

## Annex G

### Parliamentary Statement by Secretary of State for Education and Skills

#### PROPOSED CHANGES TO SCHOOLTEACHERS' PAY FOR 2004 TO 2006

The thirteenth report of the School Teachers' Review Body is being published today. It covers all the major pay changes over the period April 2004 to September 2006. Copies are available in the Vote Office and the Library of the House of Lords and at [www.teachernet.gov.uk/Management/pay and performance](http://www.teachernet.gov.uk/Management/pay_and_performance).

In making their recommendations, the Review Body were required to have regard to the matters set out in the remit letters of 1 August 2002 and 11 July 2003. The STRB report deals with a wide range of weighty and complex issues. The Review Body has also been working to a much quicker timetable than usual which has placed special pressures on it and on the consultation partners. I am indebted to the Review Body and to other partners for the high degree of professionalism, dedication and skill they have shown in tackling such an important and difficult remit on such a timescale. STRB's recommendations are set out below, followed in each case by my response.

#### General Pay Matters

The STRB have recommended the following (in bold):

We recommend a multi-year award.

We recommend that, with effect from September 2006, changes in pay rates be implemented in September each year rather than in April each year.

We recommend the following changes to classroom teachers' salary levels:

an increase of 2.5% from April 2004 and of 3.25% from April 2005 to end August 2006 in the values of

- the main scale and upper scale for qualified teachers;
- the pay spine for Advanced Skills Teachers; and
- the pay scale for unqualified teachers.

These increases should also apply, in respect of all classroom teachers, to the values of the special needs allowances.

We further recommend that there be a re-opening clause under which any of the parties can ask us to review the matter of the above percentage increases awarded. This should take effect if the average rate of headline inflation for the respective preceding twelve months, April 2004-March 2005 or April 2005-March 2006, exceeds 3.25% or falls below 1.75%.

I welcome the responsible and constructive way in which the STRB has tackled the issue of how to position an inflation-led, multi-year, settlement. There is much here that I am able to endorse outright. Where I have not done so, it is to ensure changes are affordable for schools, as they also continue with workforce reform.

The background to the need for an inflation-led settlement is set out in detail in the recital of evidence in the STRB's report. In the Government's evidence document of 11 July we made clear that it is vital that heads and governors are enabled to meet the funding challenges of the next two years if the education of pupils is not to suffer. Pupils must always be our main concern.

I believe that the current recruitment and retention position is the healthiest one for many years. The statistics published today by the Teacher Training Agency, showing a rise of 8% in teacher training students, provide further evidence of the success story on recruitment. Nonetheless, I concur with STRB that the position must be monitored and we must remain vigilant.

The STRB is also right in my view to highlight the importance, in trying to retain our best teachers, of tackling workload issues. That is why the national agreement on workforce reform is so important, with all that this agreement means for reducing excessive workload for teachers and helping them focus more exclusively on what matters most – teaching and learning. I am clear that, in looking at teachers' pay over the next two years, it is essential we do not allow the sort of increases that would have an adverse impact on teachers' jobs and workload and workforce reform.

The STRB's recommendations also respond imaginatively to the challenge of setting headline figures for several years in the future. Heads and Governors will reap very considerable benefit from such advance knowledge of what is overwhelmingly their main financial commitment, as teachers' pay is the largest call on their budget. I also note the STRB concern that teachers would worry if there were no safety valve if inflation turned out to be much higher than all reasonable forecasts are indicating.

I therefore endorse the recommendation that any of the statutory parties may ask the STRB to review the figures again if they are outside the parameters set by that recommendation. In such an event, I would expect the STRB to report to me and I would then consult on proposals in the usual way. Any recommendations would need to be considered carefully by the Government on merit and with due regard to affordability. In addition, in assessing the inflation position, I would want proper account to be taken of both RPI and RPIX.

I am also pleased to see that the STRB has supported the calls of my Department and the local authority employers that we should move to a September timing for all pay awards, ie headline increases should be paid from September at the same time as teachers receive any new incremental or performance-related increases. That will be another powerful boon to schools in aiding their financial planning and in giving them a buffer of five months in the early part of the financial year before their increased paybills take effect. Indeed, my proposals below mean we would actually be introducing this change a year early, in September 2005.

I believe that the STRB recommendations on headline pay show prudence, creativity and a strong sense of the priorities and challenges facing schools. I am able to endorse outright the 2.5% pay award proposed for April 2004.

