their NEDs and those in trusts. It is also worth noting that both trusts and FTs have been less likely to award a cost of living increase to NEDs year on year, until this year, following a particularly sharp increase in the cost of living and a more generous pay award to other NHS employees.

In terms of pay increases other than cost of living, largely the same trends can be seen, though note the minimal difference in 2022/23:

FIGURE 10

### Percentage of trusts reporting other uplifts awarded to NEDs (including chairs)

<i>Year</i>	<i>FTs</i>	<i>NHS trusts</i>
<i>2019/20</i>	16%	25%
<i>2020/21</i>	14%	39%
<i>2021/22</i>	11%	22%
<i>2022/23</i>	11%	10%

## Findings on NED and chair workload

This year, when asked to provide any comments on chair/NED remuneration, many respondents highlighted the added time and complexity of the NED role due to system working and the scale of operational pressure. Members said that their pay does not adequately reflect this additional workload:

- *"We are waiting on national guidance regarding NED uplift for cost of living and are holding the line at present but won't be able to much longer especially with the VSM uplift advice coming out last week, again with no mention of NEDs. They haven't had a cost of living rise for ~4 years."*
- *"Doesn't reimburse for the complexity of the wider system and partnership working."*
- *"NEDs often work more days than those contracted per month due to increasing demands and duties required."*

## Findings on the NED and chair remuneration review process

Figures 11 to 14 (below) show the frequency of reviews of NED remuneration in trusts compared to FTs. This also shows that the proportion of NHS trusts stating NHSE/I set their NED remuneration

### Contact

Sarah White, senior policy manager (workforce) [sarah.white@nhsproviders.org](mailto:sarah.white@nhsproviders.org)  
 Izzy Allen, senior policy advisor (governance) [izzy.allen@nhsproviders.org](mailto:izzy.allen@nhsproviders.org)

rates has been declining over the years since the alignment structure was published, but is still at 59% this year.

FIGURE 11

**2022/23 Pay review frequency for non-executive directors**

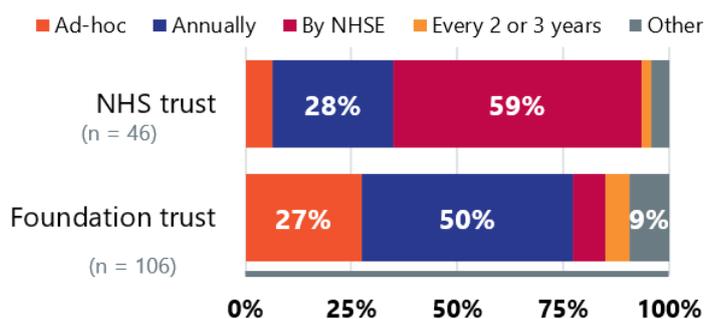


FIGURE 12

**2021/22 Pay review frequency for non-executive directors**

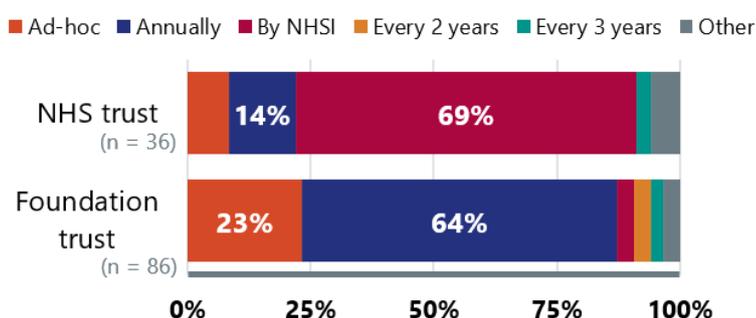
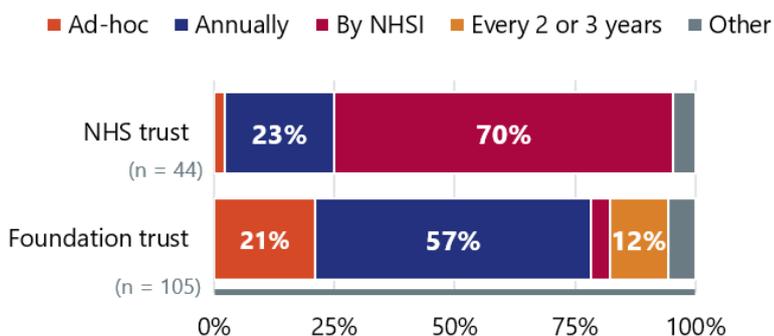


