



Review Body on Senior Salaries

REPORT No. 63

Twenty-Ninth Report on Senior Salaries 2007

Chairman: John Baker, CBE

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Presented to Parliament by the Prime Minister
by Command of Her Majesty

March 2007

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Foreword

Review Body on Senior Salaries

The Review Body on Top Salaries (TSRB) was appointed in May 1971 and renamed the Review Body on Senior Salaries (SSRB) in July 1993, with revised terms of reference. The terms of reference were revised again in 1998 as a consequence of the Government's Comprehensive Spending Review and in 2001 to allow the devolved bodies direct access to the Review Body's advice.

The terms of reference are:

The Review Body on Senior Salaries provides independent advice to the Prime Minister, the Lord Chancellor and the Secretary of State for Defence on the remuneration of holders of judicial office; senior civil servants; senior officers of the armed forces; and other such public appointments as may from time to time be specified.

The Review Body also advises the Prime Minister from time to time on the pay and pensions of Members of Parliament and their allowances; on Peers' allowances; and on the pay, pensions and allowances of Ministers and others whose pay is determined by the Ministerial and Other Salaries Act 1975. If asked to do so by the Presiding Officer and the First Minister of the Scottish Parliament jointly; or by the Speaker of the Northern Ireland Assembly; or by the Presiding Officer of the National Assembly for Wales; or by the Mayor of London and the Chair of the Greater London Assembly jointly; the Review Body also from time to time advises those bodies on the pay, pensions and allowances of their members and office holders.

In reaching its recommendations, the Review Body is to have regard to the following considerations:

the need to recruit, retain and motivate suitably able and qualified people to exercise their different responsibilities;

regional/local variations in labour markets and their effects on the recruitment and retention of staff;

Government policies for improving the public services including the requirement on departments to meet the output targets for the delivery of departmental services;

the funds available to departments as set out in the Government's departmental expenditure limits;

the Government's inflation target.

In making recommendations, the Review Body shall consider any factors that the Government and other witnesses may draw to its attention. In particular it shall have regard to:

differences in terms and conditions of employment between the public and private sector and between the remit groups, taking account of relative job security and the value of benefits in kind;

changes in national pay systems, including flexibility and the reward of success; and job weight in differentiating the remuneration of particular posts;

the need to maintain broad linkage between the remuneration of the three main remit groups, while allowing sufficient flexibility to take account of the circumstances of each group; and

the relevant legal obligations, including anti-discrimination legislation regarding age, gender, race, sexual orientation, religion and belief and disability.

The Review Body may make other recommendations as it sees fit:

to ensure that, as appropriate, the remuneration of the remit groups relates coherently to that of their subordinates, encourages efficiency and effectiveness, and takes account of the different management and organisational structures that may be in place from time to time;

to relate reward to performance where appropriate;

to maintain the confidence of those covered by the Review Body's remit that its recommendations have been properly and fairly determined; and

to ensure that the remuneration of those covered by the remit is consistent with the Government's equal opportunities policy.

The Review Body will take account of the evidence it receives about wider economic considerations and the affordability of its recommendations.

Members of the Review Body are:

John Baker, CBE *Chairman*
Mark Baker, CBE
Mary Galbraith
Professor David Greenaway
Mei Sim Lai, OBE, DL
Mike Langley
Jim McKenna
Sir Peter North, CBE, QC
Richard Pearson
Paul Williams

The Secretariat is provided by the Office of Manpower Economics.

15 February 2007

Summary of recommendations

The senior civil service

Recommendation 1: We recommend that the Cabinet Office provide the SSRB with a progress report on their pay and workforce strategy by the end of June 2007.

Recommendation 2: We recommend that departments carry out systematic exit interviews with SCS members to try to ascertain the reasons for leaving. The Cabinet Office should issue guidance to departments on how to record information in a common format.

Recommendation 3: We recommend that the Government investigate the reasons for and implications of the difference between median starting salaries of men and women in SCS posts, and especially the higher salaries paid to male external recruits, and report next year on the findings and action taken.

Recommendation 4: The Cabinet Office and departments should evaluate the extent to which external recruitment to the SCS on higher salaries is providing value for money and whether the individuals concerned consider the jobs they are doing and the environment in which they work are in line with their expectations.

Recommendation 5: We recommend that the SCS pay ranges from 1 April 2007 should be:

Pay Band	Minimum	Progression Target Rate (PTR)	Recruitment & Performance Ceiling (RPC)
3	£99,960	–	£205,000
2	£81,600	–	£160,000
1A	£65,280	£87,720	£127,000
1	£56,100	£78,540	£116,000

Recommendation 6: We recommend that the bonus pot for the SCS be increased by 1.1 per cent to 7.6 per cent of the pay bill and that the minimum bonus for 2007 should remain at £3,000.

Recommendation 7: We recommend that the minimum of the Permanent Secretary range be increased by 2 per cent to £139,740 and the maximum should remain unchanged at £273,250. Base pay increases for Permanent Secretaries should be in the range of 0 to 9 per cent.

Senior officers in the armed forces

Recommendation 8: We recommend deletion of the bottom level from the 2-star pay scale, and renumbering of the other levels accordingly.

Recommendation 9: We recommend that the performance-related pay scales for 2-star officers and above be increased by 2 per cent from 1 April 2007 as set out in Table 4.5 below.

Recommendation 10: We recommend that the pay of medical and dental officers of 3-star rank should continue to be 5 per cent above that of 2-star officers who should in turn be paid 5 per cent more than the top point of the scale for 1-star medical and dental officers.

The judiciary

Recommendation 11:

We recommend that from 1 April 2007, the salaries for the judiciary should be:

Group 1	£230,400
Group 1.1	£205,700
Group 2	£198,700
Group 3	£188,900
Group 4	£165,900
Group 5	£133,100
Group 6.1	£123,200
Group 6.2	£116,700
Group 7	£98,900

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Chapter 1

Introduction and sources of evidence

Introduction

- 1.1 This report, our twenty-ninth, considers and makes recommendations on the pay of senior civil servants (SCS), senior officers in the armed forces, and the judiciary.
- 1.2 The Government accepted the recommendations in our twenty-eighth report¹ and they were implemented in full from 1 April 2006 for the senior military. The recommendations for the SCS and the judiciary were staged, with part of the increase being paid with effect from 1 April 2006 and the remainder from 1 November 2006.
- 1.3 As in previous years, we have held meetings with members of the SCS, Directors of Human Resources in civil service departments and senior officers in the armed forces to hear how their respective pay systems are operating from their perspectives. For this review we have also visited Cardiff to hear views of SCS members involved in operational areas of the civil service (Companies House, the Driver and Vehicle Licensing Agency, the Patents Office, JobCentre Plus and the Office for National Statistics) and held discussions with non-executive members of departmental boards. In addition we have visited the Royal Courts of Justice, the Central London Employment Tribunals and the Combined Court Centre at Oxford to meet members of the judiciary and watch them at work. Representatives of pay bands 1, 2 and 3 in the civil service joined us to discuss their views on the pay and performance management system, and we visited the Royal Naval Reserve establishment HMS President to meet senior military officers. We have found these meetings helpful and informative and we are grateful to everyone who provided written or oral evidence. Appendix A lists all those who provided evidence.

Economic and affordability evidence

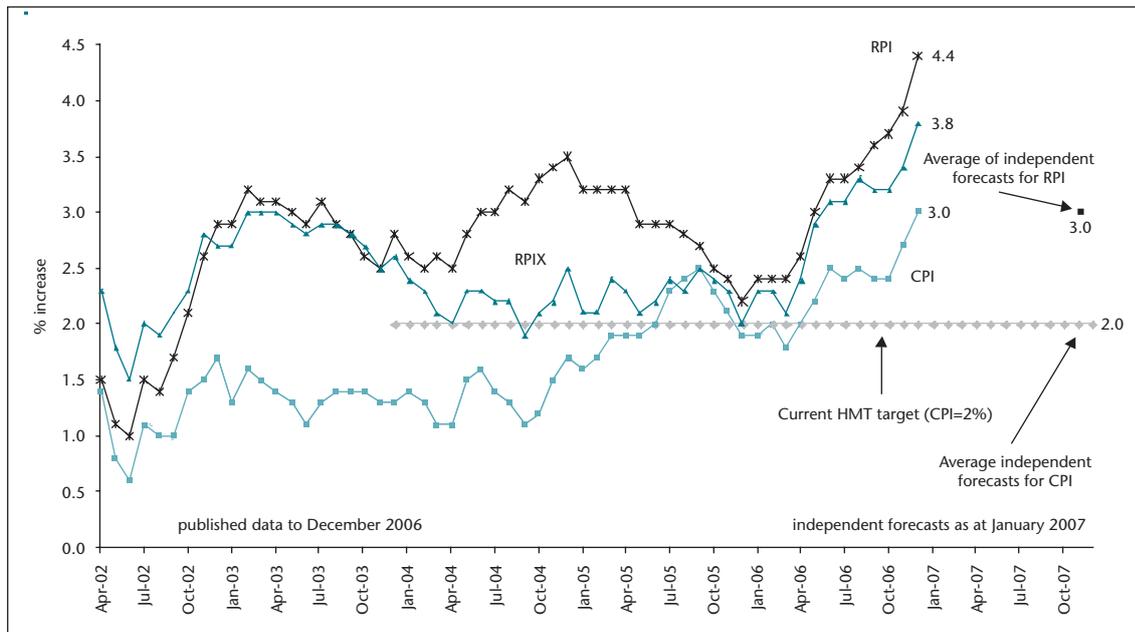
- 1.4 The Treasury provided the Pay Review Bodies with evidence on the economic situation to inform the assessment of pay settlements for public sector workers. In addition, we have received evidence on affordability from the Cabinet Office, Ministry of Defence (MOD), Department for Constitutional Affairs (DCA), the Scottish Executive and the Northern Ireland Court Service.
- 1.5 The Chancellor of the Exchequer wrote to Pay Review Body Chairs on 13 July 2006² with information on inflation and concluded that “the Pay Review Bodies should therefore continue to base their pay settlements on the achievement of the inflation target of 2 per cent”. A copy of the letter is at Appendix B. The 2 per cent target refers to the ‘Government’s inflation target’ for the increase in the Consumer Prices Index (CPI) in the twelve months from April 2006 to March 2007. The Government uses CPI as a measure of inflation in preference to the Retail Prices Index (RPI), a measure commonly used in pay negotiations. However, during preparation of this report all common measures of inflation (CPI, RPI and RPIX (RPI excluding mortgage interest payments)) have exceeded 2 per cent and CPI currently stands at 3.0 per cent³. This is demonstrated in the chart below which shows movement in CPI, RPI and RPIX since April 2002.

¹ The Twenty-Eighth Report on Senior Salaries, Cm 6727. London. The Stationery Office. 2006.

² http://www.hm-treasury.gov.uk/documents/taxation_work_and_welfare/public_sector_pay/tax_pay_index.cfm

³ CPI in December 2006, www.statistics.gov.uk

Chart 1: Inflation measures



Sources: Office for National Statistics, www.statistics.gov.uk; http://www.hm-treasury.gov.uk/economic_data_and_tools/forecast_for_the_uk_economy/data_forecasts_index.cfm

- 1.6 The Chancellor considers this a temporary rise in inflation and has signalled the risk of public sector pay decisions converting this short-term rise into a permanent increase. However, in reaching its recommendations the SSRB has to take account not only of the Government’s inflation target but also of a wide range of issues, including “the evidence it receives about wider economic considerations” as well as the affordability of its recommendations (the SSRB’s full terms of reference are reproduced in the foreword to this report).
- 1.7 One such item is average earnings, which include performance pay, bonuses and incremental awards as well as any cost of living settlements. Average earnings (including bonuses) rose by 4.0 per cent in the three months to December 2006 (3.2 per cent in the public sector and 4.1 per cent in the private sector). The Bank of England has in the past indicated that earnings increases of this order are not incompatible with achievement of the Government’s inflation target.

Table 1.1: Average earnings growth

% changes year on year 3 month average	Average Earnings (including bonus payments)		
	whole economy	private sector	public sector
October 2006	4.1%	4.2%	3.3%
November 2006	4.1%	4.2%	3.2%
December 2006	4.0%	4.1%	3.2%

Source: Office for National Statistics, www.statistics.gov.uk

- 1.8 We also have to bear in mind that the market for senior posts, including our remit groups, is different from the overall labour market. Senior posts demand skills and experience which are scarce. Such posts also carry high levels of responsibility and accountability. Salary levels and other elements of the total reward package in the overall labour market reflect these factors and also the intense competition for talent in senior roles. This has meant that, over many years, the remuneration of senior people has tended to grow at a faster rate than average earnings. A recent IDS Executive Compensation Review⁴ reported salary awards for senior figures running between 3 per cent and 5.5 per cent across public and private sectors. The Government's evidence shows that the pay gap between SCS and the external market increases through the pay bands. The median base salary (excluding bonuses) for pay band 1 is about 86 per cent of the salary of comparable jobs in the private sector; the median base salary for pay band 2 is just under two-thirds and the median base salary for pay band 3 is just under half that of median salaries in the private sector. It is likely that comparison based on total reward, i.e. including bonuses, share options, benefits in kind such as company cars, health insurance etc, would show an even larger gap. This is likely to be true even after allowing for the advantage of public sector final salary pension schemes and arguably greater job security, although for the SCS the latter is tending to diminish slightly in the current environment. It is the relatively low level of SCS salaries when compared to the external market that forces departments to offer significantly higher salaries to external recruits to the SCS than are paid to internal promotees. All this is germane to our terms of reference that require us to have regard to "differences in terms and conditions of employment between the public and private sector ... taking account of relative job security and the value of benefits in kind". We understand why the Government does not wish senior public servants to be seen to receive pay increases higher than those it is seeking for more junior staff. However, the reality of the labour market is that the gap between senior staff and the rest continues to widen.

Recruitment and retention

- 1.9 The need to consider recruitment and retention is a key element of our remit. Employers tell us that there is no current problem with recruitment or retention for our remit groups and we agree that seems to be the case. (We deal further with recruitment and retention in the following chapters, notably in paragraphs 2.25 – 2.38, 4.13 – 4.15 and 5.24 – 5.29.) However, external recruits to the SCS are increasingly negotiating pay towards, at, or occasionally even above, the recruitment and performance ceiling for the relevant pay band, and (apart from the two-tier problem to which we refer in paragraph 1.17 below) this does raise a question about the longer term capacity of the SCS to recruit and retain the best people.

Pensions

- 1.10 Our terms of reference require us to take account of all terms and conditions, not just base pay. None of the evidence received this year directly raised any issues in relation to pension provision. There was some concern last year that changes in the tax treatment of pensions would impact on the pension levels of some members of the judiciary but, as we reported in our twenty-eighth report, the Government took steps to protect those members. This year we have heard that the arrangements made to maintain the value of the judicial remuneration package had reassured those members of the judiciary who would otherwise have been affected.
- 1.11 In 2003 we commissioned consultants Watson Wyatt to carry out a comparative study of the pension schemes for the three remit groups⁵. They identified the main features of the schemes as follows:

⁴ Executive Compensation Review 307, IDS.

⁵ <http://www.ome.uk/downloads/LinkagePensionsreport01.pdf>

Table 1.2: Main features of our remit groups' pension schemes

	Member contribution rate	Normal retirement age	Earliest age at which unreduced immediate pension is available	Accrual rate pension	Accrual rate lump sum
AFPS	0%	55	37 (or after 16 years' service)	1/90 ⁽¹⁾	3/90 ⁽¹⁾
PCSPS (Classic)	1.5%	60	60	1/80	3/80
PCSPS (Premium)	3.5%	60	60	1/60	Option to commute ⁽²⁾
JPS (1993 Act)	3%	70	65 (after 5 years' service)	1/40 ⁽³⁾	2.25/40

AFPS = Armed Forces' Pension Scheme

PCSPS (Classic) = Principal Civil Service Pension Scheme (Classic)

PCSPS (Premium) = Principal Civil Service Pension Scheme (Premium) – this alternative to the older 'Classic' scheme offers a higher accrual rate and better survivors' benefits in return for higher contributions

JPS (1993 Act) = Judicial Pension Scheme (Judicial Pensions and Retirement Act (1993))

Notes

¹ An immediate pension of 28.5% of final pensionable pay is available after 16 years' service accruing uniformly to 48.5% of final pensionable pay after 34 years' service.

² Members can give up pension to provide a lump sum of up to 2.25 times pension at a rate of £12 of lump sum for each £1 per annum of pension given up.

³ Maximum of 50% of final pensionable pay after 20 years' service.

1.12 We believe that, on the whole, pension arrangements for the most senior employees in the private and public sector remain at least on a par with those of our remit groups. Placing a value on pension schemes is a complex subject and depends on many assumptions. However, broadly speaking, Watson Wyatt concluded that the value of the respective pension schemes for those below pension age was between 22 per cent and 23 per cent for the SCS (pay bands 2 to Permanent Secretary), between 32 per cent and 35 per cent for the judiciary (District Judges to High Court Judges) and 25 per cent for the senior military (2-star to 4-star officers). We have no reason to suppose these figures have changed significantly. The new tax measures, from which the judiciary have been protected, may have reduced the value for the highest earners in the other two groups. But all three groups continue to benefit from final salary pension schemes at a time when such schemes have become far less common in the private sector.