However, a 3.25% pay increase for the full 12 months of 2005-06 would be a heavy burden for some schools to bear. For those in deficit it would worsen their ability to turn round their finances. And even for others, it would use up the headroom they need to raise standards and tackle other issues facing teachers such as their workload and the wider workforce reforms. Therefore, I must propose a phased approach to the recommended 3.25% pay increase in 2005-06.

I propose a 2.5% increase from April 2005 topped up to 3.25% from September 2005 (as in the attached pay scales). The next increase after that would be from September 2006. As I stated on 29 October, I will keep under review the guaranteed minimum increase for schools for the financial year 2005-06 and announce a final figure in due course.

In addition to these headline increases over the next two and a half years, I should perhaps note that many teachers will naturally continue to receive other pay elements of pay. For example, over 100,000 main scale teachers will receive annual increments of up to £2,000 each year. An even higher number will have reached upper pay scale point 2. And some 200,000 teachers will receive management allowances of between £1,638 and £10,572.

## **Local Approaches to Pay**

The STRB have recommended the following (in bold):

We recommend that the existing pay spines and the Outer London Allowance be replaced by new Outer London pay spines for qualified teachers, unqualified teachers, the leadership group and ASTs. Likewise, the existing pay spines and the Fringe Allowance should be replaced by new Fringe pay spines for qualified teachers, unqualified teachers, the leadership group and ASTs.

We recommend a differential increase for outer London effective from April 2005

From April 2005 to end August 2006, we recommend an enhanced increase in the values of the main and upper scale for qualified teachers, the pay spine for Advanced Skills Teachers and the

pay scale for unqualified teachers in outer London.

We also recommend an enhanced increase to the starting pay of all qualified classroom teachers in inner and outer London from April 2005 to end August 2006.

I welcome the principles and motives behind the important recommendation to give outer London and the Fringe their own consolidated pay scale, on the same lines as was introduced for inner London this year. I endorse these changes, which take us further in the direction of a more local and regional dimension to pay, but within a nationally determined framework. I look forward to seeing the STRB's further recommendations early next year on how we should continue to develop local and regional pay for the medium and longer term.

I am more cautious about the recommendation to increase outer London pay differentially from April 2005, as there is further debate to be had about whether these changes are based on hard evidence of need. The same reservations apply to the recommendations about starting pay for inner and outer London.

Major pay changes were introduced in inner London only in April. There is an argument that these must be given time to bed in and have effect. We also need to ensure that changes designed to improve recruitment and retention in inner London are not undermined by countervailing changes in the outer London area. Moreover, other measures are currently working their way through the system which may help remedy the issues reflected in the STRB report. These measures include the £1 billion key worker housing scheme recently announced by the Deputy Prime Minister, which will benefit hundreds of London teachers with their accommodation.

Nonetheless, I am currently minded to endorse the principle of STRB's proposals, but would expect the implementation to take place from September 2005, in line with the phased timetable set out above for other teachers. I propose that the changes recommended for April 2005 should actually come into effect from September 2005.

## **Recruitment and retention allowances**

The STRB have recommended the following (in bold):

We recommend that the recruitment and retention allowance scale be abolished with effect from 1 April 2004.

We recommend that payments for recruitment purposes should be made for a fixed period of up to a maximum of three years. For retention purpose, a three-year maximum should also apply, but with scope for renewal in exceptional circumstances.

I endorse these proposals. The STRB have drawn attention to the fact that the School Teachers' Pay and

Conditions Document makes separate provision for schools and LEAs to pay recruitment and retention incentives and benefits, and that there is a degree of duplication between this more wide-ranging provision and the recruitment and retention allowance scale set out elsewhere in the Document. The STRB have said that continuing or new payments can be made by means of the more wide-ranging provision, rather than by means of a set scale.

I interpret the STRB's recommendation to mean that, from April 2004, all allowances currently awarded under what is currently paragraph 24 of the pay document (which sets out the scales and arrangements for payment) should either be abolished, or renewed under paragraph 48 of the pay document, and this is the proposal on which I am consulting. I also endorse the proposals about time-limited allowances.

However, I propose that, in addition to changes needed to the pay document, supplementary guidance on handling the range of issues which are involved here is worked up in consultation with the parties, with the aim of ensuring that teachers currently in receipt of recruitment and retention allowances are treated fairly.

## **The Upper Pay Scale**

The STRB have recommended the following:

We recommend that consultations take place urgently on a new framework for progression to U3 in both England and Wales, including:

- rigorous criteria which enable schools to identify those teachers who are performing at the highest level;
- a grading system which enables schools to rank the performance of teachers in their school in relation to those criteria; and
- a system of external assessment, using the threshold model.