FIGURE 13

**2020/21 Pay review frequency for non-executive directors**

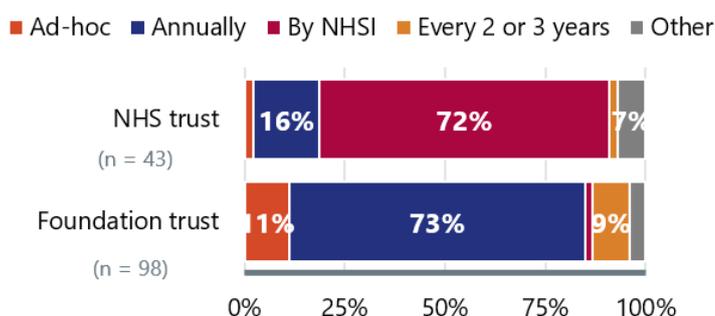


**Contact**

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 Izzy Allen, senior policy advisor (governance) [izzy.allen@nhsproviders.org](mailto:izzy.allen@nhsproviders.org)

FIGURE 14

### 2019/20 Pay review frequency for non-executive directors



## NHS Providers' member feedback

### NED views on morale and motivation

We held six focus groups at our NED Network event (which does not include chairs but covers a cross section of NEDs by trust type, region and sector) on 9 November 2023. We asked them to consider general morale, including perspectives on remuneration. NEDs reported reasonably high morale, particularly where trusts are led by experienced chairs and/or have a collaborative, supportive board culture.

However, when asked to describe how it **feels** to be a NED, they report:

- **Anxiety about managing risk:** *"We have to just accept risk is increasing because of pressures on the system. But the board overall is a safe space and morale is ok."* The concern is mostly in relation to risk to patient care, the workforce, and the success of the organisation but there is also concern about the level of professional and reputational risk that individual board directors carry in such a pressurised environment.
- **Concern about wider NHS/organisational morale and wellbeing**, and the strain on the workforce trying to deliver too much with too little.
- **Capacity issues** for both NEDs and executives in relation to the volume of meetings at trust, provider collaborative and system levels, with some reporting that the time commitment was double that stated when they applied. Some reported having given up other NED roles to make the time, but were concerned about the sustainability of this, and the implications for diversity in the NED pool, particularly whether it is feasible to have a full-time job and do the role. Additional demands on time also come from providing more support for new NEDs and for executive director

#### Contact

Sarah White, senior policy manager (workforce) [sarah.white@nhsproviders.org](mailto:sarah.white@nhsproviders.org)  
 Izzy Allen, senior policy advisor (governance) [izzy.allen@nhsproviders.org](mailto:izzy.allen@nhsproviders.org)

colleagues. One NED reported being asked to attend a meeting almost every day and feeling unable to say no.

- Some concern about lack of clarity about roles and responsibilities in systems, with one NED saying that system working was “immature and confusing” in terms of defining responsibilities and decision-making, and another noting that decision-making at ICB level without trust board involvement could lead to resentment.
- **Anticipation that winter 2023/24 will be hard** and trusts, their staff and their patients will struggle to cope. This view is reinforced in our latest [State of the Provider Sector](#) survey.
- **Increasing complexity and scale of paperwork** provided to NEDs means they needed to be selective about what they read carefully, with implications for the quality of scrutiny of, and debate on, those items – as well as pressure on NEDs.
- **Frustration** from one NED about dealing with deputy directors (because directors were working in system fora) who were not as “experienced and agile” as the executives, and so placed more demands on NED time.
- The context in which they work greatly influenced their comfort as NEDs: **in more challenged trusts the job is much harder.**
- The **public criticism of the NHS**, following the recent inquiries and various reports, has impacted on some NEDs’ feelings of worth.

Despite these challenges, overall NEDs still described ‘morale’ across the NED cohort as high: it may therefore be more productive to talk to NEDs about job satisfaction, or pressures and concerns they are experiencing instead.

## NEDs’ views on remuneration

In all but one group, NEDs were clear that they are not in the role for personal financial gain. They care about the NHS and want to give something back.

In one group, though, NEDs compared their remuneration to what they could receive as consultants or in commercial businesses<sup>3</sup>, and discussed the fact that remuneration is one proxy for being valued.

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<sup>3</sup> “The basic director pay for NEDs at the UK’s largest 150 listed companies reached £72,052 [in 2022]...according to new data from recruitment firm Spencer Stuart.” As reported in the FT ([UK non-executive director pay fails to keep pace with workload | FT services for organisations](#))

### Contact

Sarah White, senior policy manager (workforce) [sarah.white@nhsproviders.org](mailto:sarah.white@nhsproviders.org)  
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A lack of fair increases in remuneration made them question whether they were indeed valued for the contribution they make.

