



Cabinet Office

Government Evidence to the Review Body on Senior Salaries on the Pay of the Senior Civil Service

29 November 2016

EXECUTIVE SUMMARY

Introduction

1. In this year's evidence the Government is setting out a longer-term direction for the Review Body to consider on SCS reward. It also proposes specific actions to target awards this year and to provide limited flexibility on the total remuneration package for the most senior staff.
2. The evidence addresses the Review Body's particular interests:
 - Whether the Government wishes SCS reward policy to be determined corporately or individually by departments;
 - The need to consider carrying out a fundamental review of the SCS pay framework;
 - Greater focus on budgets rather than annual pay awards;
 - Plans for recruitment to and retention in specialist roles;
 - Proposals for targeted pay increases;
 - Evaluating the effectiveness of the performance appraisal system; and
 - The ability to offer packages that allow for flexibility between pay and pensions, particularly following pensions tax changes.
3. Over the coming months the Government plans to review the SCS pay framework, working closely with the Review Body, with the dual aim of managing costs better and making the overall SCS pay system work in a more coherent way.
4. The Government is inviting the Review Body to comment on the proposed framework and the specific proposals made for 2017/18.

Evidence for 2017/18

5. The Government's evidence is provided in two parts. The first part is the main evidence in narrative form and sets out:
 - Section 1 - the long-term strategy to develop a new SCS reward framework; and
 - Section 2 - the specific proposals for 2017/18
6. The following information is annexed to the main evidence:
 - Annex A – An evaluation of the 2016/17 Pay Award.
 - Annex B – Application of the 2016/17 Pay Award by Main Departments.
 - Annex C – Pay of Permanent Secretaries (in £5,000 bands).
 - Annex D – Information on the main Civil Service corporate talent schemes.

7. The second part is the supporting statistical data requested by the Review Body. The Government Evidence on the General Economic Outlook is also provided.
8. As in previous years, the Cabinet Office will work with the Review Body secretariat to provide any additional information required.

Summary of considerations for SSRB

9. On longer term measures, a review of the pay framework will be undertaken with the strategic aim to ensure there is more coherence between similar jobs across the Civil Service (especially within professions) and to progress the best performers and those with scarce skills through pay ranges. To support implementation the Cabinet Office will explore with HM Treasury potential funding flexibilities within the parameters of public sector pay policy. The Review Body is invited to work with the Government on the review of the SCS reward framework and to make recommendations on the priority areas that should be addressed.
10. While the framework is being developed the Government is making specific proposals for 2017/18, consistent with previous years, to target the average consolidated increase of 1 per cent per head available:
 - An increase of £1,000 to the minimum salaries of Pay Bands 1, 2 and 3.
 - With the remainder of the 1 per cent, departments would have a flexible framework for general awards reflecting their own individual business needs, taking account of weight/challenge of roles and that are suitably differentiated to reflect performance and position in pay range.
11. The Government believes that this addresses in part the Review Body's concerns about pay overlaps between SCS Pay Band 1 and delegated grades and balances the needs of departments to operate flexibility to meet their own business priorities.
12. Non-consolidated end-year performance awards would continue to be available to the top 25 per cent of performers within the cost limit of 3.3 per cent of SCS paybill. Within this cost limit, departments would have flexibility to make in-year non-consolidated awards to recognise outstanding contribution for 10 per cent of SCS.
13. Departments would continue to be able to apply for Pivotal Role Allowances, within a centrally controlled cost limit of 0.5 per cent of SCS paybill, to help them retain highly specialised staff and those responsible for delivering the biggest and riskiest projects across government. Its operation will be reviewed as part of the wider review of the SCS pay framework over the coming months.

14. To note the ongoing work to analyse and assess the impact of recent pension tax changes on higher earners.
15. Specific proposals are being introduced for certain specialists, including a new pay framework for the Commercial function and action to address recruitment and retention issues for the Digital, Data and Technology and Finance professions.
16. Two minor changes have been made since April 2016 to streamline the SCS performance management process. The need for a more fundamental evaluation of the SCS performance management system will be kept under review.
17. The Prime Minister, the Chief Secretary to the Treasury, and the Minister for the Cabinet Office have agreed this package of proposals.