We recommend that this new framework be completed by 5 January 2004.

The STRB preface these recommendations by setting out a compelling vision for schools, in which:

- governors, heads and teachers are comfortable with the concept of rewards related to performance;
- schools are able to make decisions without detailed rules and guidance;
- high-quality performance management and professional development are available to all teachers to help them improve standards;
- schools have the confidence and capability to assess performance and reward staff; and
- performance and reward systems are managed effectively, transparently and fairly.

I welcome this statement and the detailed commentary provided in the STRB report on where we are with the upper pay scale. I also welcome the STRB statement that:

"We wish to ensure that further progression up the scale is clearly based on merit. We believe this should result in a tapering pattern of progression in which teachers will have the opportunity, on performance grounds, to move up the scale but progressively fewer of them will do so. We see a more substantive role for continuing professional development in this model."

I must declare publicly my disappointment about the outcome on upper pay scale point 2, where too few schools made a serious attempt to differentiate between the relative performance of their teachers. If we go on in the same vein as UPS2 then schools will ultimately face a bill of £700 million by the time UPS5 has taken full effect, over and above a similar bill for threshold payments. That is not tenable.

In all walks of life people may perform competently, or highly effectively, or outstandingly well. We have the best ever generation of teachers. But to be clear that some are positively outstanding is no insult whatever to their able colleagues. The notion that every teacher is performing identically well fails to pay proper tribute to our very best teachers and defies common sense. I am grateful to those schools which have recognised this and showed the courage to administer UPS2 with appropriate rigour. The fact that some awarded points to only a minority of teachers disproves the argument made by others that this was impossible.

I now look to the pay partners to rally behind the STRB's proposals for where we should go now on UPS3, including the challenge to achieve a result by 5 January based on agreement with as many of the pay partners as is possible. I recognise that finding agreement will be difficult, but I am determined to succeed and am heartened by the success of the National Agreement on Workforce Reform. Therefore, I will be writing to all the statutory consultation partners today inviting them to work with us over the coming weeks to achieve a better way forward.

As these issues are taken forward, all parties should restrict any preconditions, so that all options can be considered thoroughly and frankly. As I made clear in my 11 July proposals, I must ensure that any outcomes are affordable and manageable for the school system. And I am committed to the tapered approach to progression advocated in the STRB report. We also need to take account of the legal position in Wales. But I do not rule out at this stage fundamental changes to the structure of the upper pay scale, albeit that these might need to be referred to the STRB for further consideration, which would have an additional impact on the timetable.

I have also been considering the issue of mainstreaming threshold and PRP monies into school budgets in England in 2005-06. Having taken account of representations from the headteacher associations, I am today announcing that no such transfer will take place and that these monies will instead go to schools as a Specific Formula Grant (paid via LEAs). That will enable the money to continue to be distributed to schools according to the numbers of threshold and post-threshold teachers, as at present, rather than through the more general local authority finance system.

## **Management Allowances**

The STRB have recommended the following (in bold):

We recommend that management allowances be increased in April 2004 and be frozen at this level thereafter. We further recommend that the parties discuss and agree as soon as possible a framework and guidance for new arrangements so that they can take effect by April 2005 to make payment for specific, additional, weighty responsibilities targeted on teaching and learning.

We recommend that where management allowances are awarded in the transitional period until the implementation of the new arrangements, they should be awarded for a period of up to one year only.

We recommend that the maximum level of payment available for duties under these new arrangements be £11,000. This value should apply from April 2005 or from such later date that the new arrangements are put into operation, in the event that the new arrangements are not ready to be implemented by April 2005.

We recommend there should be discussion, with resulting decisions and guidance, on the following aspects:

- The types of responsibilities for which payment should be made, advising on levels of payment, perhaps differentiated by type and size of school;
- Whether the payment scale should be open with only a minimum and a maximum amount specified (maximum to be the amount that we have recommended), leaving the actual payment to be decided by the school in line with agreed guidance; or
- Whether the payment scale should contain specific levels of payment (similar in concept to the current management allowance scale), leaving the school to decide on which specific level to pay, in line with agreed guidance;
- Whether the payments should be made for a fixed term of up to three years, the term to be renewable if the teacher continues to undertake the duties;
- Whether the minimum level should be lower than present management allowance 1; and
- Whether there should be provision made for bonuses of up to £500 for teachers taking on one-off important learning and teaching projects, with smaller tasks and projects undertaken by teachers as part of their professional development, without payment.