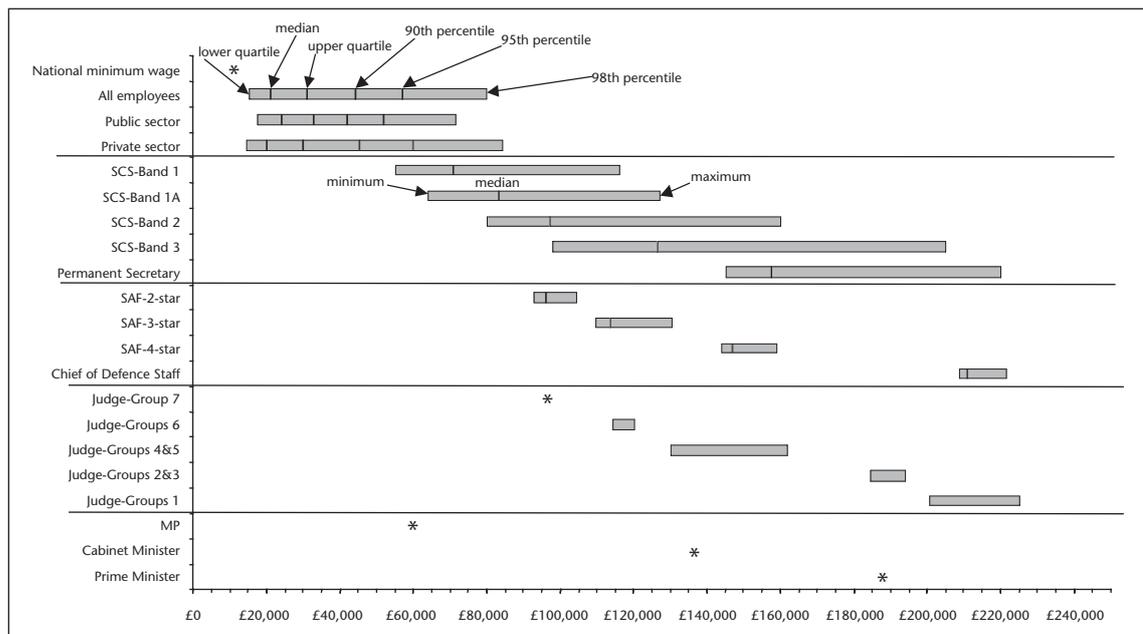
1.13 We are conscious of the important role pensions play in the overall remuneration package. We appreciate that age and membership of those within pension schemes, as well as the law surrounding them, can change over time. With this in mind, we shall obtain updated information on this subject during 2007 to assist with our deliberations for the next round. We need an up-to-date assessment of how the different pension provisions for our three remit groups compare with each other and with external comparators in the light of all the changes taking place in relation to pensions generally.

1.14 We are also asked to take account of regional and local variations in the labour market, as are all the other pay review bodies. However, for our small remit groups of very senior people we can find, and have been given, no evidence of market variations relevant to this review.

Remuneration of our remit groups

1.15 Our remit groups are among the higher earners in the economy, with all but the two lowest SCS bands in the top 2 per cent of the pay distribution as shown by Chart 2.

Chart 2: Basic pay rates or ranges of SSRB remit groups compared with the national pay distribution in 2006



Notes

1. Basic pay for all public and private sector employees is at April 2006. Basic pay ranges for the senior civil service and rates for judges, MPs and ministers are those from 1 November 2006.
2. Since the judiciary, MPs and ministers are paid spot rate salaries, the median and the upper and lower quartiles coincide.

The senior civil service

1.16 In Chapter 2 we outline the evidence we have received from the Cabinet Office, the trades unions (the First Division Association (FDA) and Prospect), and the Civil Service Commissioners. There is an increasing focus on bonus pay as an important element in SCS reward, and the Office of Manpower Economics commissioned Towers Perrin to report on the operation of typical bonus schemes at organisational levels in the private sector which are equivalent to the SCS. The report⁶ identified some significant differences between private sector and SCS schemes and the findings are discussed in Chapter 2.

⁶ <http://www.ome.uk.com/downloads/Towers%20Perrin%20report%20on%20Bonus%20Scheme%20Design%20and%20Effectiveness.pdf>

- 1.17 In our twenty-eighth report we expressed some concerns about the SCS pay system, including the development of a two-tier market where external appointees are often paid substantially more than those who have progressed from within the civil service. This concern remains: written and oral evidence we received showed that this development has continued and worsened, along with its inherent risks of equal pay claims and reduced morale among longer serving civil servants. Whilst we understand the need to set salaries at a level to attract scarce skills, we have yet to see substantial evidence that the implementation of Professional Skills for Government (PSG) or the development of an effective pay and workforce strategy are helping to develop necessary skills in internal staff and reduce the occurrence of pay anomalies. The Cabinet Office evidence reports that the use of individualised pay at the more senior levels is increasing. We are concerned that we have seen little evidence of job evaluation being used to inform individual pay decisions. Without some such objective basis of evaluation there is always the risk that one salary will appear arbitrary in relation to another. In our twenty-third report⁷ we discussed the issues arising from under-funding the pay system and warned that there needs to be sufficient investment to implement the changes that are required to put the pay system on a sound and less risky basis. This year we remain concerned that a failure to provide the means to deliver the aims of the policy, coupled with the lack of a proper workforce strategy for identifying and anticipating skills needs, are resulting in a pay system that will increasingly fail to motivate individuals or to meet the changing objectives set for the SCS.
- 1.18 At the same time, we have become concerned with the lack of clarity, coherence and direction in SCS personnel policies. In particular, departments appear not to be applying a sufficiently consistent approach to SCS pay. The Cabinet Office, whilst issuing guidance to departments, lacks both the authority to ensure compliance and the means to monitor in detail precisely what is happening department by department. Thus the unions provided an example of an apparently unilateral departmental policy in relation to pay scales. The Cabinet Secretary told us in oral evidence that he was seeking to address such problems through the Permanent Secretaries' Group and Capability Reviews. In Chapter 3 of this report we urge the Government to develop a more coherent approach that will meet the needs of departments and expectations of the SCS. But of course in the end no system will work unless the pay rates are set and applied appropriately: for a while the evident goodwill of SCS members will no doubt paper over the cracks, but reliance on that goodwill is a poor substitute for the commitment and funding needed to ensure its success.

Senior officers in the armed forces

- 1.19 Chapter 4 reviews the pay of officers at 2-star level and above in the armed forces. In making our recommendations we have been assisted by evidence from the Government, and by oral evidence from the Chief of the Defence staff, the Service Chiefs of Staff and the MOD Permanent Under Secretary. Generally speaking, there are no significant issues arising for this year's round.
- 1.20 However, the written and oral evidence we received expressed some concern over the current differential between the 1-star and 2-star rates of pay, particularly if a higher rate of pay for 1-star officers were to result from the recommendations of the Armed Forces' Pay Review Body (AFPRB). For the longer term, close attention should to be given to any indications that retention of the best officers for promotion to the senior military ranks is becoming a problem.

⁷ The Twenty-Third Report on Senior Salaries, Cm 4995. London. The Stationery Office. 2001.

The judiciary

- 1.21 In Chapter 5 we make recommendations on judicial pay. Last year we conducted a major review of the judicial salary structure and this year we heard of broad satisfaction with our recommendations although inevitably a few groups and individuals were disappointed.
- 1.22 For this year's report we heard evidence from the Lord Chancellor and his department (the Department for Constitutional Affairs), and senior members of the judiciary. Again, there are no significant issues of immediate concern.

Conclusion

- 1.23 In summary, this year we do not see major structural issues in relation to judicial and senior military pay, and can accordingly give considerable weight to the Government evidence on the economic environment and affordability. The evidence for all three of our remit groups suggested that recruitment and retention were not a problem. For the SCS, the Government's evidence on the economic environment and affordability also carries great weight. However, we believe we are faced with a deteriorating picture in several respects. The response should be the formulation of a proper pay and workforce strategy by the Government, linked to a commitment to provide the means to implement it. We would find it useful for the Cabinet Office to provide the SSRB with a mid-year report on how their pay and workforce strategy is progressing.

Recommendation 1: We recommend that the Cabinet Office provide the SSRB with a progress report on their pay and workforce strategy by the end of June 2007.

Chapter 2

The senior civil service – current pay system

Introduction

2.1 We have recorded our growing concerns about the functioning of the senior civil service (SCS) pay and performance management system in previous reports. We now believe that the Government should consider substantial reforms. We are therefore structuring our recommendations on the SCS in two distinct parts. In this chapter we undertake our usual review of the developments during the last pay year and the evidence we received. In Chapter 3 we undertake a deeper analysis of what appear to us to be the problems with the current SCS pay system. We discuss the Government's approach and broader proposals, much of which we support though in some cases we think they need to go further. Finally we set out a set of suggestions for how we should like to see the SCS system reformed in the longer term and make recommendations for pay adjustments to be implemented from 1 April 2007.

The SCS

2.2 Our remit includes all members of the senior civil service (SCS), which is now over 4,000 strong and has grown steadily over recent years.

Table 2.1: Total SCS staff in post by year

Year	2001	2002	2003	2004	2005	2006
SCS staff in post	3,331	3,507	3,700	3,893	3,906	4,031

Source: Cabinet Office

It is surprising that SCS numbers continue to increase despite the Government's drive in recent years to reduce civil service numbers. While comparisons with the wider market (see paragraph 2.39 below) suggest the SCS is lagging behind on pay, it is hard for us to argue for higher increases in the absence of any evidence of the productivity gains which lie behind advances in pay in the private sector.

2.3 The SCS is divided into three main pay bands plus the permanent secretaries and equivalents. A fourth, intermediate pay band, band 1A, is used by a limited number of departments. The numbers in each pay band are set out in Table 2.2 below. The senior staff in the Diplomatic Service are not included in these figures and are not part of our remit group, but we understand that the Diplomatic Service normally follows our recommendations.

Table 2.2: SCS numbers by pay band in 2005 and 2006

Pay band	2005	2006	% change
1	2,781	2,858	+2.8%
1A	212	198	-6.6%
2	686	729	+6.3%
3	152	148	-2.6%
Other ¹	75	98	+30.7%
Total	3,906	4,031	+3.2%

Source: Cabinet Office

¹ Includes 40 permanent secretaries and equivalents (in 2006) plus secondees on NHS pay scales and others for whom the SCS pay band is not known or not available centrally.

It is particularly disappointing that numbers in pay band 1A have fallen relative to the other pay bands in the last year given that in our last report we supported the Government's suggestion that departments consider making greater use of pay band 1A. This may be a symptom of a lack of co-ordination in the management of the SCS and we return to this theme in Chapter 3.

Evidence

- 2.4 Our work is informed by evidence from the Government, which includes data drawn from the Cabinet Office senior civil service database; from the Cabinet Secretary; the First Division Association and Prospect, who submitted joint evidence; and the Civil Service Commissioners.
- 2.5 We have also continued the practice of holding discussions with small groups of individual senior civil servants, SCS HR directors and, for the first time, non-executive board members. However, this year we formed a sub-committee to conduct these discussions. We found that a smaller forum encouraged more thorough and useful discussion. We therefore propose to continue this approach and we are grateful to all those who took part this year. A list of the sessions is at Annex A.

The SCS pay system and its operation in 2006

Objectives

- 2.6 The current SCS pay system was introduced from 1 April 2002, with the objectives of:
- overcoming perceived shortcomings in the previous system, brought about by under-funding and lack of transparency;
 - aligning SCS pay with the market, to enable the SCS to recruit and retain high calibre people; and
 - reinforcing policies to raise the performance of individual senior civil servants by relating pay to performance within a formal performance management system.

In our annual reviews of SCS pay we have continued to support these objectives. However, in our 2006 report we noted that the Government's evidence interpreted aligning SCS pay with the market in a more limited way, regarding SCS pay bands as sufficiently market-facing if pay was not a barrier to recruitment. In other words, although most existing SCS members are paid in the bottom half of the pay bands, and increasingly out of line with external comparators, there is sufficient headroom at the top of the bands to recruit externally.

Pay ranges

- 2.7 SCS staff below Permanent Secretary are divided into three pay bands. As noted above, Departments have discretion to introduce a fourth pay band, 1A, overlapping parts of the two lowest bands. The rates applicable at each point in the structure are given in Table 2.3.

Table 2.3: SCS pay ranges with effect from 1 April 2006

Pay Band	Minimum	Progression Target Rate (PTR)	Recruitment & Performance Ceiling (RPC)
3	£98,000	-	£205,000
2	£80,000	-	£160,000
1A	£64,000	£86,000	£127,000
1	£55,000	£77,000	£116,000

Permanent Secretaries' pay range: £137,000 to £273,250.

Progression target rates

2.8 In our proposals for a new SCS pay system (in a special report to the Cabinet Office in October 2001) we recommended that the Progression Target Rate (PTR) should be set around the mid-point between the minimum and maximum of the range of each pay band. The intention was that progression from the median entry point to the PTR should take three to four years for consistently top performers and around ten years for other fully effective performers. However, the Government set the PTR at approximately one third of the way between the minimum and maximum, on grounds of affordability. The average speed of progression is determined by the amount by which the average base pay award each year exceeds the revalorisation of the PTR. That amount and hence the speed of progression have fluctuated, as shown in Table 2.4 for pay band 1. The reduction in the number of years to reach the PTR in 2006-07 is due solely to the fact that the PTR was increased by only 1.1 per cent (a simple rounding up from £76,156 to £77,000), i.e. well below the average base pay award, and effectively a cut in real terms. The PTR for pay band 1A was increased from £85,469 to £86,000 (0.6 per cent). Despite these very small increases in the PTR, Cabinet Office advise that the proportion of the SCS paid at or above the PTR or shadow target rate (see paragraph 2.9 below) in each band fell from 23.7 per cent in 2005-06 to 22.8 per cent in 2006-07.

Table 2.4: Pay band 1 progression¹

Year	PTR revalorised by:	Average base pay award	Average progression (average award less level of revalorisation)	Number of years to reach PTR
2002-03	2.50%	5.90%	3.40%	11 years
2003-04	2.25%	4.90%	2.65%	13 years
2004-05	2.00%	3.50%	1.50%	23 years
2005-06	2.50%	4.20%	1.70%	20 years
2006-07	1.10%	3.30%	2.20%	16 years

¹ This was calculated using the *pay band minimum* rather than the *median entry salary* (as used in the original expectations) as the base level, to remove fluctuations due to any change in the median entry salary, which will vary from year to year, depending on, for example, the number of external recruits.

- 2.9 Clearly the initial intentions with regard to the time that SCS members should expect to take to reach the PTR have not been realised. In 2006 the Government decided to abolish the PTRs for pay bands 2 and 3, as part of the proposal, which we supported, to move towards more individualised pay for SCS members in these pay bands.
- 2.10 Departments may offer starting salaries above the PTR when, in seeking to recruit externally, they consider that the PTR does not allow them to attract candidates with the necessary skills. In these cases departments may agree a rate for the job with the Cabinet Office in the light of market evidence and set an individual shadow target rate (STR). The STR replaces the PTR as the target salary the individual can expect to reach subject to satisfactory performance. Our evidence shows that departments need to have increasing resort to these provisions in order to attract suitable talent from outside the civil service.

Performance award

- 2.11 Individual pay increases for SCS members in all pay bands are awarded within a range recommended annually by us (in 2005, 0 to 9 per cent of salary). Individuals are allocated to one of three performance tranches, with an indicative allocation of a quarter in the top tranche, between 5 and 10 per cent in the bottom tranche, and the remainder in the middle tranche.
- 2.12 The allocation of individual SCS members to tranches depends on the assessment of their performance relative to others operating at broadly the same pay band, rather than on any absolute standard. According to the Cabinet Office's guidance to departments¹, the assessment should reflect:
- the individual's overall growth in competence where PSG (see below) provides the framework for assessing competence;
 - the challenge associated with the job; and
 - confidence in the individual's future performance based on sustained past performance.

In recent years, the Cabinet Office has set the overall pay envelope for base pay increases (3.25 per cent of the pay bill in 2006) and the range of increases (0 to 9 per cent) although departments have discretion exceptionally to give larger increases to deal with specific pay anomalies. Within those limits and the forced distribution of tranche markings, departments are free to design their own pay matrices. The outcome for 2006 is shown in table 2.5, which excludes those SCS members who did not receive a tranche mark, mainly because of movements into, out of, or between departments or pay bands.