SECTION 1 - SCS REWARD STRATEGY

Introduction

18. Earlier this year, the Government responded to the recommendations in the Review Body's report on Senior Salaries 2016. In its response, the Government welcomed the Review Body's recommendation that the Government should adopt a more strategic approach to SCS reward and carry out a fundamental review of the pay framework.
19. This commitment was reinforced in the [Civil Service Workforce Plan](#) that was published in July 2016 and identified five priority areas that will have the biggest impact on ensuring the Civil Service remains able to support, secure and improve the nation it serves. The Workforce Plan sets out what is needed to make this happen and provides the mechanisms to react flexibly to national priorities. Specifically on reward:

“The Civil Service will develop cost effective and flexible reward structures that enable us to attract, retain and develop the very best talent. We will review the Senior Civil Service pay framework in line with Senior Salary Review body recommendations and develop a flexible reward framework for scarce skills, starting through the creation of the new Government Commercial Organisation. This will help the Civil Service to attract and retain the skills it needs to operate effectively now and in the future”

20. To progress this work, the following priority areas for SCS reward strategy have been identified and agreed with the Civil Service Board (CSB):
 - To review pay levels and the overall pay framework;
 - To better target pay awards;
 - To explore the composition of the total reward package by finding a credible policy solution to pension tax changes; and
 - To develop funding mechanisms to reinvest and achieve some of the above changes.
21. A package of proposed changes is being developed that underpins these four priorities, providing the appropriate balance between departmental delegation and progressing corporate priorities while demonstrating the maintenance of good public sector pay discipline.
22. The reward strategy will help the Civil Service become the most inclusive employer in the UK. The Workforce Plan commits the Civil Service to being a role model for other UK employers. It must not only attract the best talent wherever it is found, but also make the best use of this diversity – whether of socio-economic background, gender, race, sexual orientation, disability, or

experience – by celebrating and valuing differences and challenge. The drive on social mobility aims both to give every talented individual in the workforce the opportunity to progress, and to ensure that policies and services reflect the diverse communities that the Civil Service serves.

23. The Civil Service [Talent Action Plan](#) details progress against actions to remove barriers and ensure that the best people progress in the Civil Service. It sets out actions and progress to ensure that it remains one of the best and most progressive UK employers.

Background

24. The continuing economic context is:

- The 2015 Summer Budget extended the 1 per cent pay restraint policy until 2019/20.
- The Institute of Fiscal Studies has reported that pay in the private sector is likely to rise faster than public sector wages over that period.
- The 2015 Spending Review is seeking departmental savings in the range of 25 per cent to 40 per cent.
- Taken together, inflation, tax and NI changes and the three-year pay freeze have led to SCS take-home pay dropping by approximately 17 per cent in real terms between 2009 and 2015.
- Changes to pensions tax and national insurance have exacerbated to this reduction for certain groups:
 - a. Pensions tax regime changes mean that Defined Benefit (DB) schemes will become less attractive to SCS earning in excess of £108,000.
 - b. Abolition of contracting out from April 2016 has increased National Insurance paid by pension scheme members.

25. Despite some growing (but as yet unquantified) concern from departments, there is not yet clear evidence of a general recruitment and retention problem for the SCS:

- The Civil Service continues to attract talent. In 2015 there was an increase in applications to the Fast Stream (21,135) for a second consecutive year with a record number (967) recommended for appointment.
- The turnover rate for SCS has increased from 12.1 in 2014/15 to 14.3 per cent in 2015/16, but is significantly below the all time high of nearly 17 per cent in 2011/12. The resignation rate increased from 3.7 per cent in 2014/15 to 4.3 per cent in 2015/16.
- High performers in the SCS are far less likely to resign than low performers. Low performers in 2014/15 were almost three times (9.3 per cent) more

likely to have resigned by 2016 than their top performing colleagues (3.2 per cent).

- Pay flexibilities enable departments to bring in people with particular skills and experience above pay range minima; performance pay and general awards are being targeted at the very best performers and the lower paid; and a Pivotal Role Allowance is available to retain highly specialised staff and people leading the biggest and riskiest projects across government.

