

Inflation indices

Table 1

Year	BCIS/ABI ¹		Retail Price ²	
	Rebuilding Cost Index (1988=100)	% increase	Index (1986/87= 100)	% increase
1998	143.3	6.5	160.6	2.6
1999	148.9	3.9	164.3	2.3
2000	154.6	3.8	167.7	2.1
2001	165.7	7.2	171.3	2.1
2002	176.6	6.6	175.1	2.2
2003	183.8	4.1	180.0	2.8
2004	191.3	4.1	184.0	2.2
2005	206.1	7.7	188.2	2.3
2006	219.8	6.7	193.7	2.9
2007	228.7	4.0	199.9	3.2
2008	243.5	6.5	207.7	3.9

Hospital and community health services (HCHS) pay and price inflation is a weighted average of two separate inflation indices: the pay cost index (PCI) and the health service cost index (HSCI). The PCI measures pay inflation in the HCHS. The PCI is itself a weighted average of increases in unit staff costs for each of the staff groups within the HCHS sector. Pay cost inflation tends to be higher than pay settlement inflation because of an element of pay drift within each staff group. Pay drift is the tendency for there to be a gradual shift up the incremental scales, and is additional to settlement inflation. The estimate of pay inflator for the current year is based on information supplied by the Department of Health and is based on pay awards of NHS staff. The HSCI is calculated monthly to measure the price change for each of 40 sub-indices of goods and services purchased by the HCHS. The sub-indices are weighted together according to the proportion of total expenditure which they represent to give the overall HSCI value. The pay cost index and the health service cost index are weighted together according to the proportion of HCHS expenditure on each. This provides an HCHS combined pay and prices inflation figure.

Table 2

Year	Hospital & Community Health Services (HCHS)		
	Pay and Prices Index (1987/8=100)	Annual percentage increases	
		Prices ³	Pay ³
1999/00	188.6	1.2	6.9
2000/01	196.5	-0.3	7.2
2001/02	206.5	0.1	8.3
2002/03	213.7	0.9	5.0
2003/04	224.8	1.5	7.3
2004/05	232.3	1.0	4.5
2005/06	240.9	1.9	4.7
2006/07	249.8	3.0	4.1
2007/08	257.0	1.8	3.5
2008/09	268.6 ⁴ (E)	5.2	4.1 ⁴ (E)

1 Building Cost Information Service (2009) *Indices and Forecasts*, BCIS, Royal Institute of Chartered Surveyors, Kingston-upon-Thames.

2 Source www.statistics.gov.uk/StatBase.

3 Provided by the Department of Health.

4 Estimated by PSSRU and based on the average pay index of the past three years.

Table 3

Year	Personal Social Services Prices/Gross Domestic Product Deflator ⁵ Annual percentage increase	Tender Price Index for Public Sector Building (non-housing) (PUBSEC) ¹	
		Index (1995=100)	% increase
2003/04	3.0	145	6.6
2004/05	2.7	156	7.6
2005/06	2.1	166	6.4
2006/07	2.7	170	2.7
2007/08	2.8	187	9.8
2008/09	2.5	191 (E)	2.0 (E)

The PSS Pay Index is calculated using data on rates of hourly pay change for each occupation group in the PSS sector from the Annual Survey of Hours and Earnings (ASHE), published by Office for National Statistics (ONS).⁶ The following occupation groups are used for analysis: managers, social workers, nurses, occupational therapists, community, care workers, childcare. In addition two support groups were identified: admin/office and ancillary staff. As it was not possible to collect detailed data on all staff working in these groups, it was assumed that their pay increases were in line with the average for England. These pay changes were weighted by the proportion of PSS staff in each group and the different pay levels of each group i.e. that occupation group's share of the total PSS paybill. Pay changes for 2008/09 are projected using an average of the deflated pay changes in the past three years. This assumes that pay increases next year will be in line with the previous trend.

For non-staff revenue, Her Majesty's Treasury's (HMT) GDP deflator is used to deflate prices. (See table 3 above). This index is a measure of general inflation in the domestic economy. HMT produces the GDP deflator from data provided by the ONS and extends the series to future years by applying forecasts of the inflation rate.

The capital element of social care provision of all types is the value of capital annuitised over a reasonable period and discounted. The index used is the BERR PUBSEC Tender Price Index of Public Sector Building Non-housing. This is the index used by the Office of National Statistics (ONS) to deflate capital expenditure in health and social work, so it was considered the most suitable index for use in the PSS P&P index. (See table 3 above).

The PSS Pay and Prices (including capital) results from the weighted sum of three indices: pay index, capital index and non-staff revenue index. The PSS Pay and Prices (excluding capital) results from the weighted sum of two indices: pay index and non-staff revenue index.

Table 4

Year	PSS All Sectors, Adults Only ⁷			
	Pay & Prices Index (excluding capital) (1992/3=100)	Annual percentage increases		
		Pay & Prices (excluding capital)	Pay & Prices (including capital)	Pay
2003/04	149.1	3.9	4.3	4.1
2004/05	154.8	3.8	4.3	3.9
2005/06	159.8	3.2	3.7	3.4
2006/07	167.4	4.8	4.5	5.1
2007/08	172.4	3.0	3.9	3.0
2008/09	178.8 (E)	3.7 (E)	3.4 (E)	3.8 (E)

5 Provided by the Department of Health (2009).

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7 Provided by the Department of Health (2009)

Table 5

Year	PSS Local Authority, Adults Only ⁸			
	Pay & Prices Index (excluding capital) (1992/3=100)	Annual percentage increases		
		Pay & Prices (excluding capital)	Pay & Prices (including capital)	Pay
2003/04	148.9	3.8	3.9	3.8
2004/05	154.8	4.2	4.4	4.3
2005/06	160.2	3.5	3.6	3.6
2006/07	167.5	4.6	4.5	4.7
2007/08	175.1	3.2	3.5	4.2
2008/09	181.6 (E)	3.7 (E)	3.6 (E)	3.8

8 Provided by the Department of Health (2009)