Table 2.5: Distribution of tranche markings by pay band, 2005-06

Pay Band	Tranche 1	Tranche 2	Tranche 3
1	22.2%	70.8%	7.0%
1A	19.7%	71.3%	9.0%
2	25.5%	68.4%	6.1%
3	36.2%	60.6%	3.2%
Total	23.0%	70.1%	6.8%

Source: Cabinet Office

¹ The Cabinet Office's Guide to Performance Management and Reward Principles in the SCS (March 2006), paragraph 15 – <http://www.civilservice.gov.uk/management/performance/publications/index.asp>

2.13 There are some signs that the forced distribution is causing tensions. We heard in discussion groups that poor performers have largely been managed out of the civil service or have responded successfully to performance improvement plans. Managers were increasingly finding the pressure to fill a 'quota' of bottom tranche markings was having an adverse effect on morale and leading to unfairness. Managers were now having to place some staff who were performing satisfactorily in the bottom tranche. On the other hand, there was recognition that the system had finally introduced some identification of poor performers and it would be wrong to revert to a system where the overwhelming majority of the SCS were marked as above average. We believe it would be appropriate to review the forced distribution system as part of the wider changes we suggest in the next chapter.

Base pay

2.14 The Government decided to stage the pay award for the SCS in 2006, with 57 per cent of the award paid with effect from 1 April 2006 and the remaining 43 per cent paid with effect from 1 November 2006. The average base pay increase for SCS members in pay bands 1 to 3 was 3.3 per cent. Table 2.6 shows the increase in the median salary for the whole of the SCS and for each pay band. These increases are influenced by changes to both pay levels and workforce composition. The average percentage base pay award by pay band and tranche is given in Table 2.7. These figures show the average base pay award actually received by individual SCS members and are higher than the median figures in Table 2.6 because the latter show in particular the effect of generally higher paid people leaving a pay band on promotion or retirement and being replaced by people paid towards the bottom of the range (negative pay drift or recycling effects).

Table 2.6: Median base pay by pay band, 2005/2006

Pay band	2005	2006	% change
1	£69,404	£70,751	1.9%
1A	£80,438	£83,202	3.4%
2	£95,000	£97,018	2.1%
3	£125,336	£126,531	1.0%
Overall	£73,328	£74,910	2.2%

Source: Cabinet Office

Table 2.7: Average percentage base pay award by pay band and tranche

Pay Band	Tranche 1	Tranche 2	Tranche 3	Total
1	5.1%	2.8%	1.2%	3.2%
1A	4.5%	2.6%	1.0%	2.9%
2	5.3%	3.3%	1.3%	3.7%
3	5.5%	3.3%	1.4%	4.0%
Overall	5.2%	2.9%	1.2%	3.3%

Source: Cabinet Office

The distribution of pay increases is shown in Table 2.8. It is noteworthy that the proportion of the SCS receiving a zero pay increase grew from 1.6 per cent in 2005 to 4 per cent in 2006 and over 40 per cent of the SCS received an increase in base pay below the RPI rate of inflation.

Table 2.8: Distribution of SCS base pay increases, 2005/2006

Base pay increase	Proportion of SCS	
	2005	2006
0	1.6%	4.0%
0<2%	2.5%	11.4%
2<3%	14.5%	28.1%
3<4%	33.4%	31.0%
4<5%	20.7%	10.2%
5<6%	8.1%	9.1%
6%+	19.2%	6.4%

Source: Cabinet Office

Note: Excludes those whose base pay award is not known

Bonus payments

2.15 In addition to base pay increases, SCS members are eligible for non-consolidated bonus awards. Bonuses are intended to reward delivery of personal business objectives during the reporting year or other short-term personal contributions to wider organisational objectives. In considering SCS members for bonus, line managers are asked to take into account:

- performance against agreed priority business objectives or targets;
- total delivery record over the year;
- relative stretch (i.e. the challenge of the job compared to that of others); and
- response to unforeseen events that affected the performance agreement.

2.16 The Government's stated objective is to build the bonus pot annually so that it reaches 10 per cent of the SCS pay bill in 2008. In 2006 it stood at 6.5 per cent of the pay bill, although in practice departments used only 6 per cent for bonuses. About 67 per cent of the SCS received a bonus in 2005-06 compared to 75 per cent in the previous year. The average bonus for those receiving one was £6,942 (9.3 per cent of the overall median salary), compared to £5,006 (6.8 per cent of median salary) in 2004-05. The range of bonuses was from £3,000 to £22,000, although there was one exceptional bonus of £39,639. Tables 2.9 and 2.10 set out the distribution and size of bonuses in 2006.

Table 2.9: Distribution of bonuses by pay band and performance tranche, 2005-06

Pay band	Tranche 1		Tranche 2		Tranche 3		Not applicable		No. with bonus	% of pay band with bonus
	No. with bonus	% with bonus								
1	548	95.6%	1,242	68.0%	23	12.7%	11	6.3%	1,824	66.2%
1A	33	94.3%	86	67.7%	2	12.5%	2	13.3%	123	63.7%
2	150	96.8%	302	72.6%	12	32.4%	33	40.7%	497	72.1%
3	34	100%	49	86.0%	–	–	7	21.2%	90	70.9%
Total	765	96.0%	1,679	69.2%	37	15.6%	53	17.4%	2,534	67.3%

Source: Cabinet Office

Table 2.10: Average value of bonuses by pay band and tranche, 2005-06¹

Pay Band	Performance tranche				Total
	1	2	3	N/A	
1	£7,943	£5,763	£5,064	£5,133	£6,406
1A	£8,244	£7,720	£4,500	£9,250	£7,833
2	£9,507	£7,432	£6,348	£7,028	£8,005
3	£11,430	£10,473	-	£9,137	£10,731
Total	£8,418	£6,301	£5,450	£6,997	£6,942

Source: Cabinet Office

¹ Excludes those with no bonus

We discuss in paragraph 2.43 below the design of the SCS bonus scheme.

2.17 It is apparent from the above data, and in particular Tables 2.5 and 2.9, that the probability of receiving both a higher tranche marking and a bonus broadly increases by higher pay band. In other words, the relative marking system is not applied evenly across the whole of the SCS. However, as mentioned at paragraph 1.8, the SCS in higher pay bands are falling further behind their comparators than those in lower bands.

Evidence received

The Government's evidence

2.18 The Government's main evidence is available online². The evidence this year, in addition to setting out the Government's proposals for the pay award and the usual information on the economic context, contained considerable background data on various aspects of the SCS including equal pay and pay by age. We were grateful for this fuller evidence and we return to some aspects below. We nevertheless remain concerned that, because of the decentralised administration of the SCS, the Cabinet Office's data is often incomplete and there are significant variations in departmental practice.

2.19 The main points made by the Government in its evidence were that:

- there were no significant recruitment and retention issues overall but for a growing number of specific vacancies, particularly those requiring skills and qualifications at a premium in the market (e.g. finance and IT), the Government was having to offer salaries at the top end of the SCS bands to attract sufficiently strong external candidates;
- consequently differentials between internal and external recruits were continuing to widen and departments do not appear to be using base pay awards to reduce those differentials; and
- the higher salaries paid to male external recruits appeared to be having the effect of widening the pay gap between male and female members of the SCS. This had increased to 4.9 per cent this year, the highest level since 2001-02.

2.20 The Government's specific pay proposals for 2006-07 were:

- an increase of 0.8 per cent in the bonus pot, to 7.3 per cent of the salary bill – the net cost of this is 0.64 per cent of pay bill because bonuses are not consolidated and not pensionable;

² <http://www.civilservice.gov.uk/management/performance/publications/index.asp#scs>

- an increase of 2 per cent in the minimum of each pay band (but no increase in the maximum);
- an increase of 2 per cent in the PTRs for pay bands 1 and 1A;
- an average increase in base pay of 2.7 per cent, made up of a 1.5 per cent increase in the pay bill for base pay plus 1.2 per cent from recyclables (the effect of higher paid staff leaving and being replaced by lower paid staff); and
- departments to review pay anomalies and use available earnings growth to reconcile these by using greater differentiation of awards on the basis of market value and contribution rather than opting for general cost of living increases.

The net cost of these proposals according to the Government will be 2.14 per cent of the SCS pay bill, comprising the additional 1.5 per cent for base pay increases plus 0.64 per cent for the increased bonus pot.

The unions' evidence

2.21 The FDA and Prospect submitted written evidence, the main points of which we take to be the following:

- the SCS pay system is failing to meet the Government's avowed objectives and is no longer 'fit for purpose';
- there has been some progress on pensions and the unions are negotiating with the Government;
- this year's survey of the unions' members in the SCS suggests that morale is very slightly worse than last year;
- the Government's staging of this year's award was "a gratuitous insult";
- in the survey members made adverse comments on, among other things, the opacity and operation of the pay system, lack of progression, reasonable performers being forced into the bottom tranche and the two-tier system;
- long hours continue to be a problem with two-thirds of survey respondents claiming to work more than six hours a week beyond contracted hours;
- the unions disagree with our support for the Government's intention that more SCS should receive zero awards, but share our concern about how such a policy will be implemented;
- the unions do not agree that the distinction between base pay increases and bonuses is becoming better understood;
- the overlap between the Grade 6 range and pay band 1 causes problems – some people refuse promotion to the SCS because pay progression is faster or more certain at Grade 6. One department, the Department for International Development, has allegedly unilaterally raised the SCS pay band minima;
- fundamentally, the SCS pay system is flawed but there is no money to put it right. The unions have had only tentative discussions with the Cabinet Office on reform and "urge the Review Body to sponsor dialogue between the Cabinet Office and the unions to agree changes to SCS pay arrangements in time to inform the 2008 Report";
- however, the unions do not set out what changes they would like to see, nor what recommendations they would like the SSRB to make this year; and

- the unions argue that their evidence from 2005 still stands and attach it to this year's evidence. A summary of that evidence is in paragraphs 2.26 – 2.32 of our twenty-eighth report.

Unions' oral evidence

2.22 Representatives of the FDA and Prospect also gave oral evidence to the Review Body and discussed elements of their written evidence in more detail. They felt that the two main issues were the lack of transparency in the performance and management system, and the two-tier system. The unions believed that successful internal candidates for posts that had been advertised externally should receive the same salary as had been offered to external candidates. The FDA and Prospect were receiving an increasing number of complaints from members about how decisions on pay awards had been reached. The unions therefore wanted an objective system with targets set at the beginning of the year and with automatic payment of bonus if the targets were met. They confirmed that Job Evaluation of Senior Posts (JESP) was little used and said that they would like to see more influence from the Cabinet Office on decisions made by departments. The unions thought that equal pay was an issue and pointed out that it was some years since an equal pay audit was undertaken.

Discussion groups

2.23 Sessions were held with representatives from pay bands 1, 2 and 3, HR Directors and non-executives members of departmental and agency boards. The main themes to emerge during the sessions were:

- pay is not the major motivating factor; breadth and interest of work are the main attractions of the SCS;
- the current performance management system lacks transparency and there was concern that managers found it difficult to advise individuals on their likely tranche markings because the process was relative;
- bonuses are too low to have any real motivational impact and the criteria for awarding them are obscure;
- there had been a lot of change in the job weight of posts since the last job evaluation exercise and a new evaluation exercise was overdue;
- bringing external recruits in at the higher levels reduced opportunities for progression;
- the higher salaries paid to external entrants are causing friction with internal SCS and the variance of pay now found within the SCS opened up the possibility of equal pay cases;
- pay differentials between SCS and the wider public sector are causing concern. Some SCS members were aware that their opposite numbers in public sector bodies earned more than they did;
- levels of risk and exposure have increased;
- there is concern that the ranking system is not objective and fair and that it forces some satisfactory performers into tranche 3 alongside poor performers;
- there is concern that the career civil servant is now being required to have a very different skill set and there is a feeling that the civil service is no longer 'a job for life'; and
- some in specialist grades felt that generalist managers did not understand fully the subtleties of their work and consequently the value of their contribution.

Some of these points are reinforced by the latest SCS survey where only 32 per cent of respondents agreed that “the way pay is determined is clear and transparent” and 33 per cent that “I am satisfied with the approach to performance management in my organisation”. Unfortunately we received the results of the 2006 SCS survey too late to consider them fully in this report.

- 2.24 Those working outside London felt that their work and achievements were more likely to be overlooked by managers based in London. They also believed that those working in delivery organisations were under more pressure than colleagues in some other areas because it was easier to judge whether they had met their objectives.

Civil Service Commissioners’ evidence

- 2.25 The Civil Service Commissioners are responsible for overseeing the selection process following open competition to fill vacancies within the top two SCS pay bands (around 600 posts in total). They also chair the recruitment boards for government news/communications posts at pay band 1. Their approval is required before an appointment can be made.
- 2.26 The Commissioners are not responsible for the salary packages of open competition vacancies. It is for individual departments to decide, and if necessary agree with the Cabinet Office, the advertised salary within the pay ranges, and then to settle the remuneration package with the lead candidate.
- 2.27 In general the Commissioners have been pleased with the calibre of successful candidates although panels awarded slightly lower marks to Senior Leadership Committee (SLC) appointees than in previous years. There was an increase in the number of candidates for posts but in five cases the first choice candidate turned down the appointment. The Commissioners comment that recruitment panels are often constrained by the salaries they are able to offer which limits the field of candidates both in number and quality. Nevertheless, the percentage of external appointees that the Commissioners have approved has risen in the last three years; factors accounting for this could include the attraction of the public service ethos and a desire to follow a more diverse career path.
- 2.28 The Commissioners reported an improvement in the overall quality of the fields for the competitions (63 per cent produced at least one reserve candidate compared to just over half last year) but were disappointed that 19 (20 per cent) of the competition fields were considered ‘poor’. Having noted that, 13 per cent of the successful candidates were marked as “an outstanding candidate”, compared to 7 per cent in 2005-06, and 53 per cent as “a very good candidate”.
- 2.29 The Commissioners believe that the time is right to conduct a review into the performance of those recruited through open competition which could also look at the remuneration packages on offer and the salary disparities between internal and external appointees (see paragraph 3.7).
- 2.30 The Commissioners report that there were 111 approved appointments to the SCS in 2005-06. This represents an increase of 22 per cent compared to 2004-05 figures. The figure of 111 includes the 20 competitions held at SLC levels (the most senior posts at pay band 3 and above). Of these, ten were filled by serving civil servants, six were from the wider public sector and four from the private sector. Of the appointees, three were marked as “an outstanding candidate”, 16 as either “a very good candidate” or “clearly above the minimum acceptable level”, and one as “acceptable”. All appointees were the first choice of selection panels and in almost all the competitions (18) the selection panel was able to identify reserves.

2.31 Table 2.11 summarises the salary details of the SLC appointments. The average salary on appointment of an existing civil servant was lower by £35,399 (or 22 per cent) than the average salary on appointment of non civil servants.

Table 2.11: SLC appointments – average salary information

	Average salary on appointment	
	Civil service	Non civil service
2005-06	£128,290	£163,689
2004-05	£110,428	£156,012

Salary details not available in one case in each year
Source: Civil Service Commissioners

Ten permanent appointments were made and ten appointments on fixed term contracts. The most common fixed term contract was three years (seven out of ten) with the possibility of further extension, reappointment or permanency.

2.32 Of the 91 appointments below SLC level in 2006-07, 32 were filled by civil servants, 24 from the wider public sector and 35 from the private sector. Table 2.12 summarises the appointments at this level for the last two years.

Table 2.12: Summary of appointments below SLC level

	Source			Total
	Civil service	Wider public sector	Private sector	
2005-06	32 (35%)	24 (26.5%)	35 (38.5%)	91
2004-05	34 (47%)	12 (16.5%)	26 (36.5%)	72

Source: Civil Service Commissioners

2.33 Table 2.13 summarises the salary details of appointments below SLC level. The average salary on appointment of an existing civil servant was lower by £13,494 (or 12 per cent) than the average salary on appointment of non civil servants.

Table 2.13: Details on appointments at pay band 2 and 1, 2005-06¹

Background	Average salary on appointment	Length of appointment
Civil service	£97,544	20 permanent appointments 13 fixed term ²
Non civil service	£111,038	29 permanent appointments 18 fixed term ³ 1 secondee

Salary details not available in three cases and length of appointment details not available in 10 cases

¹ Includes 4 news/communication appointees at pay band 1.

² The most common fixed term contract was three years with the possibility of further extension or permanency (5 out of 13 cases).

³ The most common fixed term contract was three years with possibility of further extension or permanency (13 out of 18 cases).

- 2.34 Twenty posts were filled on a permanent basis by civil service appointments and 29 by non civil servants. The most common fixed term contract was three years and accounts for 5 out of 13 cases for civil servants and 13 out of 18 of the non civil service recruits. One candidate was appointed on a secondment basis. No data exists for 10 appointees. We find it surprising that data should not be available in some cases on salary and length of appointment. We urge the Cabinet Office and Civil Service Commissioners to take steps to ensure complete information is collected.
- 2.35 There continues to be a disparity in the starting salaries between internal and external appointees and the Commissioners point out that external candidates are more successful at negotiating a starting salary higher than the advertised salary. This has had the effect of producing anomalies such as one pay band 2 external appointee being paid more than all but two starters in pay band 3. Furthermore they noted that, although in that case the pay band 2 starting salary was for a legal post, it was 'well above' the maximum for that band.
- 2.36 In addition to the 111 competitions where appointments were made, the Commissioners chaired nine competitions that were unsuccessful. In five of these competitions no appointment was made, two competitions were stopped before the interview stage due to lack of suitable candidates, and two competitions failed when the successful candidate declined the offer and there was no reserve list.