The case for change

26. Nevertheless, as the Review Body highlighted last year and as set out in the Civil Service Workforce Plan, there are a number of challenges with the SCS pay system:

- Civil Service reward systems do not always effectively recognise the acquisition of scarce skills and experience and there are limited opportunities for significant pay increases within pay bands.
- This can encourage more frequent movement, with individuals changing roles or seeking promotion at the expense of building deep experience.
- Salary levels are heavily determined by pay on promotion, pay on appointment and pay on movement policies rather than performance.
- Opportunities to converge the application of some of these policies across Government.
- This can lead to an exacerbated “two-tier” market, the potential for over-inflated salaries being offered on appointment and staff being “poached” for higher salaries on level transfer.
- Significant pay overlaps remain, particularly between the most senior delegated grades and SCS Pay Band 1.
- In some areas where there is direct external market competition for scarce skills, pay scales do not always reflect the external labour market and there are specific recruitment and retention problems.
- As the pay dynamic encourages staff to move in order to achieve a pay rise, this fuels an unhelpful and overly dynamic internal market and roles are sometimes backfilled by more expensive candidates.
- The total reward package, including pensions, needs to be flexible enough to meet the needs of current and prospective civil servants.
- Growing concern, substantiated by exit interview data, that SCS are leaving for roles in the wider public sector in areas where there is a shortage of expertise.

A review of overall SCS pay framework

27. The Government agrees with the Review Body that the Civil Service needs to take a more corporate and coherent approach to the SCS workforce in general. This would meet the aims of rewarding the acquisition of deep experience, expertise and scarce skills where these are lacking and to reduce the instances of staff changing jobs solely in pursuit of better salaries. A review of the pay framework will be undertaken, but this will take time to do effectively. The strategic aim is to ensure there is more coherence between similar jobs across the Civil Service (especially within professions) and to ensure that high performers and those with scarce skills can progress through pay ranges.
28. Over the coming months, the Government plans to have:
 - Reviewed and clarified the policies for pay on promotion, pay on appointment and pay on movement. All SCS appointments below Permanent Secretary level are now open to external candidates as well as existing staff. The review will consider whether the existing central guidance, last reviewed in 2010, remains appropriate.
 - Defined a methodology for better benchmarking of SCS roles against the market including policy and other Civil Service specific roles;
 - Produced central guidance on expected pay levels for different types of roles taking into account how various SCS roles should be positioned against (and necessarily below) relevant markets, to ensure appropriate starting salaries and protecting against inflationary impacts. This may include, where relevant, an enhanced role for Heads of Profession; and
 - Explored the scope for funding flexibility within the parameters of public sector pay policy, learning from the recent paybill pilots below the SCS that have been in operation.

The Review Body is invited to work with the Government on the review of the SCS reward framework and to make recommendations on the priority areas that should be addressed.

SECTION 2 – PROPOSALS FOR 2017/18

Introduction

29. This section sets out the specific proposals for 2017/18, including:
- Targeted awards in 2017/18 (paragraphs 32 to 40);
 - Non-consolidated performance related pay (paragraphs 41 to 42);
 - Impact of pension tax changes on higher earners (paragraphs 43 to 47);
 - Action to recruit and retain certain market-facing specialists (paragraphs 48 to 54); and
 - A review of Pivotal Role Allowance (paragraphs 55 to 59).
30. An overview of the 2016/17 SCS pay award can be found at [Annex A](#).

Consolidated base pay awards from 1 April 2017

31. Within the financial envelope available, an average consolidated increase of 1 per cent per head, the Government proposes the following elements from 1 April 2017.

Increasing minimum salaries

32. Following the recommendations of the Review Body in its last report, CSB gave serious consideration to various options to raising the pay band minima and whether to take a more corporate approach. However, CSB concluded that within current pay restraint parameters it was important to give maximum flexibility to departments on targeted pay awards rather than recommend pooling the award.
33. The Government therefore proposes to increase the minimum salaries of Pay Bands 1, 2 and 3 by £1,000.
34. Since April 2013 the SCS Pay Band 1 minimum has been increased by £5,800. This has helped to reduce the overlap between delegated grades and the bottom of SCS Pay Band 1 from around 11,000 individuals in 2012/13 to around 7,000 in 2016/17. An increase of £1,000 to the Pay Band 1 minima from April 2017 will reduce the overlap by around another 600 people.
35. It is acknowledged that the Review Body would like to raise Pay Band 1 minimum by more. The Government agrees that the overlap issue should be tackled, but this needs to be balanced with giving departments flexibility to meet their own business needs. The approach of more modest increases to minima will still give departments the degree of flexibility needed to target awards.