Some said that they do not feel able to talk about their remuneration at all because “it wasn’t right” in the context of employees’ pay disputes and cost of living challenges. However, others noted that NEDs taking on additional roles (including the workload and responsibilities related to partnership and system working) could benefit from additional allowances as compensation, as well as fairness in the application of such allowances. One NED noted they currently received additional compensation for taking part in system working at place, for example, while others did not.

However, travel expenses were seen as prohibitive or punitive by some, with some NEDs experiencing guilt if they claimed for travel, particularly for overnight expenses (where necessary for attending meetings).

Most did not mention any issues with recruiting NEDs, however in one group a NED noted that a previous recruitment exercise for a NED with a clinical specialism had yielded 70 applicants, yet the same exercise undertaken very recently yielded just five. Another NED in this group noted that while their trust had no problem recruiting, NED turnover was high.

## Chairs’ views about pressures on boards

In April 2023, NHS Providers invited ten experienced chairs from across trusts and FTs in a variety of sectors to explore their current experience of being a chair in the NHS. Some described being in a situation that was entirely unprecedented in their experience. Their concerns can be broken down into four key, interconnected, themes, which are detailed below. It is important to recognise that this evidence was provided by highly-experienced chairs.

**Risk:** Chairs told us it was vital in a pressured environment to take a risk-based approach at the board, but that the volume and severity of risk across services, people, finances, and in systems, made this extremely hard.

Some said their boards were now managing previously-unconscionable levels of risk.

When commenting more broadly on risks to NED recruitment and retention chairs echoed the comments above about NEDs joining the NHS almost exclusively to ‘give something back’ and

### Contact

Sarah White, senior policy manager (workforce) [sarah.white@nhsproviders.org](mailto:sarah.white@nhsproviders.org)  
Izzy Allen, senior policy advisor (governance) [izzy.allen@nhsproviders.org](mailto:izzy.allen@nhsproviders.org)

support effective service delivery for patients. Chairs felt that the sense of having a limited impact was demotivating for NEDs. Better remuneration is clearly one way to recognise the value and contribution of NEDs.

**Capacity and bandwidth:** Chairs continue to prioritise formal board activity – the seeking and providing of assurance – but recognised the pressures executives are under. Chairs reiterated the importance of the role challenge played by NEDs in gaining assurance of care quality and that improvement plans are on track.

**System uncertainty:** It is clear there are challenges as system working beds in and evolves, and ICBs are going through their own cost-saving exercises that are likely to reduce capacity. Our members remain committed to system working, but chairs told us roles and responsibilities remain unclear leading to uncertainty. The duties on directors who are also involved in system fora can lead to conflicts of interest – for example around financial positions or the prioritisation of service improvements. While this is not insurmountable, it creates another layer of complexity to manage.

**Moral injury:** Chairs tell us that the level of pressure that directors face has created anxiety. Not always being able to see any improvement as a result of effort leads to frustration and upset. Resilience in the executive director workforce may be low.

Boards have long-acknowledged moral injury as a factor harming the wellbeing of the frontline workforce, but it is worth acknowledging its impact for board directors and others in leadership roles too.

Chairs tell us that with an exhausted workforce, it has become difficult, and perhaps counterproductive, to put those delivering services under additional pressure to increase productivity. Attempts to continue to drive improvement can come across as insensitive and require extremely careful messaging when staff discretionary effort has been high for such an extended period.

#### Contact

Sarah White, senior policy manager (workforce) [sarah.white@nhsproviders.org](mailto:sarah.white@nhsproviders.org)  
Izzy Allen, senior policy advisor (governance) [izzy.allen@nhsproviders.org](mailto:izzy.allen@nhsproviders.org)

## Governance leads' views about pressures on boards

NHS Providers conducts an **annual governance survey**<sup>4</sup>. The data suggest that pressures on NEDs and chairs were building in 2022 and have very much continued into 2023. The key issues identified reinforce the issues raised by chairs in our roundtable and NEDs in our network meeting, as noted above, particularly around capacity and risk.