Leavers from the SCS

- 2.37 The Cabinet Office reported that turnover remains relatively low in the SCS. In 2005-06 it was around 12 per cent (10 per cent in 2004-05 and 9 per cent in 2003-04). Of 465 SCS members who left the civil service:
- 178 retired at age 60;
 - 140 resigned;
 - 79 took early retirement;
 - 31 left at the end of their contract or secondment;
 - 34 left for reasons not known or not recorded; and
 - 3 died.
- 2.38 We have noted before, and it remains a matter of regret to us, that departments did not carry out systematic exit interviews of the people who left voluntarily. We believe they should do so because the rate of leaving is gradually rising and it is important to understand why that is so. In particular, we should like to know whether the increased numbers of resignations and early retirements are attributable to improved performance management (i.e. poor performers being managed out), to growing dissatisfaction with SCS terms and conditions, or to some other reason or combination of reasons.

Recommendation 2: We recommend that departments carry out systematic exit interviews with SCS members to try to ascertain the reasons for leaving. The Cabinet Office should issue guidance to departments on how to record information in a common format.

SCS pay and the wider market

2.39 In our twenty-eighth report we outlined the findings of a study by the Hay Group, which concluded that, even at the lowest level, SCS base pay had fallen behind the private and broader public sector markets, and base pay became progressively less competitive as job size increased. This continues to be the case as shown by the Government's evidence. Our discussion groups suggested that SCS members are aware of the shortfall, especially those dealing with other public sector bodies such as regulators or local authorities where grade equivalence is clear and salaries are publicly disclosed. This is a cause of some resentment but does not appear to pose an immediate problem of retention. SCS members expressed a very strong view to us that job interest and satisfaction were compensating factors and this is borne out in the latest SCS survey where, for example, 90 per cent of respondents agree that "my job gives me a feeling of personal accomplishment". Nevertheless, we consider that it would be unwise, as well as unfair, to rely on this continuing to be so. There must be a danger that, if SCS salaries, particularly at more senior levels, fall further and further behind those elsewhere, a tipping point will be reached. This is another reason for considering the need for some fundamental reforms of the system, which we do in the next chapter.

The two-tier salary structure

2.40 We drew attention in our last two reports to the growing evidence that those joining the SCS from outside are paid on average significantly more than existing civil servants. It is clear from the Government's evidence that the problem is getting worse, as is shown by table 2.14.

Table 2.14: Differences between internal and external recruits' salaries on appointment

Year	Median starting salary – internal move	Median starting salary – external move	Difference (£)	Difference (%)
2005	£66,418	£76,156	£9,738	14.7%
2006	£66,830	£84,275	£17,445	26.1%

Source: Cabinet Office

2.41 We are glad that the Government acknowledges the problem although it is not clear to us how it proposes to deal with it. The Government in its evidence says that it is urging departments to "review pay anomalies and use available earnings growth to reconcile these by using greater differentiation of awards on the basis of market value and contribution rather than opting for general cost of living increases". We asked the Government for information on the number and type of pay anomalies that departments correct through base pay awards and said that if statistical information was not available, we should at least like to have some examples of the problems and the steps taken to address them. However, the Government was not able to give us any such information or examples and we find it difficult to see how the problem of wide pay discrepancies can be tackled with the relatively small amount of money available.

2.42 It seems to us that the problem is a symptom of a wider malaise. Fundamentally it stems from the failure to put in place and then deliver a well-designed workforce strategy for the SCS. We return to this in the next chapter.

Design of the SCS bonus scheme

2.43 The Office of Manpower Economics (OME), who provide our secretariat, commissioned a comparative study of bonus scheme design and effectiveness. The study was carried out by Towers Perrin and is available on the OME website³. Broadly speaking, the main findings of the study were that bonus schemes are a common feature of total remuneration practice in the private sector for employees at similar salary levels to the SCS. However, their impact on performance does not seem to have been assessed, and tends to be assumed to be “self-evident”. The SCS scheme differs from typical private sector schemes in a number of ways relating to bonus levels and prevalence, the emphasis on relative performance, and the overlap of progression and bonus criteria. As a result, the SCS scheme has tougher conditions attached to it, and is likely to be harder to manage. Assessing the impact of the SCS scheme would require greater clarity about objectives. It may be better to see the scheme as designed simply to provide extra payments to better performers – a *merit* scheme rather than a *bonus* scheme.

2.44 We find this analysis persuasive and we draw on it in our reflections and recommendations in the next chapter.

Equal pay

2.45 As noted in paragraph 2.19 above, the pay gap between men and women in the SCS has widened in the last year. The Government’s evidence shows that in 2005-06 men and women in the SCS were treated nearly equally in terms of base pay and bonuses. For example, the average base pay increase for women was 3.4 per cent while for men it was 3.3 per cent. Women were slightly more likely than men to be placed in the top performance tranche (24.5 per cent of women compared to 22.4 per cent of men) and slightly less likely to be in the bottom tranche (5.9 per cent of women compared to 7.2 per cent of men). However, the average bonus for women was very slightly lower than that for men (£6,906 compared to £6,958) and women were marginally less likely to receive a bonus (66.6 per cent of women as against 67.6 per cent of men).

2.46 The pay gap between men and women in the SCS was 5 per cent in 2001-02 when monitoring began. It then reduced to 4 per cent by 2003-04 but has been rising since then, to 4.4 per cent in 2004-05 and now 4.9 per cent in 2005-06. The cause of this rise seems to be largely if not wholly attributable to higher starting salaries paid to men on appointment or promotion into the SCS, as shown by Table 2.15.

Table 2.15: Difference between median starting salaries of men and women in SCS posts in 2005-06

Route to post	Female median	Male median	Difference (male – female)	Difference (as % of female median)
Internal	£64,130	£67,708	£3,578	5.6%
Open competition	£76,868	£85,490	£8,622	11.2%

Source: Cabinet Office

Recommendation 3: We recommend that the Government investigates the reasons for and implications of the difference between median starting salaries of men and women in SCS posts, and especially the higher salaries paid to male external recruits, and report next year on the findings and action taken.

³ <http://www.ome.uk.com/downloads/Towers%20Perrin%20report%20on%20Bonus%20Scheme%20Design%20and%20Effectiveness.pdf>

Diversity

2.47 As we reported in our twenty-eighth report, the Government has set new diversity targets to be achieved by 2008, to ensure the civil service becomes more open and diverse. Table 2.17 sets out progress in the SCS.

Table 2.17: Diversity in the SCS

Measure	April 2005	April 2006	2008 target
% of women in SCS	29.1%	30.4%	37%
% of top management posts held by women	25.5%	26.3%	30%
% of SCS from ethnic minority backgrounds	2.8%	3.1%	4%
% of SCS with disabilities	2.9%	2.8%	3.2%

Source: Review Body on Senior Salaries Twenty-Eighth Report and Cabinet Office⁴

The Government is making progress towards all the targets except that for people with disabilities. However, because of the relatively small numbers in the SCS, a small change in the number of those with disabilities can result in a big change in the percentage rate.

Age discrimination

2.48 For the first time the Government has provided figures on the age profile of the SCS and of the relation between pay and age. While it is not surprising, given the nature and history of the SCS pay system, that older SCS members earn more than younger ones, the figures in Table 2.16 below suggest that there may be age discrimination in the allocation of both tranche markings and bonuses.

Table 2.16: SCS pay, performance tranche and bonus allocation by age: 2005-06

Age	Median salary	% of age band in tranche 1	% of age band receiving a bonus
<30	£56,528	5%	40%
30-34	£61,352	30%	76%
35-39	£67,128	24%	67%
40-44	£70,969	25%	69%
45-49	£73,563	24%	70%
50-54	£77,000	20%	66%
55-59	£77,624	15%	65%
60-64	£84,796	17%	54%
65+	£78,921	–	40%

Source: Cabinet Office

2.49 The Government has collected these data for the first time because of the Employment Equality (Age) Regulations, which came into force on 1 October 2006. It accepts that more analysis is needed. We look forward to receiving more information on this subject for our next report.

⁴ <http://www.civilservice.gov.uk/diversity/facts/index.asp>

Chapter 3

The senior civil service – a way forward

Introduction

3.1 In this chapter we discuss some of the issues of concern we have identified in this and previous years with the current SCS pay and performance management system. We suggest an outline for a way forward and invite the Government to reflect on this and make concrete proposals. Finally we make proposals for an SCS pay award for 2007-08 designed to be consistent with the sorts of changes we have in mind while respecting the weight of the Government's economic evidence.

The changing role of the SCS

- 3.2 The tasks that the SCS are required to carry out have been steadily changing and expanding as the role of Government has changed. At one time SCS members were predominantly concerned with providing policy advice to Ministers and, to a lesser extent, with running their own departments. Delivery of goods and services was limited to a few specialist areas (passports, driver and vehicle documents, benefits, pensions etc) and these were relatively static. But recent decades have seen a huge expansion in the delivery functions of Government, for a variety of reasons. Complete new functions have been created (e.g. the Child Support Agency, Rural Payments Agency and perhaps soon identity cards) while political decisions have seen Government becoming much more closely involved in detailed management of e.g. the health service, education, and the criminal justice system. At the same time, the huge developments in IT have caused a revolution in the possibilities but also the challenges of how services are delivered and information managed.
- 3.3 We believe the evidence suggests that the civil service is not yet equipped to deal with these changes. The civil service was used to training people for its traditional core activity of policy making. Fast streamers could expect to gain experience in designing policy, perhaps taking a Bill through Parliament and working in a Minister's office. But there was little or no systematic attempt to train civil servants to specialise in the skills that were increasingly needed. Even after the financial management initiative in the 1980s, few civil servants were encouraged and assisted to train as accountants or other finance specialists, so that the recent initiative to require departments to have a qualified accountant as finance director has forced most departments to recruit externally. Indeed, specialisation was still seen as something of a dead end. There were, and are, separate specialist strands within the civil service for lawyers, economists, statisticians, scientists etc. These are mainly confined to specialist functions and our impression is that they are not, on the whole, well integrated into the wider civil service. However, some specialists chose instead to become generalists because the latter's career prospects seemed better. The civil service culture still encourages the generalist, and we believe the fact that the civil servant typically changes jobs frequently at the same level – every four years in the SCS, more frequently at lower levels – tends to broaden, rather than deepen, their experience.
- 3.4 The failure to adapt to the changing needs has led to some of the current, growing problems in the SCS. While the SCS was essentially a closed system of policy generalists supported by a few specialist cadres, almost all of whom were recruited from the lower levels of civil servants, pay was not a major issue. The intrinsic interest of civil service jobs, coupled with a certain public sector ethos, meant that recruitment and retention

were not a problem. There was little demand for civil servants' policy skills outside the civil service. The Government was therefore able to pay the top levels of the SCS at rates that steadily fell further behind those of equivalently weighted jobs in the private sector. Successive Governments held back SCS pay because of its symbolic importance to other public sector groups.

- 3.5 As noted in paragraph 2.6 above, in 2002 the Government made a commitment to ensure that SCS pay levels were more closely aligned to the wider market. We supported that approach but, as we explained in our twenty-eighth report, the necessary funding was not made available. Last year the Government redefined its market-facing approach in a way that effectively abandoned the attempt to align SCS pay with the private sector.

Lack of a workforce strategy

- 3.6 The problems with the SCS pay system are becoming acute because the Government's commendable desire to improve delivery has prompted it to begin to recruit larger numbers of staff from outside the SCS, to do jobs in HR, communications, finance, and even aspects of policy that were previously filled by generalist SCS members. It has to pay such recruits much more than existing SCS members. This 'two-tier system' that we have described in previous reports is beginning to generate understandable resentment on the part of existing SCS members and may also prompt some equal pay claims. But these are only symptoms of the underlying problem. The jobs that the SCS are required to do have changed dramatically but the SCS has not been prepared and trained for that change. Because of this – the failure to draw up and implement a workforce strategy for the SCS and its feeder grades – the Government is having to buy in specialists on higher salaries, but it is bringing them into a system which remains basically unchanged, though we recognise that some recent initiatives such as Professional Skills for Government (see paragraph 3.8) are intended to address some of the problems. We are beginning to hear anecdotal evidence that specialists brought in on higher salaries to do a specific job are now starting to move, in the normal pattern of SCS job rotation, to other jobs while retaining their salary lead. However, the Cabinet Office does not have any information to enable us to verify the extent to which this is happening and it is true that some of those recruited are on fixed-term contracts. This does not necessarily mean that they leave at the end of the specified term (although the figures in paragraph 2.37 above show that some do) since the failure to renew a fixed-term contract will often constitute unfair dismissal unless the employee's performance is demonstrably unsatisfactory, so in practice those appointed on fixed-term contracts may continue indefinitely.

- 3.7 Moreover, we are not aware of any attempt to evaluate whether the staff being recruited from outside the SCS on salaries much higher than those of existing SCS members are actually providing value for money as seen by the employing department, or whether these individuals consider the job they are doing and the environment in which they do it is in line with their expectations. We have no reason to suppose that they are not, but we believe this should be assessed systematically. In this we agree with the views of the Civil Service Commissioners reported at paragraph 2.29 above.

Professional Skills for Government (PSG)

- 3.8 We accept that the PSG initiative is aimed precisely at the problem identified above. PSG is a major, long-term career development programme which will give professional recognition to the skills and experience of staff formerly thought of as "generalists". It has been designed to ensure that staff reaching senior levels have the right mix of skills and expertise in the areas of policy delivery, operational delivery and corporate services to enable government to provide effective services. However, it could take many years

before PSG generates the numbers of skilled SCS members needed. Moreover, if PSG is to be successful, it will need a substantial additional amount of investment to pay for training, qualifications, secondments and the associated costs of time spent 'off the job'. There is also a risk that, as civil servants acquire more marketable skills, they will leave the service for higher salaries elsewhere. So it may be necessary to increase SCS salaries if retention problems emerge. Nevertheless, in the longer term it should be possible to fund the necessary investment through efficiency savings and reductions in overall civil service numbers. We hope that in this instance the Government will provide the necessary resources over a sustained period, even though public spending generally is under considerable pressure, to make the initiative a success since not to do so is likely to put the capability of the SCS at serious risk in the medium to longer term.

Individual pay arrangements

- 3.9 There still remains the transitional problem caused by the influx of external recruits on salaries well above those of existing SCS members. We believe that the best way of dealing with this is for departments to pursue energetically the policy of moving to individualised pay arrangements at pay bands 2 and 3 (and indeed at Permanent Secretary level). They need to use JESP (Job Evaluation of Senior Posts) or some equivalent method to establish current job weights and then to match pay to those job weights, before making adjustments, moderated where necessary by position and by the market, to take account of allowances for specialist skills, recruitment premia, etc. We should emphasise that we are not advocating a system that pursues an exaggerated degree of accuracy. One approach might be to divide pay band 2 and 3 posts into a handful of sub-bands within each band. But some firm action is needed to re-establish a clear relationship between job weight and pay. In our view the system has lost credibility when, as recorded by the Civil Service Commissioners' latest data, an external recruit can be appointed to a pay band 2 job on a salary well above the so-called ceiling for that band (currently £160,000) while an internal recruit is appointed to a pay band 3 post at the bottom of that band (£98,000). This is a recipe for resentment, poor morale and possibly equal pay claims.
- 3.10 Once departments have established the appropriate rate for a job, it would then be up to them to seek to recruit at a starting salary of 80 to 90 per cent of that rate. Typically in a four-year posting, the person appointed might progress to 100 per cent of the rate in the second year, subject to satisfactory performance. There would be scope to progress further to 110 or at most 120 per cent of the rate for outstanding performers, but no further. Once the rate for the job has been reached, performance would primarily be recognised through the non-consolidated bonus. This approach is much more akin to private sector practice.
- 3.11 Such a system, if implemented, would necessitate changing the current pay system. Broad bands would remain, within which jobs would be allocated to one of a number of sub-bands with target pay rates broadly reflecting job weight. However, both base pay increases (initially) and unconsolidated bonus payments would be performance related. The reward for SCS members who develop their skills and competences would be through moving to progressively higher-weighted (and hence higher paid) posts. For this system to work, SCS members will have to be given both the time and the funding (where necessary) to acquire new skills. This need not always be by formal training, though it will be important to ensure proper accreditation in some areas, but skills can also be acquired through other means such as secondments both within and outside the civil service.