The STRB report identifies a serious issue in schools that needs to be addressed over management allowances. There are now too many allowances in the system and too many of those that exist are really disguised retention or performance awards. An implausible 52% of teachers have such an allowance and the number of allowances is growing by 4% annually. Over £1 billion is currently being spent each year on all allowances. This development has begun to undermine confidence in the allowance system. It can also damagingly inflate a school's costs, at a time when budgets are already under pressure.

The school system needs to undergo a major sea change on staffing structures so that teachers are freed to teach and more and more administrative and managerial tasks are undertaken by non-teaching staff. That will help focus the precious resource of qualified teachers on the job they came into the profession

to do – namely, teaching. And it will also help schools deal better with funding pressures.

The STRB's recommendations on management allowances are central to these wider changes. No one would argue against a substantial allowance being paid to, for example, a head of a subject department who is outside the leadership scale. But we must reverse the trend reported by the STRB and move rapidly to the new position they describe. That would freeze the financial level of current allowances and target future allowances on issues directly concerned with teaching and learning.

I therefore fully endorse the principle of the STRB's recommendations on the need to consult on a new system of management allowances to better reflect our teaching and learning priorities. However, I believe it is possible, through discussion with the parties, to make faster progress. Therefore, I propose bringing forward by one year, to April 2004, the recommendation to freeze the value of management allowances ie there will be no further inflation-uprating of current allowances.

I believe that the new, targeted, allowances should be introduced either from April 2004, if the criteria and arrangements for them can be worked out with the consultation partners in time; or otherwise from as soon as possible thereafter. This more rapid timescale is essential if we are to nip this worrying trend in the bud; and if we are to minimise the uncertainty that would inevitably surround any "transitional" arrangement applying throughout 2004-05.

I endorse the recommendations to cap the new management allowances at £11,000. And, in the event that the new system cannot be introduced in time for April 2004, I endorse the recommendation that any old-style allowances awarded in 2004-05 should be for a maximum of one year only.

## **Leadership Group Pay**

The STRB have recommended the following:

We recommend that the percentage increases in value to the pay scales for qualified teachers that we have recommended in paragraph 21 of chapter 4, be applied to the leadership group pay spine.

I welcome the STRB's careful consideration of the issues relating to leadership group pay. In reaching the decisions that there should be no specific changes to the leadership group pay spine other than those applying to pay scales for qualified teachers, they have looked carefully at labour market issues for heads, whether there was a need for action for particular groups, and the case for a change in the basis for calculating differentials.

I endorse the recommendation that there should be no specific changes for leadership group pay other than the general uplift. I propose however that the uplift should be adjusted as set out above and phased in the same way as my proposals in relation to other qualified teachers. The proposed revised pay scales are in Annex ( ).

## **Next steps**

I am now initiating consultation with the employer organisations, the teacher associations and other interested parties as required under section 126 of the Education Act 2002, before I make provision by order for teachers' pay and conditions in 2004-05.

## **SUMMARY OF SECRETARY OF STATE'S PROPOSALS**

The national pay award should be as follows:

- 2.5% from April 2004
- 2.5% from April 2005, topped up to 3.25% from September 2005 (as in the attached pay scales)

All pay awards should run from September with effect from September 2005.

The figures above should be open to further STRB review if inflation is more than 3.25% or less than 1.75% on average over a 12 month period as specified by STRB.

Outer London allowance should be rolled into the basic pay to create a new outer London pay scale from April 2004 (as attached). Fringe Area allowance should be treated similarly to create a new Fringe Area pay scale from April 2004 (attached).

Outer London salaries should increase differentially from September 2005 (see attached scales).

Starting salaries in inner and outer London should increase differentially from September 2005 (see attached scales).

From April 2004, recruitment and retention allowances should not be subject to a scale as at present; but such allowances should then be payable to individuals only for periods of three years, except that the period for retention allowances could be extended in exceptional cases.

A new framework should be established for resolving issues on the upper pay scale.

Current management allowances will be frozen at their current cash values. Work will begin on a new type of management allowance to be introduced from April 2004 or as soon as possible thereafter.

There should be no specific changes for leadership group pay other than the general uplifts.

Responses to the consultation letter are required by 12 December 2003. However, in line with the STRB's proposals on the upper pay scale, as summarised above, discussions on that issue may continue if necessary until 5 January 2004 in the interests of reaching as broadly based an agreement as possible.