Indicative quotes include:

- *"The size of the agenda in committees is growing in relation to the scale and complexity of the operating context." (2022)*
- *"There is a significant amount of information that boards are required to review on a regular basis and the quantity and level of detail in some of these (mandatory) reports does pose a risk that issues are not given sufficient time or attention. The workload of and demands on the non-executive directors in particular are high compared with other organisations such as in the private sector." (2023)*
- *"There is so much to be assured on and there are new reviews and recommendations published all the time and it is hard to keep up." (2023)*
- *"Operational pressures ride roughshod over strategic discussions, given the challenges in the trust." (2023)*

When asked about priorities for board development, one chair responded: *"Shifting from firefighting and survival to strategy and culture transformation."*

Some of this additional pressure is due to **system partnership working**. Our 2023 survey found that 80% of responding trusts had board members holding system roles (for example in provider collaboratives or place-based partnerships) while 42% reported board members holding joint/shared roles within the system (such as ICB trust partner members). 20% of respondents' trusts are in two or more ICSs, 31% in two or more provider collaboratives, and 53% part of two or more place-based partnerships. Relevant quotes from the 2023 survey:

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<sup>4</sup> The 2023 survey results will be published in December 2023. It was completed by governance leads and chairs from 94 unique trusts in October 2023 (45% of the sector). The 2022 survey results can be found [here](#), and was completed by governance leads from 102 unique trusts in October 2022 (48% of the sector).

### Contact

Sarah White, senior policy manager (workforce) [sarah.white@nhsproviders.org](mailto:sarah.white@nhsproviders.org)  
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- *"There is duplication with system, place and individual organisation committees i.e., three layers of quality committee and we contribute to more than one place and therefore there are 4 quality committees."*
- *"Challenge is in attending a significant number of meetings across the System, ICB, ICP and Place."*
- *"Need more time/capacity which does not exist."*

## The view of governors

In September 2023 NHS Providers held two virtual workshops for **governors**. In FTs, governors decide NED and chair remuneration and allowances and so they are often a driver for uplifts in NED remuneration. We asked governors at the workshops about NED remuneration and their observations included:

- Concern that NED remuneration is *"totally inadequate for what's expected of NEDs at the moment"*.
- Surprise that nonetheless the quality of NEDs remains high and no concerns about the ability to recruit were expressed.
- Recognition that NED remuneration levels do not aid promotion of socioeconomic diversity on boards: only those who were independently wealthy could afford to be a NED.

## Conclusion

The alignment of NHS trust and FT NED and chair remuneration has been extremely successful. But in order to achieve this alignment, FT NEDs and chairs have experienced what is effectively a pay freeze since 2019.

Our findings suggest that NEDs and chairs do not tend to be motivated by money: they want to make a difference and give something back to society. They continue to report high morale. But they also report extensive and growing pressures: they are working far longer hours than those contracted; their capacity is being stretched across more meetings, with growing agendas and paperwork; they are living with more anxiety about patient care, their organisations, and employees; and are carrying levels of personal and organisational risk which they believe are much more difficult to mitigate. There is therefore a risk that NEDs' resilience and goodwill (and discretionary effort) is being undermined. Retention, and in time recruitment, of NEDs of sufficient quality may be affected.

Although we did not ask NEDs and chairs directly about this, we also note the importance of appropriate remuneration in levelling the playing field for a more diverse pool of candidates to consider taking up NED roles.

### Contact

Sarah White, senior policy manager (workforce) [sarah.white@nhsproviders.org](mailto:sarah.white@nhsproviders.org)  
Izzy Allen, senior policy advisor (governance) [izzy.allen@nhsproviders.org](mailto:izzy.allen@nhsproviders.org)

NEDs and chairs also see their board member colleagues and the rest of the NHS workforce receiving modest increases in pay. In the absence, for a sustained period, of a comparable uplift in NED remuneration, it is unsurprising that some NEDs wonder whether they are valued by the NHS.

Some trusts are the size of FTSE companies and the NHS benefits from NEDs with the same level of skills as FTSE NEDs: the risk they manage within unitary boards is arguably far greater. NHS NEDs deserve fair remuneration in recognition of their contribution.

We recommend an immediate uplift in NED and chair remuneration, to bring clarity for trusts and FTs, and to demonstrate to these important post-holders their worth and confirm that their contribution is valued by the NHS. We also propose linking any revised NED and chair remuneration structure to the SSRB's recommendations on VSM pay to enable timely annual increases in remuneration rates going forward.

#### Contact

Sarah White, senior policy manager (workforce) [sarah.white@nhsproviders.org](mailto:sarah.white@nhsproviders.org)  
Izzy Allen, senior policy advisor (governance) [izzy.allen@nhsproviders.org](mailto:izzy.allen@nhsproviders.org)