Capacity

- 3.12 We recognise that implementing such a system of individualised pay will need increased management capacity in departments. We doubt whether, in the foreseeable future, departments (other, perhaps, than very small departments) will have the capacity to extend the individualised approach to pay band 1. We therefore recommend that the Government consider whether to apply separate pay schemes for pay band 1 and the rest of the SCS. It may be possible to assimilate pay band 1 to the rest of the civil service. Alternatively, if the Government wishes to retain pay band 1 as part of the SCS, something like the current arrangements could be maintained while pay bands 2 and 3 move to the individualised approach. It would be for consideration whether those departments which use pay band 1A (where the numbers are very small) should extend the individualised approach to that band or treat it like pay band 1.

Departmental performance

- 3.13 As shown by the Towers Perrin report referred to in paragraph 2.43 above, in the private sector bonus levels are normally dependent on corporate (or group), as well as individual, performance. This is not the case in the civil service. It seems perverse that all departments should have available the same proportion of the SCS pay bill to distribute as bonus regardless of how well or badly a particular department has performed in a given year. Of course departments have no equivalent of private sector financial performance by which to measure success or failure. Capability reviews are perhaps a first step in this direction. We believe the bonus system would be more effective if it conveyed signals about the need for corporate as well as individual performance and the Government's evidence supports this view. The current, competitive system almost encourages individuals to work against each other rather than collaborate. We urge the Government to consider whether it would be possible to find a way of judging departmental performance and moderating the bonus pot department by department accordingly.

Individual bonuses

- 3.14 In our discussion of bonuses in the previous chapter we noted that the system functions more as a merit system than a bonus system. The Towers Perrin report referred to above suggests that in the private sector bonuses for comparative jobs in our remit group are typically worth around a third of salary, compared to (currently) 6.5 per cent on average in the SCS. Moreover, in the private sector it is common for the conditions for the payment of bonus to be set in advance and be more or less automatic in application if the targets are met. It may well be increased for 'over-achievement' and reduced proportionately if some criteria are missed.
- 3.15 In the SCS, however, there is no guarantee of bonus even if all objectives are met, because most departments apply a quota for bonus and one of the criteria is relative stretch of the job during the year. Some SCS members told us they thought this was both unfair and difficult to manage. We agree and urge the Government to consider redesigning the bonus system so that the award (but not necessarily the amount) of a bonus is guaranteed if a post holder achieves all agreed objectives for the year. Obviously given the need to contain expenditure, the size of bonus available will need to be determined in the light of the numbers eligible (and perhaps of departmental performance as suggested above).

- 3.16 We recognise that such an approach to bonus will need much tighter management and definition if success criteria are to be set and measured properly. It will also be important to avoid perverse effects, whereby other important activity is neglected because it does not count towards bonus. The revised bonus system will also require much better communication to staff if it is to be accepted as transparent and equitable. In this, as in other areas, it will be important that the Cabinet Office takes a leading role in ensuring consistent standards across departments.
- 3.17 In summary, our main recommendation and suggestions of areas for further work are set out below with references to the paragraphs in which they occur:

Recommendation 4: The Cabinet Office and departments should evaluate the extent to which external recruitment to the SCS on higher salaries is providing value for money and whether the individuals concerned consider the jobs they are doing and the environment in which they work are in line with their expectations.

Further to Recommendation 4, we suggest the following initiatives:

- Departments should pursue energetically the policy of moving to individualised pay arrangements at pay bands 2 and 3 (and indeed at Permanent Secretary level) – paragraph 3.9 refers.
- The Government should consider whether to apply separate pay schemes for pay band 1 and the rest of the SCS, and whether the individualised approach to pay should be extended to pay band 1A or whether 1A should be treated like pay band 1 – paragraph 3.12 refers.
- We urge the Government to consider whether it would be possible to find a way of judging departmental performance and moderating the bonus pot department by department accordingly – paragraph 3.13 refers.
- We urge the Government to consider redesigning the bonus system so that the award (but not necessarily the amount) of a bonus is guaranteed if a post holder achieves all agreed objectives for the year – paragraph 3.15 refers.

This year's award

Pay band minimum and maximum levels

- 3.18 We see no reason to disagree with the Government's proposal to increase the minimum of all four scales and PTRs for pay bands 1 and 1A by 2 per cent. The Government submitted no evidence on the maximum rates.

Base pay and bonus

- 3.19 Given the more far-reaching changes we are inviting the Government to develop, this is not the year to make substantial changes to the existing SCS pay system. Nor, given the evidence we have on affordability, recruitment and retention, should we propose a high award that would be likely to be credible only if there were evidence of significant productivity gains. However, while we note that departments failed to spend all of the bonus pot last year, we think on balance that priority should be given to increasing the bonus pot over base pay increases to move in the direction we have described above. We propose that the average base pay increase should be 2.6 per cent (comprising 1.4 per cent of new money plus the 1.2 per cent recyclables saving). We also propose an increase of 1.1 per cent in the bonus pot, taking it to 7.6 per cent of pay bill. Because bonus payments are non-consolidated, the net effect on the pay bill of the increase in bonus would be some 0.9 per cent. The overall cost of our proposals would therefore be 2.3 per cent of the pay bill.

Table 3.1: Government and SSRB pay proposals for the SCS

Pay element	Government proposal	SSRB proposal
A. Base pay increase	1.5% + 1.2% recyclables	1.4% + 1.2% recyclables
B. Bonus pot increase	0.8%	1.1%
C. Net bonus increase	0.64%	0.9%
D. Overall net pay increase	2.14%	2.3%

Recommendation 5: We recommend that the SCS pay ranges from 1 April 2007 should be:

Pay Band	Minimum	Progression Target Rate (PTR)	Recruitment & Performance Ceiling (RPC)
3	£99,960	–	£205,000
2	£81,600	–	£160,000
1A	£65,280	£87,720	£127,000
1	£56,100	£78,540	£116,000

Recommendation 6: We recommend that the bonus pot for the SCS be increased by 1.1 per cent to 7.6 per cent of the pay bill and that the minimum bonus for 2007 should remain at £3,000.

Permanent Secretaries

- 3.20 The Permanent Secretaries' Remuneration Committee, on which the SSRB is represented, recommends individual awards for Permanent Secretaries. It will meet again in mid-2007. Last year the committee agreed to review the process by which awards are made and discussions on this are continuing.
- 3.21 The Government's evidence this year acknowledged that Permanent Secretary pay levels are significantly below market levels but did not argue for any greater increase than for the SCS generally. We agree that there are no reasons for treating Permanent Secretaries differently from the rest of the SCS. We therefore propose that the minimum of the Permanent Secretary range be increased by 2 per cent to £139,740 but the maximum should remain unchanged at £273,250. Base pay increases for Permanent Secretaries should also be in the range of 0 to 9 per cent, and the average award, bearing in mind the small numbers involved, should be close to that for the SCS as a whole.

Recommendation 7: We recommend that the minimum of the Permanent Secretary range be increased by 2 per cent to £139,740 and the maximum should remain unchanged at £273,250. Base pay increases for Permanent Secretaries should be in the range of 0 to 9 per cent.

Chapter 4

Senior officers in the armed forces

Introduction

- 4.1 Our senior military remit group this year comprises 131 senior officer posts. Table 4.1 below gives the breakdown by rank of the senior military for 2005 and 2006.

Table 4.1: Senior military posts in 2005 and 2006

	July 2005	July 2006
4-star (including CDS)	12	12
3-Star	24	25
2-Star	98	94
Total	134	131

Evidence

- 4.2 As in previous years, we received written evidence from the Ministry of Defence (MOD) and listened to oral evidence from the Chief of Defence Staff (CDS), the Permanent Under Secretary and the Chiefs of Staff for all three services. The MOD provided evidence on a number of subjects including the operation of the Performance Management Pay System (PMPS); recruitment and retention; economic considerations and affordability. We found the evidence this year particularly helpful and we are grateful for the way in which the MOD responded to the points in our last report.
- 4.3 A list of those providing evidence is at Appendix A.

Military visit

- 4.4 As part of the evidence-gathering process, we visited the Royal Naval Reserve shore establishment HMS President and held informal discussions with a number of 2 and 3-star officers – approximately 10 per cent of the remit group in total. The session allowed the Review Body to hear at first hand the concerns of the senior military on pay and related matters. We were impressed by the unanimous desire of the senior officers present to see significant improvements in the pay and conditions of members of the lowest ranks. They saw such improvements as having much greater priority than any concerns about their own pay. We were grateful for this opportunity to meet members of our remit group and the themes raised on the day have helped to inform our deliberations. We should like to thank all those who attended for their time and input, as well as those who helped to arrange the visit.

The Performance Management Pay System (PMPS)

- 4.5 The PMPS has been in operation since 1 April 2002 and introduced incremental, performance-related pay scales, depending on performance, for 2, 3 and 4-star officers. The system allows senior officers to achieve a zero, one or two level increment each year within a salary band consisting of either six or seven steps. The Senior Officers' Remuneration Committee assesses the performance of senior officers each year in June. The Committee consists of the Permanent Under Secretary for the MOD (Chair) with CDS, the single service Chiefs of Staff and an independent member. For 2005-06 the Committee awarded double increments to 11.3 per cent of the remit group with the remainder of those eligible receiving a single increment.

- 4.6 Last year during discussion groups with senior officers we heard that the PMPS could be time-consuming. We mentioned in our last report that this was not our intention and urged MOD to review the system with a view to simplifying the process. MOD has reviewed the process and feels the appraisal system, which underpins the award of increments, needs to be thorough in order to ensure the process is fair. Therefore it does not propose to make any changes to the system. Our impression from contacts with members of the remit group is that the purpose of the system is now better understood and that the initial concerns have largely dissipated.
- 4.7 In 2005 we approved the introduction of a three-year rolling programme of new pay scales designed to achieve broad pay comparability of the CDS with the Cabinet Secretary and Lord Chief Justice, coupled with an appropriate structure of performance-related increments for all the senior officers. 2007-08 will be the third and final year of this programme. We should welcome evidence from MOD next year to show how the pay system is working and whether it needs further adjustment.

Pay

- 4.8 Senior military officers tell us that pay is not their principal motivator. Rather they find the challenge and responsibility of command at this level and membership of the top ranks of Britain's widely respected armed forces the main sources of job satisfaction. However, there are signs that some senior officers now see the military life as a less attractive proposition than earlier in their careers, because of the increase in operational tempo, uncertainty about career prospects and a perception that non-pay benefits are being gradually eroded. Members of the senior military have skills and experience that are in demand on the wider market. Our objective is therefore to make recommendations designed to ensure that the whole remuneration package remains sufficiently attractive to draw through to the top ranks and retain sufficient officers of sufficient quality.
- 4.9 The current pay scales for 2-star officers and above are set out below.

Table 4.2: Senior military pay from 1 April 2006

Scale point	Value of scale points			
	CDS	4-star	3-star	2-star
7				£104,484
6		£158,898	£130,456	£102,398
5		£155,782	£126,286	£100,311
4	£221,446	£152,728	£122,105	£98,224
3	£217,103	£149,733	£117,915	£96,137
2	£212,846	£146,797	£113,744	£94,289
1 (Minimum)	£208,676	£143,919	£109,563	£92,892

Highest rate of 1-star pay 1 April 2006 – £86,527

We referred at paragraph 4.7 to the three-year rolling programme of new pay scales for the senior military introduced in 2005: 2007-08 will be the final year of its implementation. Table 4.3 below shows these rates before the 2007-08 pay award.

Table 4.3: Unrevalorised rates of senior military pay from 1 April 2007

Scale point	Value of scale points			
	CDS	4-star	3-star	2-star
7				£104,961
6		£163,837	£136,564	£102,756
5		£160,624	£132,183	£100,550
4	£226,362	£157,475	£127,801	£98,343
3	£221,924	£154,387	£123,421	£96,137
2	£217,572	£151,360	£116,492	£94,289
1 (Minimum)	£213,306	£148,402	£109,563	£92,892

Pay on promotion to 2-star

- 4.10 This year, as in previous years, we listened to senior officers' concerns that the size of the pay increase on promotion to 2-star level was inadequate, particularly when specialist pay and allowances are lost on promotion, for the additional responsibilities at this level. We also heard concerns that 1-star officers on promotion lose their right to serve until 55 years of age, with a guarantee only of serving one tour. In the private and public sectors the increase in pay on such a promotion would normally be at least 10 per cent. For an officer at the top of the 1-star scale the increase on promotion to 2-star is 7.4 per cent – and may be less since some specialist pay, such as flying pay, and some allowances, are not payable above 1-star. Indeed some officers told us they had actually suffered a pay cut on promotion and although we do not believe this could occur now, we trust that the forthcoming MOD review will examine any possible anomalies.
- 4.11 We therefore recommend deleting the lowest point from the 2-star pay scale. The new 2-star pay range would thus comprise six points rather than seven, but would ensure that an officer on promotion from the top of the 1-star scale would receive an increase of nearly 9 per cent based on 2006-07 levels. A 1-star officer who loses full flying pay on promotion would still receive a 4 per cent increase. Officers currently on the lowest point would be moved to point 2. All other officers would remain on their current points. We accept that, as a consequence of this recommendation, a few officers promoted a year or so before the change and now on the second step of the 2-star scale could find themselves earning the same as more recently promoted officers. Some transitional effect is inevitable, but it will affect only a small cohort who do not actually lose out but are simply caught up by those promoted after the change. We believe this recommendation would be an improvement to the structure to provide an increase of an appropriate size on promotion to 2-star.
- 4.12 The following table shows the effect of this proposal based on current rates payable from 1 April 2006:

Table 4.4: Effect on percentage increase on promotion of removing bottom point of 2-star scale

1-star salary scale	£	Percentage increase on promotion to the bottom level of the 2-star range %	Percentage increase on promotion if bottom point removed %
Level 5	86,527	7.4	9.0
Level 4	85,636	8.5	10.1
Level 3	84,757	9.6	11.2
Level 2	83,873	10.8	12.4
Level 1	82,900	12.1	13.7

The percentage increase on promotion will in all cases be approximately five per cent lower for the minority of 1-star officers who lose full flying pay on promotion to 2-star.

Recommendation 8: We recommend deletion of the bottom level from the 2-star pay scale, and renumbering of the other levels accordingly.

We recognise that the Armed Forces' Pay Review Body (AFPRB) and the MOD will soon carry out a number of reviews including of X-factor (see paragraph 4.16 below) and of differentials on promotion at all levels and we understand that this recommendation may not be consistent with MOD thinking this year, but we urge implementation of the recommendation in 2008-09, if not in 2007-08, unless the reviews now underway achieve the objective in a different way.

Recruitment, retention and morale

- 4.13 MOD offered no evidence to suggest that any recruitment and retention problems existed at the senior officer level, although there had been a reduction in the overall complement of three officers since last year. MOD informed us that the trend for a reduction at this level, especially among 2-stars, will continue because a number of military headquarters and organisations are due to merge in future years.
- 4.14 During our military visit we heard concerns that a career in the senior military was becoming less attractive for members of the feeder group at 1-star level and below. In addition to the relatively small pay increase on promotion to 2-star, discussed above, some officers accepting promotion forfeited their right to remain in the forces until the age of 55 years. During oral evidence one Chief of Staff told us of a 1-star who had refused promotion to 2-star for this reason. MOD monitors outflow from the feeder group but did not offer any evidence to suggest there was a problem at this level. However, it did state that officers from the 1-star feeder group are nowadays more aware of their employability and hence more proactive in questioning their prospects within the services. We also heard suggestions that an increasing proportion of talented officers may be leaving earlier, in their late 30s, in order to start second careers. We will seek more evidence from MOD on this subject in time for our next report.
- 4.15 In our twenty-eighth report we expressed concern that no formal mechanism existed to collect the views of senior officers on the overall reward package. We are happy to note that work is in hand to design a tri-service questionnaire that will gather these views and that MOD should be in a position to present this data as part of its evidence for the next round.

X-factor

4.16 During this round of evidence gathering we heard accounts, as in the previous years, that senior officers were experiencing a high degree of operational tempo and more disruption to their working lives than in previous years – especially at 2-star level. In our preceding report we mentioned that 2-star officers were to be included in a review of X-factor¹ conducted by the AFPRB. We understand that a scoping study has now been completed, the full review is now under way and the results should be available to us in time for our next report.

2007 pay award

4.17 This year both the CDS and the MOD have asked for the pay award for the senior military to be informed by the Bank of England's inflation target rate of 2 per cent and independent of the AFPRB's recommendations, with any available money being concentrated on the lower ranks. The CDS and MOD have not provided any evidence to suggest the award should be differentiated in any way. We are not aware of any issues of recruitment, retention or motivation that point to the need for a higher award than that proposed by the MOD. We therefore recommend that the pay scales in Table 4.3 be increased by 2 per cent. Table 4.5 below shows the revised scales of pay.

Recommendation 9: We recommend that the performance-related pay scales for 2-star officers and above be increased by 2 per cent from 1 April 2007 as set out in Table 4.5 below.

Table 4.5: Recommended pay scales from 1 April 2007¹

Scale point	Value of scale points			
	CDS	4-star	3-star	2-star
6	–	£167,114	£139,295	£107,060
5	–	£163,836	£134,827	£104,811
4	£230,889	£160,625	£130,357	£102,561
3	£226,362	£157,475	£125,889	£100,310
2	£221,923	£154,387	£118,822	£98,060
1	£217,572	£151,370	£111,754	£96,175

¹ This table assumes the removal of the lowest point of the 2-star band as proposed in Recommendation 7 above. If it is not removed, the 2-star scale will comprise seven points starting at £94,750.

Senior medical and dental officers (MODOs)

4.18 As at October 2006, the Defence Medical Service had one 3-star and six 2-star officers. In contrast to other senior officers they are paid a spot rate and do not have performance related scales.

¹ X-factor is an adjustment to military pay that recognises the relative disadvantage of conditions of service experienced by members of the armed forces compared to those in the civilian sector. Officers up to and including Lieutenant Colonel Level 5 and equivalent receive X-factor at 13 per cent of base pay. For Lieutenant Colonels Levels 6-9 and Colonels the cash value of the X-factor is equal to two-thirds of the full X-factor at level 5 of the Lieutenant Colonel incremental scale (£4,824 at 1 April 2006). For Brigadiers (1-stars) the cash value of the X-factor is equal to one-third of the full X-factor at level 5 of the Lieutenant Colonel incremental scale (£2,412 at 1 April 2006).

Table 4.6: Pay scale for MODOs from 1 April 2006

	Rate	Differential
MODO 3 star	£129,415.92	5.0%
MODO 2 star	£123,235.20	5.0%
Highest rate of MODO 1 star scale	£117,384.00	–

4.19 Our last report recommended that 3-star MODOs should retain a 5 per cent differential over 2-star MODOs who should in turn be paid 5 per cent more than the top incremental point for 1-star MODOs. Since our last report, MODOs at 1-star level and below have received a pay award consisting of an uplift of 2.2 per cent, effective from 1 April 2006, and a consolidated lump sum payment of £6,500 payable in 5 equal instalments from 1 November 2006 to 31 March 2007. Full details of the award are explained in the AFPRB’s supplement to their thirty-fifth report. The effects of the award have been passed on to the senior MODOs by virtue of the 5 per cent link.

4.20 In previous years we have asked MOD to consider introducing an incremental pay structure for MODOs similar to that for other senior officers. However, MOD has not followed this suggestion and in its evidence this year suggests that MODO pay should continue to be linked to 1-star medical officers whose pay is in turn linked to comparators in the National Health Service. We agree with this proposal.

4.21 The table below sets out the spot rates of pay at 1 April 2007 excluding the increase generated by the AFPRB’s 2007 recommendation on pay.

Table 4.7: Pay scale for MODOs from 1 April 2007

	Rate	Differential
MODO 3-star	£136,582.08	5.0%
MODO 2-star	£130,078.20	5.0%
Highest rate of MODO 1 star scale	£123,884.04	–

Recommendation 10: We recommend that the pay of medical and dental officers of 3-star rank should continue to be 5 per cent above that of 2-star officers who should in turn be paid 5 per cent more than the top point of the scale for 1-star medical and dental officers.

Chapter 5

The judiciary

Introduction

5.1 Our judicial remit comprises around 2,100 salaried judicial office-holders in over 70 categories of post throughout the United Kingdom. This figure includes both full-time and part-time salaried members of the judiciary. Not included are the many fee-paid, part-time members of the judiciary, some of whose fees are calculated by reference to the relevant salary level. For salary purposes, judicial posts are divided into nine salary groups. Each member of a salary group is paid the same spot rate. The current salary group structure is set out in the following table.

Table 5.1: Salaries at 1 November 2006 and numbers in post at 1 April 2006

Salary group	Salary	Numbers in post on 1 April 2005 ¹	Numbers in post on 1 April 2006	Change in numbers of posts 2005-2006
1	£225,000	1	1	–
1.1	£200,800	4	4	–
2	£194,000	15	16	+1
3	£184,400	50	47	–3
4	£162,000	140	143	+3
5	£129,900	91	87	–4
6.1	£120,300	792	793	+1
6.2 ²	£114,400	33	16	–17
7	£96,500	957	994	+37
Total numbers in post		2,083	2,101	+18

Sources: The Department for Constitutional Affairs; the Scottish Executive, Justice Department; the Northern Ireland Court Service.

¹ Some specialist circuit judges who were incorrectly assigned to salary group 6.1 have been correctly assigned to group 5, and therefore this is a revised count from that shown in the twenty-eighth report on senior salaries.

² The apparent reduction in the number of posts in group 6.2 in 2006 may be overstated. The figure of 33 group 6.2 posts in 2005 was too high because of incorrect allocations.

5.2 Overall the number of the judiciary has increased by nearly 1 per cent. This is surprising given that the Department for Constitutional Affairs (DCA) told us last year that any increase in salaries over 2.5 per cent could not be afforded without adverse effects on service delivery.

Implementation of the major review of judicial salaries

5.3 The SSRB carried out a major review of judicial salaries as part of the 2005-06 round, to ensure that the existing pay structure was fit for purpose and to make recommendations if this was found not to be the case. The Review Body reported the findings of the major review in the judicial chapter of the twenty-eighth report on senior salaries¹. Following research carried out by consultants and extensive written and oral evidence,

¹ The Twenty-Eighth Report on Senior Salaries, Cm 6727. London. The Stationery Office. 2006.

we concluded that the current judicial pay structure was broadly sound but we recommended that a small number of posts be moved to a higher group where this appeared justified on grounds of job weight. We then recommended differentiated pay increases, with higher increases for the most senior levels of the judiciary who had increased responsibilities as a result of the Constitutional Reform Act 2005. We calculated that the overall effect of our proposals was to increase the pay bill by some 3.4 per cent. We discussed the suggestion that job weight was increasing at lower levels because of the so-called 'trickledown' (or 'cascade') effect, i.e. the proposition that more serious and complicated cases are being pushed down the system from the High Court in England and Wales, causing an increase in case weight at each lower level, and we called for better evidence on this.

- 5.4 The Government accepted all the recommendations, including the regrading of certain posts, although it decided to stage our recommended pay increases, with 1 per cent being paid from 1 April 2006 and the balance from 1 November 2006.
- 5.5 The most senior levels of the judiciary have expressed satisfaction with our recommendations. However, the Lord Chief Justice for England and Wales said he believed the decision of the Government to stage the award had adversely affected judicial morale. This view was supported by Her Majesty's Council of Social Security, Child Support and Pensions Appeal Commissioners and by the Association of District Judges, who both submitted evidence stating that the Government's decision to stage implementation of the SSRB's recommended awards meant their respective salary groups received a pay rise below the rate of (RPI) inflation last year. The DCA, on the other hand, informed us that they had received relatively little adverse comment from the judiciary on the decision to stage last year's award.
- 5.6 Understandably, though, there has been some disappointment and questioning of the findings by those who had hoped, on the basis of PriceWaterhouseCoopers' preliminary report, to be upgraded and by those who thought they should have scored higher in relation to other posts.

Evidence

- 5.7 For this round we have received written evidence from the Lord Chief Justice, DCA, the Justice Department of the Scottish Executive, the Northern Ireland Courts Service, the Lord President of the Court of Session, and the Judicial Appointment organisations for Scotland and Northern Ireland. The Judicial Appointments Commission for England and Wales (JAC (E&W)) came into existence on 1 April 2006 and advised us that it was not yet in a position to provide independent evidence for this round. It did provide some information on recruitment, which was incorporated into the DCA's evidence. We look forward to receiving evidence directly from all three judicial appointments organisations next year. We received submissions from the Council of Social Security, Child Support and Pensions Appeal Commissioners and the Association of District Judges.
- 5.8 We heard oral evidence from the Lord Chancellor, the Lord Chief Justice, the Chancellor of the High Court, Mr Justice Tomlinson, and the Permanent Secretary and officials from DCA. A full list of those who supplied evidence is at Appendix A.
- 5.9 During the summer of 2006, Review Body members visited the Royal Courts of Justice, Oxford Combined Court and the Central London Employment Tribunals. These visits gave us the opportunity to observe court and tribunal procedures and to hear at first-hand the views of members of our remit group on pay and related matters. We are grateful to all our hosts and to those who assisted us with the visit arrangements.

- 5.10 The twenty-eighth report on senior salaries discussed the effects of the Constitutional Reform Act 2005 on senior levels in the judiciary. The DCA has been working with the senior judiciary on the implementation of the reforms, and reports a positive effect on morale and motivation. The Lord Chief Justice confirmed that the changes are now fully implemented. As head of the judiciary in England and Wales he is now supported by some 50 administrative staff and has a much enlarged management role, as well as commenting on Government proposals on judicial policy matters. The Lord Chief Justice has devolved some of his responsibilities to senior colleagues to ensure that he is still able to sit as a judge for a substantial amount of time.
- 5.11 The Northern Ireland Court Service reports that the system of 'Diplock' trials (where judges sit alone without juries) is due to change on 31 July 2007. The County Court judges are currently paid at salary group 5 rather than 6.1 in recognition of their greater responsibility in trials held without juries. The Northern Ireland Court Service evidence suggests that the current status of County Court Judges in Northern Ireland should be maintained until the effects of the new arrangements can be assessed.
- 5.12 The Tribunals Service agency was introduced on 3 April 2006 to provide common administrative support to the main Government tribunals. As part of these changes, five tribunals were transferred to the DCA to join the 16 tribunals already administered by the Department. The DCA reported some concerns among the Employment Tribunal judiciary that the independent nature of those tribunals would be lost if they did not form a separate pillar within the Tribunals Service. The DCA has now also asked the Review Body to look in 2007 at pay structures in the new Tribunal Service, with a view to recommending appropriate rates of remuneration for the future. However, the terms of the remit for this review have not yet been finalised.

Other issues the Review Body has considered

The judicial pay system

- 5.13 The judiciary, unlike other members of our remit group, are paid a spot rate with no opportunity to earn bonuses or performance pay. This reflects their view that such elements would run counter to their constitutional position and judicial independence, and that uniform pay rates help to maintain collegiality. It is also the case that members of the judiciary have limited prospects for career progression.

Judicial pensions

- 5.14 We outlined the pensions arrangements for members of our remit groups in Chapter 1. Members of the judiciary belong to different pension schemes depending on their date of entry, but broadly they now pay contributions of 1.8 or 2.4 per cent of salary for dependants' benefits and are entitled to a pension of half final salary after 20 years' service. According to research carried out for the SSRB in 2003², judicial pensions on average represent a benefit equivalent to between 32 and 35 per cent of salary. Thus pensions form a very important part of the reward package. The structure of the pension scheme reflects the fact that members of the judiciary are typically in their 40s or 50s on appointment.

² Report on the comparison of the pension schemes of the Senior Civil Service, Judiciary and Senior Military, Watson Wyatt LLP, <http://www.ome.uk.com/downloads/LinkagePensionsreport01.pdf>

- 5.15 The measures on the tax treatment of occupational and personal pensions in the Finance Act 2004 (providing for a new lifetime limit – initially £1.5 million – on the capitalised value of a person’s pension benefits, above which the excess will be taxed at 55%) came into force in April 2006. These would have had an adverse effect on the pensions of more senior judges and of those with substantial pension entitlements built up before joining the judiciary. The judiciary therefore welcomed the Government’s decision to protect the value of their pensions by taking their scheme out of the approved regime and making adjustments to contributions and the lump sum payment on retirement to compensate for the loss of tax relief. The evidence submitted this year has not raised pension provision as an issue of concern to the judiciary. However, the Lord Chancellor and the DCA have emphasised in their evidence to us this year that, while the changes have not made judges any better off than they were before the Finance Act provisions, they have protected those with lifetime savings above the new £1.5 million threshold from an additional tax liability. The Lord Chancellor asked us to take this into account when making our recommendations this year. However, we point out that many members of the judiciary, including most of those in salary group 7 (who represent nearly half of the judiciary), are unlikely to have accrued sufficient pension entitlement to be affected by the tax changes, and thus receive no benefit from the changes to the judicial pension schemes.
- 5.16 Given the changes that have been made to judicial pensions, together with the increasing importance of pensions as part of the total reward for our remit groups, we believe it would be sensible to look again at the value of the pension schemes for each of our remit groups, and at how they compare with provision in the wider public and private sectors. As we set out in paragraph 1.13 above, we therefore propose to update next year the review carried out for us in 2003.

Affordability

- 5.17 The DCA in its evidence to us proposed an increase of 2 per cent for the whole judicial structure and said that “any increase above 2% would undermine the Government’s determination ... to continue to meet the Bank of England’s inflation target in the interests of economic stability”. The Department argued that a higher increase was not necessary for recruitment or retention and could not be afforded without adverse effects on service delivery. The Northern Ireland Court Service and the Scottish Executive also argued that 2 per cent was acceptable and the maximum affordable because of pressure on overall funding. The total salary bill for the judiciary in the United Kingdom is around £340 million or less than 10 per cent of the total budget for the United Kingdom legal system of just over £4 billion. Clearly the size of an affordable increase will depend on different factors, notably the overall increase in the relevant departments’ budgets, pressure from other sources (including legal aid which accounts for over half of the total cost of the legal system), and changes in the numbers of the judiciary.
- 5.18 In oral evidence the Lord Chancellor said that every additional 1 per cent on the judicial pay bill (including fee-paid members of the judiciary) costs his Department around £4 million. He suggested that an increase above the level he proposed would have to be funded by savings elsewhere, for example by postponing necessary repairs to buildings or reducing the number of sitting days for fee-paid judges, which would increase delays in hearing cases.

Our remit

- 5.19 Our remit (set out in the Foreword to this report) requires us to have regard to a wide range of factors including economic evidence. Average earnings in the economy have in recent years increased faster than inflation. Moreover, most pay systems exhibit a degree of pay drift because of the effects of incremental progression, performance pay, bonuses, overtime payments and other factors. The growth in the pay bill per head is therefore higher than the headline rate of pay settlements. The trend in pay awards is strongly towards conditional, performance-related increases. We have sought to compensate the judiciary for this by awarding them on average 0.5 per cent more than the increases awarded to the SCS and senior military salary *structures* in each of the last five years to ensure that members of the judiciary receive roughly the same pay increase as the average received by members of the other groups. Had we not done so, we should have been faced with the need to recommend a much larger – and presentationally difficult – award when we carried out the last major review. In his oral evidence to us, the Lord Chancellor acknowledged this.
- 5.20 Beginning with our twenty-sixth report³ in 2004, we moved away from the idea of linkage at each level between our remit groups, preferring to maintain broad linkage through close equivalence at the very top, between the Cabinet Secretary, the Chief of the Defence Staff and the Lord Chief Justice. Below the top level, pay structures and differentials within each remit group should be determined by internally focussed evaluation, rather than the traditional comparator points. That is why, in our previous report, we paid particular attention to the differentials *within* all three remit groups.
- 5.21 However, we also said in our twenty-sixth report that we should continue to keep an overview of the actual and perceived fairness of the system through our annual reviews. In practice this becomes increasingly difficult, at least in respect of the SCS, as the latter move towards individualised pay at Pay Bands 2 and 3 and Permanent Secretary level, and rates at a given level vary substantially between internal and external appointees. Moreover, as salary increases in the SCS are increasingly conditional on performance, a growing proportion of the SCS now receives no increase or an increase below inflation in a given year (according to the Cabinet Office, 14.7 per cent of the SCS received no increase or one below the CPI inflation rate in 2006). The judiciary should not, of course, expect to see their pay increasing each year in line with the average earnings increase of a senior civil servant. The judiciary are paid a spot rate – the rate for the job. SCS members are in a progressive pay system: they are often appointed at less than the rate for the job, progressing to that rate and beyond it over time, dependent on performance. Judges do not progress personally in this way to the rate for the job: they are already at it. However, whilst SCS members see their earnings increase through personal progression, the SCS pay structure also changes with changes to the minimum, maximum and PTR of the pay band. In practice few judges have the opportunity to increase their earnings through promotion; thus their spot rate is the salary, subject to any periodic uprating, that they will receive throughout their judicial careers. It is wholly equitable that judicial pay should broadly keep pace with the increase in the SCS pay structure, all the other factors (e.g. affordability, recruitment and retention considerations) being equal. However, as the SCS structure becomes more flexible with the move to more personalised pay based on job weight, performance, and reward by bonus, read-across amongst our remit groups will become more blurred. We believe that the change in SCS median salaries provides an adequate reference point, though remembering our remit refers to broad linkage only between our three groups and that that is primarily achieved by linkage at the top of each of the three professions we deal

³ The Twenty-Sixth Report on Senior Salaries, Cm 6099. London. The Stationery Office. 2004.

with. The change in the SCS median salary is a close approximation to the change in the pay bill per head. For the judiciary, the change in the pay bill per head will be equal to the annual percentage increase in their spot rate salaries. Table 2.6 in Chapter 2 shows an increase in the median salary of the SCS between 2005 and 2006 of 2.2 per cent. We have therefore looked at the projected increase in SCS median salary to help inform our recommendations on the pay of the judiciary.

- 5.22 In addition, bonuses are becoming increasingly important as part of the SCS total remuneration package. Hitherto we have assumed that the value of SCS bonuses is broadly offset by the relatively advantageous judicial pension scheme but, as mentioned above, the data underlying that assumption are now three years old and we propose a further check of the value of our remit groups' pensions for our next report.

Job weight

- 5.23 As noted in our twenty-eighth report, we have received some evidence of a 'trickledown' or 'cascade' effect leading to an increase in job weight at lower levels of the judiciary. This may be the result of the decision to cap the size of the High Court in England and Wales. It has been argued that this is leading to weightier cases being heard in the lower courts. This led us to make a specific recommendation (Recommendation 10) that the relevant administrations should consult with us on how to compile and include in future evidence to us quantified information on changes in case weight, case management, management responsibilities and any other significant elements of overall job weight and efficiency of members of the judiciary. We do not yet have quantified evidence to show whether judicial job weight is increasing systemically. However, we have discussed the issue with the judiciary and DCA and we expect that they will provide us next year with information to show whether the job weight (as opposed to workload) of particular judicial posts is indeed growing.

Evidence on recruitment

- 5.24 The DCA reported little difficulty in filling vacancies with high calibre candidates. The Judicial Appointments Board for Scotland and the Northern Ireland Judicial Appointments Commission also reported successful recruitment exercises. Appendix H contains evidence on recruitment into the judiciary reported to us this round by DCA, the Judicial Appointments Board for Scotland, and the Northern Ireland Judicial Appointments Commission.
- 5.25 The Lord Chief Justice said he believed there was some difficulty in recruiting sufficient suitable people at High Court level and into specialist posts at Circuit Judge levels. He was also concerned that the introduction of the Judicial Appointments Commission (JAC) might deter some suitable candidates from applying for office.
- 5.26 The Scottish Executive reported no concern with recruitment at Sheriff level but some difficulties at Sheriff Principal and Court of Session judge level. However, the Lord President said there was anecdotal evidence that some suitably qualified members of the legal profession were not applying for appointment to the Bench in Scotland. He therefore thought it desirable that increases in judicial pay should keep pace with the increase in earnings of legal practitioners, and at the very least should be linked to the actual or expected level of inflation rather than the inflation target.
- 5.27 Evidence from the Northern Ireland Judicial Appointments Commission suggested that not all the very well qualified candidates were applying for judicial positions, with particular concern at High Court level. The Lord Chief Justice of Northern Ireland, as Chairman of the Commission, argued that remuneration could be more attractive for those appointees who generally take a pay cut on appointment.

- 5.28 We note that the Lord Chancellor has proposed ending the informal prohibition on members of the judiciary returning to practice, although he is consulting on what conditions and safeguards would be needed. We can see that such a change might encourage some lawyers to join the judiciary, if to do so is no longer seen to be an irrevocable decision. On the other hand, it may mean that retention could become an issue. The Lord Chief Justice in his evidence to us expressed a concern that the decision to allow judges to return to practice could erode the special status of judges.
- 5.29 Recruitment and retention are matters we are required by our remit to consider. On this score we conclude this year that there are no problems with retention, while on recruitment the balance is still positive but may give cause for concern in the future. The new arrangements for judicial recruitment are not yet fully bedded in, especially in England and Wales. It is too early to judge what effect they will have. We hear anecdotal evidence that some eligible people are unwilling to submit themselves to the new procedures. On the other hand, transparent and open recruitment procedures may lead to suitable candidates coming forward who would not have been identified under the old system. We shall watch closely and look forward to receiving fuller evidence from the judicial appointment organisations on this next year.

London allowances

- 5.30 Group 7 posts in London attract a salary lead of £2,000 and an allowance of £2,000, both of which are pensionable. As we reported last year, research carried out for us by Hay on the SCS⁴ suggested that in the private sector London allowances are not usually paid for jobs paid at £100,000 a year or more. Accordingly we do not propose any increase to the salary lead and allowance for Group 7 posts in London and we do not support the extension of London allowances to higher groups.

Recommendations

- 5.31 Although the Government argues every year that it is constrained by budgetary pressures, we are satisfied this year that those pressures are more explicit and increasing. The judiciary do an extremely important job and are accordingly among the higher earners in society; their pension entitlements must also be taken into account when judging their total reward. It is clear, too, from our visits and other contacts with members of the judiciary that most find the work intrinsically interesting and rewarding.
- 5.32 As so often, we have to strike a balance between arguments of affordability on the one hand and maintaining the confidence of our remit group that our recommendations have been fairly determined on the other. We believe that the Government's proposal would mean that the earnings of the judiciary would start to lag behind those of our other remit groups, even allowing for the inherent differences in the pay systems discussed earlier in this Report. Ultimately, if continued over several years, this would be likely to lead to problems of recruitment and the need for a large 'catch-up' award. We accordingly recommend an overall increase of 2.4% in the pay of the judiciary, and do not believe that this will give the Government unmanageable problems of affordability since we calculate that it will result in an increase in the total pay bill for the judiciary only around £2m higher than that proposed by the Government.
- 5.33 In our last report, as part of the major review, we recommended that group 6.2 should in pay terms be positioned more centrally between groups 6.1 and 7. In order to achieve that effect gradually, we propose a slightly smaller percentage increase (2%) for group 6.2 than for other groups.

⁴ <http://www.ome.uk.com/downloads/Rpt-ANH-SSRB%20REPORT%20%20Pay%20Market%20Comparability%2006.09.05.v4doc.doc>

Recommendation 11:

We recommend that from 1 April 2007, the salaries for the judiciary should be:

Group 1	£230,400
Group 1.1	£205,700
Group 2	£198,700
Group 3	£188,900
Group 4	£165,900
Group 5	£133,100
Group 6.1	£123,200
Group 6.2	£116,700
Group 7	£98,900

John Baker, CBE *Chairman*
Mark Baker, CBE
Mary Galbraith
Professor David Greenaway
Mei Sim Lai, OBE, DL
Mike Langley
Jim McKenna
Sir Peter North, CBE, QC
Richard Pearson
Paul Williams

15 February 2007

Appendix A

List of those who gave evidence to the SSRB

Senior civil service

Cabinet Secretary and Head of the Home Civil Service
Civil Service Commissioners
First Division Association and Prospect (joint union evidence)
Cabinet Office
Senior Civil Service Discussion Groups held in London (9 attended)
Senior Civil Service Discussion Groups held in Cardiff (13 attended)
HR Directors' Discussion Group (3 attended)
Members of non-executive boards (3 attended)

Senior officers of the armed forces

Chief of the Defence Staff
Chief of Naval Staff
Chief of General Staff
Assistant Chief of Air Staff
Permanent Under Secretary, Ministry of Defence
Four 3-star officers and nine 2-star officers during visit to HMS President
MOD

Judiciary

Lord Chancellor and Secretary of State for Constitutional Affairs
The Lord Chief Justice (England and Wales)
The Chancellor of the High Court
Mr Justice Tomlinson
Department for Constitutional Affairs

Lord President of the Court of Session
Judicial Appointments Board, Scotland
Scottish Executive, Justice Department

Lord Chief Justice of Northern Ireland
Northern Ireland Judicial Appointments Commission
Northern Ireland Court Service

Unsolicited evidence received from:

Council of Social Security, Child Support and Pensions Appeal Commissioners
The Association of District Judges

Appendix B

The Chancellor of the Exchequer's letter to Review Bodies



HM Treasury, 1 Horse Guards Road, London, SW1A 2HQ

13 July 2006

Dear Pay Review Body Chair,

INFLATION EVIDENCE FOR PAY REVIEW BODY RECOMMENDATIONS

Each year the treasury submits evidence to Pay Review Bodies on the Government's general approach to pay and includes information on various economic indicators. The attached paper provides an interim update on the inflation part of this evidence.

Since the Government established its monetary policy framework in 1997, the UK has benefited from its longest period of sustained low and stable inflation since the 1960s. As a consequence, interest rates have been at record lows, benefiting millions of public sector workers as well as households on the rest of the economy.

Against this background of historically low inflation and interest rates, CPI inflation increase last year to reach a peak of 2.5 per cent in September 2005. Since then it has dropped back, and stood at 2.2 per cent in May 2006. Recent increases in inflation rates have in large part been due to the temporary impact of higher oil prices. Once the impact of oil (and other goods with volatile prices) is stripped out, underlying or 'core' inflation has remained consistently below 2 per cent and has been falling since August 2005.

However, in recent months goods price inflation has picked up as a result of these temporary price increases. This means it is important to remain vigilant to the risk of higher pay settlements feeding through into higher inflation going forwards.



It will be important to ensure that public sector pay increases do not contribute to inflationary pressures in the economy going forwards. To do so would risk converting a temporary increase in inflation into a permanent increase. The Pay Review Bodies should therefore continue to base their pay settlements on the achievement of the inflation target of 2 per cent.

Yours sincerely,

A handwritten signature in black ink, appearing to be "Gordon Brown".

GORDON BROWN

Appendix C

Website references for publications

Past reports from the SSRB, since 2001, can be found at
<http://www.ome.uk.com/review.cfm?body=4>

Twenty-Eighth Report on Senior Salaries – 2006
<http://www.ome.uk.com/downloads/Senior%20Salaries%2028th%20Report.pdf>

Evidence submitted to the SSRB by the Cabinet Office
<http://www.civilservice.gov.uk/management/performance/publications/index.asp>

Evidence submitted to the SSRB by the Department for Constitutional Affairs
<http://www.dca.gov.uk/judicial/judgepay06.pdf>

Evidence submitted to the SSRB by the FDA and Prospect (joint union evidence)
<https://www.fda.org.uk/dman/Document.phx/Home+page+items/Joint+union+evidence+to+SSRB+2006?folderId=Home%2Bpage%2Bitems&cmd=download>

Towers Perrin report on Bonus Scheme Design and Effectiveness
<http://www.ome.uk.com/downloads/Towers%20Perrin%20report%20on%20Bonus%20Scheme%20Design%20and%20Effectiveness.pdf>

Appendix D

Existing salaries for the three remit groups (as at 31 March 2007)

Senior civil servants

Pay Band	Minimum	Progression Target Rate (PTR)	Recruitment & Performance Ceiling (RPC)	Numbers in post ¹
3	£98,000		£205,000	127
2	£80,000		£160,000	689
1A	£64,000	£86,000	£127,000	193
1	£55,000	£77,000	£116,000	2,757
Permanent Secretaries: £137,000 to £273,250				42

¹ Numbers in post supplied by the Cabinet Office.

Senior officers of the armed forces

Scale point	Value of scale points			
	CDS	4-star	3-star	2-star
7				£104,484
6		£158,898	£130,456	£102,398
5		£155,782	£126,286	£100,311
4	£221,446	£152,728	£122,105	£98,224
3	£217,103	£149,733	£117,915	£96,137
2	£212,846	£146,797	£113,744	£94,289
1 (Minimum)	£208,676	£143,919	£109,563	£92,892
Numbers in post ¹	1	10	25	94

¹ Numbers in post supplied by the MOD, and relate to numbers in post as of 1 July 2006.

Members of the judiciary

Salary group	Salaries	Numbers in post ¹
1	£225,000	1
1.1	£200,800	4
2	£194,000	16
3	£184,400	47
4	£162,000	143
5	£129,900	87
6.1	£120,300	793
6.2	£114,400	16
7 ²	£96,500	994

¹ Numbers in post supplied by the DCA, NICS and Scottish Executive, and relate to numbers in post as at April 2006.

² Group 7 post holders in London are paid an additional £2,000 salary lead and an additional £2,000 London allowance.

Appendix E

Existing base salaries of Permanent Secretaries in £5,000 bands (as at January 2007)

Band	Number in band	Office-holder
£220,000 – £224,999	1	Cabinet Secretary and Head of Home Civil Service
£215,000 – £219,999	1	Security and Intelligence Coordinator
£210,000 – £214,999	1	First Parliamentary Counsel
£205,000 – £209,999	–	
£200,000 – £204,999	–	
£195,000 – £199,999	–	
£190,000 – £194,999	1	Chief Executive National Health Service
£185,000 – £189,999	1	Head of Prime Minister's Delivery Unit
£180,000 – £184,999	–	
£175,000 – £179,999	2	Chief Medical Officer Home Office Permanent Secretary
£170,000 – £174,999	–	
£165,000 – £169,999	5	Permanent Secretaries of: – Department for Communities and Local Government – Department for Education and Skills – Department for Trade and Industry – National Assembly for Wales PM's Adviser Economics of Climate Change and Development
£160,000 – £164,999	6	Permanent Secretaries of: – Department for International Development – Department for Transport – Department for Work and Pensions – Foreign and Commonwealth Office – HM Treasury – Ministry of Defence
£155,000 – £159,999	1	PM's Adviser Overseas and Defence
£150,000 – £154,999	4	Permanent Secretaries of: – Department of Constitutional Affairs – HM Revenue and Customs – Northern Ireland Office Director General of the Security Service

£145,000 – £149,999	10	Permanent Secretaries of: – Department for Culture, Media and Sport – Department of the Environment, Food and Rural Affairs – Department of Health – Government Communications – Scottish Executive – Treasury Solicitor Chief Scientific Adviser: DTI Director, Government Communications Headquarters Executive Chair, Better Regulation Executive Head of the Secret Intelligence Service
£140,000 – £144,999	–	
£135,000 – £139,999	8	Second Permanent Secretaries of: – HM Treasury – Ministry of Defence PM’s Adviser European Affairs MOD Chief Scientific Adviser Director of the Office for National Statistics Chief of Defence Procurement Chief Executive, Office of Government Commerce Chief Executive, Jobcentre Plus

Source: Cabinet Office

Appendix F

Recruitment to the Senior Civil Service

Open competitions for appointments to senior civil service posts (pay band 2 and above)¹

	Source			Total
	Civil Service	Wider Public Sector	Private Sector & Others	
2005-06	42 (38%)	30 (27%)	39 (35%)	111
2004-05	37(41%)	17 (19%)	37 (40%)	91
2003-04	43 (48%)	19 (21%)	27 (30%)	89

Source: Civil Service Commissioners

¹ From 16 July 2002, the Civil Service Commissioners ceased to have responsibility for approving the majority of SCS posts at pay bands 1 and 1A. Commissioners' approval is now only required for open recruitment to SCS pay band 2 and above.

Fast Stream recruitment

	Vacancies		Applications		Recommended for appointment ¹	
	2005 ²	2006 ³	2005 ²	2006 ³	2005 ²	2006 ³
General Fast Stream	273	244	8,179	8,267	336	318
<i>Including:</i>						
<i>Central Departments,</i>						
<i>Diplomatic Service, Diplomatic</i>						
<i>Service Economists, European</i>						
<i>Fast Stream, Science &</i>						
<i>Engineering, Clerkships,</i>						
<i>European Lawyers⁴, DfiD</i>						
<i>(Technical Development</i>						
<i>Specialists)⁵</i>						
Economists	164	177	1,022	694	117	118
Statisticians	54	65	618	410	15	165
GCHQ	6	8	3,318	2,794	6	4
In-service nominations	–	–	107	130	53	6

Source: Cabinet Office

¹ The number of applicants who were successful in the competition.

² Final figures for the competition which finished between September 2004 and August 2005.

³ Emerging figures for the competition which finished between September 2005 and August 2006.

⁴ The Department for International Development Technical Development Specialists were introduced during the 2005 scheme.

⁵ These are provisional numbers.

Appendix G

Judicial salary structure at 1 April 2006¹

Group 1

Lord Chief Justice

Group 1.1

Lord Chief Justice of Northern Ireland
Lord President of the Court of Session
Master of the Rolls
Senior Lord of Appeal in Ordinary

Group 2

Lords of Appeal in Ordinary
Lord Justice Clerk
President of the Family Division
The Chancellor of the High Court²
President of the Queen's Bench Division³

Group 3

Inner House Judges of the Court of Session
Lords Justices of Appeal
Lords Justices of Appeal (Northern Ireland)

Group 4

High Court Judges
Outer House Judges of the Court of Session
Puisne Judges (Northern Ireland)
Vice-Chancellor of the County Palatine of Lancaster⁴

Group 5

Chairman, Criminal Injuries Compensation Appeal Panel⁵
Chief Social Security Commissioners (England, Wales; Scotland and Northern Ireland)
Circuit Judges at the Central Criminal Court in London (Old Bailey Judges)
Deputy President, Asylum and Immigration Tribunal⁶
Judge Advocate General⁷
Judges of the Technology and Construction Court
Permanent Circuit Judge, Employment Appeals Tribunal⁸

¹ Alphabetical order within salary group.

² Formerly known as Vice-Chancellor until 1 October 2005.

³ Post became effective on 3 October 2005.

⁴ Post currently held by a High Court Judge.

⁵ Part-time position. Salary for 3 day week is pro-rata to Group 5 rate.

⁶ Post came into effect on 4 April 2005 with the introduction of the new Asylum and Immigration Tribunal.

⁷ Upgraded from Salary Group 6.1 to Group 5 following the recommendations of the SSRB in its Fundamental Review of the Judicial Salary Structure 2005.

⁸ Upgraded from Salary Group 6.1 to Group 5 following the recommendations of the SSRB in its Fundamental Review of the Judicial Salary Structure 2005.

President, Appeal Tribunals (England, Wales and Scotland)
President, Care Standards Tribunal
President, Employment Tribunals (England and Wales)
President, Employment Tribunals (Scotland)
President, Lands Tribunals (England and Wales)
President, Lands Tribunal (Scotland) and Chairman, Scottish Land Court
Presiding Special Commissioner, President of the VAT and Duties Tribunal and President of the Financial Services and Markets Tribunal⁹
Recorder of Belfast¹⁰
Recorder of Liverpool
Recorder of Manchester
Senior Circuit Judges
Senior District Judge (Chief Magistrate)
Sheriffs Principal
Specialist Circuit Judges (Chancery, Mercantile and Patent Judges)

Group 6.1

Chief Registrar and Senior and Chief Masters
Circuit Judges
County Court Judges (Northern Ireland)
Judge Advocate of the Fleet
Master of the Court of Protection
President, Appeal Tribunals (Northern Ireland)
President, Industrial Tribunals and Fair Employment Tribunal (Northern Ireland)
President, Lands Tribunals (Northern Ireland)
Regional Chairmen, Appeal Tribunals¹¹
Regional Chairmen, Employment Tribunals (England and Wales; and Scotland)
Registrar of Criminal Appeals
Senior Costs Judge¹²
Senior District Judge, Principal Registry of the Family Division
Sheriffs
Senior Immigration Judges¹³
Social Security Commissioners (England, Wales; Scotland and Northern Ireland)

Group 6.2

Adjudicator, HM Land Registry¹⁴
Chairmen, VAT and Duties Tribunals
Deputy Senior District Judge (Magistrates' Courts)
Members, Lands Tribunals (England and Wales; Scotland and Northern Ireland)
Regional Chairmen, Mental Health Review Tribunals, England¹⁵
Special Commissioners of Income Tax
Vice-Judge Advocate General
Vice-Presidents, Industrial Tribunals and Fair Employment Tribunal (Northern Ireland)
Vice-Presidents, VAT and Duties Tribunals (England and Wales; and Scotland)

⁹ All three offices currently held by the same person. Current incumbent (as at 1 April 2002) paid at Group 4 rate.

¹⁰ Current post-holder receives a salary of 108% of Group 5 rate under arrangement established from 1 April 2002.

¹¹ Upgraded from Salary Group 6.2 to Group 6.1 following the recommendations of the SSRB in its Fundamental Review of the Judicial Salary Structure 2005.

¹² Formerly known as Senior Taxing Master.

¹³ Posts came into effect on 4 April 2005 with the introduction of the new Asylum and Immigration Tribunal.

¹⁴ Upgraded from Salary Group 7 to Group 6.2 following the recommendations of the SSRB in its Fundamental Review of the Judicial Salary Structure 2005.

¹⁵ Upgraded from Salary Group 7 to Group 6.2 following the recommendations of the SSRB in its Fundamental Review of the Judicial Salary Structure 2005.

Group 7¹⁶

Assistant Judge Advocates General
Chairmen, Employment Tribunals (England and Wales; and Scotland)
Chairmen, Industrial Tribunals and Fair Employment Tribunal (Northern Ireland)
Chief Medical Member, Appeal Tribunals¹⁷
Coroner, Northern Ireland¹⁸
Costs Judges¹⁹
Deputy President, Pensions Appeal Tribunal²⁰
Designated Immigration Judges²¹
District Chairmen, Appeal Tribunals
District Judges
District Judges (Magistrates' Courts)
District Judges (Northern Ireland)
District Judges of the Principal Registry of the Family Division
Immigration Judges
Masters and Registrars of the Supreme Court
Masters of the Supreme Court (Northern Ireland)
President, Pensions Appeal Tribunal²²
Resident Magistrates (Northern Ireland)

¹⁶ Group 7 post-holders in London are paid an additional £2,000 salary lead and an additional £2,000 London allowance.

¹⁷ Upgraded to Salary Group 7 following the recommendations of the SSRB in its Fundamental Review of the Judicial Salary Structure 2005.

¹⁸ Post included in the Judicial Salary Structure from October 2005 following agreement from the Lord Chancellor.

¹⁹ Formerly known as Taxing Masters.

²⁰ Upgraded to Salary Group 7 following the recommendations of the SSRB in its Fundamental Review of the Judicial Salary Structure 2005.

²¹ Current post-holder receives a salary of 108% of Group 7 rate.

²² Current post-holder receives a salary of 108% of Group 7 rate.

Appendix H

Recruitment to the judiciary 2005-06

England and Wales

Introduction

As the Judicial Appointments Commission was established only from 1 April 2006 it had no evidence separate from that of the Department for Constitutional Affairs in respect of 2005-06.

House of Lords

During 2005-06 there was one appointment to the House of Lords. Lord Mance was appointed on 3 October 2005 following the retirement of Lord Steyn.

Heads of Division

On 7 April 2005 Sir Mark Potter was appointed President of the Family Division following the retirement of Dame Elizabeth Butler-Sloss. On 3 October 2005, Lord Phillips of Worth Matravers was appointed Lord Chief Justice of England and Wales following the retirement of Lord Woolf. Also on 3 October Sir Anthony Clarke succeeded Lord Phillips as Master of the Rolls and Sir Igor Judge was appointed to the newly created post of President of the Queen's Bench Division. On 3 October, the title of the post of Vice-Chancellor, held by Sir Andrew Morritt, was changed to Chancellor of the High Court.

Court of Appeal

During 2005-2006 there were six appointments to the Court of Appeal. Lord Justice Lloyd was appointed on 6 April 2005 following the retirement of Lord Justice Peter Gibson. On 7 April 2005 Lord Justice Moore-Bick was appointed following Sir Mark Potter's appointment as President of the Family Division. On 3 October 2005, Lord Justice Wilson, Lord Justice Moses, Lord Justice Richards and Lady Justice Hallett were appointed to the Court of Appeal. Lord Justice Wilson succeeded Sir Anthony Clarke following his appointment as Master of the Rolls. Lord Justice Moses succeeded Lord Mance following his appointment as a Lord of Appeal in Ordinary. Lord Justice Richards succeeded Lord Justice Kennedy following his retirement. Lady Justice Hallett succeeded Sir Igor Judge following the latter's appointment as President of the Queen's Bench Division.

High Court Bench

Ten appointments were made to the High Court Bench between 1 April 2005 and 31 March 2006. Eight had been applicants for the 2005 recruitment process (see paragraphs 6 to 8 below) including one judge who was promoted from the Circuit Bench and two came from the 2003 recruitment process. The complement of the High Court Bench is 108 and there are currently 107 judges in post excluding Mr Justice Bratza who is a Judge of the European Court of Human Rights and therefore does not count towards the complement.

In February 2005, a new High Court recruitment exercise was launched. This was held in order to fill vacancies arising from October 2005 until the establishment of the Judicial Appointments Commission. In October 2005, the Lord Chancellor announced transitional arrangements for High Court appointments which he had agreed with the Chair of the Commission, whereby he would continue to make appointments from the 2005 exercise, until no later than April 2007, to give the Commission time to determine the process for and run their own recruitment exercise for the High Court.

Lord Chancellor made a number of improvements to the process for the 2005 exercise, compared with that which had obtained for the 2003 exercise. For the first time, only those who completed and submitted an application form were considered. A new framework of qualities and skills against which applicants were assessed replaced the previous criteria. Applicants were invited to provide a self-assessment against these qualities and skills. A consultation exercise followed whereby those nominated by applicants were approached as well as a limited number of automatic judicial consultees. The consultation evidence and self-assessments were considered by panels whose assessments were discussed by the Lord Chancellor and the Heads of Division.

128 applications were received from which 52 outstanding and very good candidates were identified. This has ensured that the Lord Chancellor has a pool of strong candidates, in all disciplines, to inform his decisions on forthcoming High Court appointments.

There were no refusals of offers of appointment in 2005-06.

Circuit Bench

A total of 44 circuit judge appointments were made in 2005-06. For the 2005-06 competition, there were 248 applicants, of whom 125 were interviewed and 32 were appointed. In addition, 12 appointments were made from a merit list which was created following an open competition which was begun in 2004. The quality of the candidates was high and the competition for comparatively few current vacancies was fierce.

A further 12 appointments were made to posts in or above salary Group 5:

- Three Senior Circuit Judges and the Common Serjeant at the Central Criminal Court
- Resident Judge at Southwark Crown Court
- Resident Judge at Nottingham Crown Court
- Designated Civil Judge, South Wales
- Two Chancery and Mercantile Specialist Posts (one on the North Eastern Circuit and one on the Northern Circuit)
- One Chancery Specialist, Central London Civil Justice Centre
- The Recorder of Preston
- One Technology and Construction Specialist, Salford

District Benches

District Judges (Civil)

A general competition for District Judge appointments was announced in September 2004 to fill vacancies arising from retirements and promotions. 248 applications were received and 108 applicants were invited to interview. As a result, 17 immediate appointments were made and 37 candidates were placed on a reserve list. From the reserve list, 10 appointments were made. From 1 April 2005 to 31 March 2006, a total of 27 appointments were accordingly made. This figure also includes one candidate who was appointed from the 2002-03 reserve list.

From this competition, the first 'job share' arrangement within the judiciary has been made. This has also increased the number of women appointees to this Bench.

District Judges (Magistrates' Courts)

A competition was announced in January 2005 to fill seven immediate vacancies and 14 candidates were placed on a reserve list. 105 applications were received and 49 candidates were invited to interview. A total of nine appointments were made during the period between 1 April 2005 and 31 March 2006. Within this total, two appointments were made from the 2003-2004 competition – one was that of a candidate who had been offered an immediate appointment but had deferred it and the other was from the reserve list.

District Judges of the Principal Registry of the Family Division

A competition was held during this period to fill one vacancy as a result of a retirement. However, a second appointee was requested during the competition to deal with increased Public Law work, with which deputy District Judges cannot deal. 24 applications were received and 16 candidates were invited to interview. As a result of this competition, two candidates were appointed and a reserve list of two has been created.

Masters and Registrars of the High Court

Chancery Master

One appointment was made. This appointment was made from the competition announced in 2004. A further two candidates were placed on a reserve list.

Taxing Master/Costs Judge

A competition for Taxing Master/Costs Judge was held during this period to fill one vacancy as a result of a retirement. Six applications were received and all applicants were interviewed. One candidate was recommended for appointment.

Other Posts

No vacancies were declared for Queen's Bench Master, Registrar in Bankruptcy, Admiralty Registrar or the Registrar of Criminal Appeals and there was therefore no competition for appointments in 2005-06.

2005 Judge Advocate Competition

The Department advertised for a Vice Judge Advocate General (VJAG) and an Assistant Judge Advocate General (AJAG) in January 2005. A total of 29 applications were received, although as five candidates for the AJAG vacancy also applied for the post of VJAG there were only 24 applicants. Three candidates were selected for interview for the post of VJAG and eight candidates for the AJAG post (one candidate was interviewed for both posts). As the candidate appointed by the Lord Chancellor to the VJAG post was a serving AJAG, a second AJAG vacancy was created and the Lord Chancellor made two AJAG appointments. Three candidates were placed on a reserve list for AJAG vacancies which might become available within the next 24 months. Following the decision by one of the candidates to decline the AJAG offer of appointment, the Lord Chancellor made an appointment from the reserve list.

Tribunals

Salaried Chairman of the Employment Tribunals

There was a need to fill seven vacancies; two and a half in London South, one in Birmingham, one in Southampton, one in Newcastle, one in Manchester and a half vacancy in Leeds. The department wrote to all fee-paid Chairmen and salaried part-time Chairmen of the Employment Tribunals inviting them to apply. Of the twenty-two applicants, one was ineligible. Twelve were invited to interview.

Eight candidates were recommended for appointment and all accepted. Sadly one of these candidates died before his appointment was confirmed. Of the remaining seven, five have so far been appointed and the other two are due to take up their appointments in June and September respectively.

Salaried Surveyor Member of Lands Tribunal

In August 2005 the Department ran a competition to appoint a new Salaried Surveyor Member of the Lands Tribunal to replace a Member who had retired. Sixteen applications were received and four candidates were invited to interview. As a result one appointment was made and two candidates were placed on a reserve list.

Scotland

The Judicial Appointments Board for Scotland (JAB(S)) recruits for salary groups 4, 5 and 6.1, with additional responsibility for part-time sheriffs who are fee-paid. During the period from April 2005 to March 2006 the JAB(S) had begun or was in the process of completing recruitment exercises for the following posts:

- Sheriff Principal of South Strathclyde, Dumfries and Galloway and Sheriff Principal of Glasgow and Strathkelvin – 10 candidates applied for two vacancies and both posts were filled;
- Senator of the College of Justice – 16 candidates applied for four vacancies and all were filled.

Northern Ireland

The Northern Ireland Judicial Appointments Commission was established on 15 June 2005. Between that time and 31 March 2006 no relevant appointments were made. However, a scheme to recruit two coroners was conducted during this period and of the 31 applicants, 21 were interviewed and both posts were filled.

Source for England and Wales: Department for Constitutional Affairs

Source for Scotland: Judicial Appointments Board for Scotland

Source for Northern Ireland: Northern Ireland Judicial Appointments Commission

Appendix I

Previous reports in this series

No. 2: Interim Report on Top Salaries	Cmnd. 5001, June 1972.
No. 3: Second Interim Report on Top Salaries	Cmnd. 5372, July 1973.
No. 4: Third Interim Report on Top Salaries	Cmnd. 5595, June 1974.
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No. 56: Twenty-Sixth Report on Senior Salaries	Cm 6099, February 2004.
No. 59: Twenty-Seventh Report on Senior Salaries	Cm 6451, February 2005.
No. 62: Twenty-Eighth Report on Senior Salaries	Cm 6727, March 2006.

Appendix J

Glossary of terms and abbreviations

General

AFPRB	Armed Forces' Pay Review Body.
Average	The sum of a set of values divided by the number of values.
Base pay	Basic salary, excluding non-consolidated bonuses, allowances, value of pensions, etc.
CPI ¹	Consumer Prices Index.
Job weight	The relative level, complexity and responsibility of different jobs/positions.
Median	The value in a set of observations, ranked in ascending order, that divides the data into two parts of equal size.
MPC	Monetary Policy Committee.
Pay band	A salary range with a minimum and maximum within which posts are allocated according to job weight.
Performance related pay	Any method by which links are established between the assessed performance of an individual in a job and what he or she receives in salary, bonus payments, incentives or benefits.
RPI ¹	Retail Prices Index.
RPIX ¹	Retail Prices Index excluding mortgage interest payments.
SSRB	Senior Salaries Review Body.

Senior civil service

Fast Stream	A recruitment, training and development scheme aimed at very able graduates, selected on the basis of their potential to reach the senior civil service.
JESP	Job Evaluation of Senior Posts.
Performance tranche	One of three tranches (or sets) to which individuals are allocated according to annual assessment of their performance. These are then used in a pay matrix to determine the size of individual annual increases in salary.
Progression Target Rate (PTR)	Point in the pay band which represents the effective maximum for most senior civil servants. Only the top 25 per cent of performers will be able to progress beyond this point.
Recruitment & Performance Ceiling (RPC)	The pay band ceiling. Once pay has reached the RPC, further consolidated pay awards are restricted to the annual revalorisation of the RPC, with the balance of any award non-consolidated.

¹ RPI and CPI are the two main measures of inflation in the UK. They each measure the average change in the prices of goods and services bought for the purpose of consumption by the vast majority of households in the UK. RPIX simply means RPI *excluding* mortgage interest payments.

Shadow Target Rate (STR)	If a post, recruited through an open competition, requires specific, scarce skills, which would attract a market premium, a STR can be set above the standard PTR but below the Pay Band ceiling.
SCS	Senior civil service/servants.
Senior Leadership Committee (SLC)	Considers applications and appointments to the most senior posts – normally those at pay band 3 and Permanent Secretary level. The Committee is chaired by the Head of the Home Civil Service and attended by the First Commissioner.
Target Rate (TR)	A point in the pay band which represents the effective maximum for most Permanent Secretaries. Only the top 25 per cent of performers will be able to progress beyond this point.

The armed forces

CDS	Chief of Defence Staff.
COS	Chiefs of Staff.
MOD	Ministry of Defence.
MODOs	Medical and dental officers.
PMPS	Performance Management Pay System.

The judiciary

DCA	Department for Constitutional Affairs.
LCJ	Lord Chief Justice.
NICS	Northern Ireland Court Service.
Salary group	The grouping of judicial posts, for pay purposes, according to job weight. See Appendix F.



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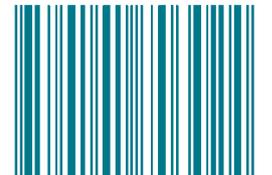
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