36. Across the whole SCS the cost of raising minimum salaries as proposed would be 1 per cent of the average 1 per cent consolidated award available. The following revised pay ranges for Pay Bands 1, 2 and 3 are proposed:

Proposed pay ranges from 1 April 2017

Pay Band		Current	From April 2017
3	Minimum	£106,000	£107,000
	Maximum	£208,100	£208,100
2	Minimum	£87,000	£88,000
	Maximum	£162,500	£162,500
1A	Minimum	£67,600	£67,600
	Maximum	£128,900	£128,900
1	Minimum	£64,000	£65,000
	Maximum	£117,800	£117,800

37. The proposals to raise minima for Pay Bands 1,2 and 3 would affect 106 staff at Pay Band 1 level, 53 individuals at Pay Band 2 level, and none at Pay Band 3 level. These proposals would benefit a higher proportion of women compared to men:

- At Pay Band 1 level, 43 per cent of those benefiting from the range shortening are women. Since women are a smaller proportion of the total Pay Band 1 population, 3.8 per cent of women and 3.4 per cent of men within this Pay Band will benefit from the range shortening.
- At Pay Band 2 level, 10 per cent of women will benefit from range shortening, compared to 5.2 per cent of men.
- At Pay Band 3 there are no individuals affected by range shortening.

38. Changes to the minimum salary of Pay Band 1A are not being proposed. At a time when many organisations are de-layering their workforces, the Government does not believe that continued use of Pay Band 1A is appropriate, particularly when there is enough flexibility in the SCS pay system to recruit into Pay Bands 1 and 2. While departments should not recruit into Pay Band 1A, existing staff are unaffected and departments would be able to make pay awards in the same way to them.

Flexibility for general awards and targeted pay repositioning

39. With the remainder of the 1 per cent average consolidated award available after raising minima, it is proposed that departments should have a flexible framework to make awards up to 9 per cent to their SCS, taking account of performance, job weight and challenge of role. SCS in the bottom 10 per cent performance group would not be eligible for a pay increase.
40. Departments have used this flexibility in previous years to target the award at higher performers and on those lower in the pay range (particularly at Pay Band 1 level) and to address pay anomalies. The application of targeted awards by main departments in 2016/17 is set out in more detail in [Annex B](#). Departments value the current flexibilities to determine pay awards on the basis that that they are best placed to make decisions about how to recruit, retain and motivate their own senior cadre.

The Review Body is asked to endorse the Government's proposals to raise minimum salaries for SCS Pay Bands 1, 2 and 3 and the flexible framework for determining base pay awards.

Non-consolidated performance related pay

41. Non-consolidated end-year performance awards would continue to be available to the top 25 per cent of performers within the cost limit of 3.3 per cent of SCS paybill.
42. Within this cost limit, departments would have flexibility to make in-year non-consolidated awards to recognise outstanding contribution for 10 per cent of SCS staff. Departments welcomed this additional flexibility, introduced from 1 April 2016. Four main departments have already made in-year contribution awards and 12 others are developing proposals. Further information can be found at [Annex B](#).

Pensions flexibility

43. In the 2015 summer budget, the Chancellor of the Exchequer announced that the annual allowance for pension tax relief would be reduced from £40,000 to £10,000 for those with earnings of over £150,000 per annum (including value of pension benefits). These changes, which came into effect on 1 April 2016, along with the introduction of the alpha pension scheme in 2015 have reduced net total reward for members of the SCS.
44. The Government has been analysing and assessing the impact of these changes for higher earners.

45. The Annual Allowance changes will, at a minimum, affect members in the alpha pension scheme earning over £108,000 pa from April 2016. In 2015/16 a total of 3,000 Civil Servants breached the Annual Allowance, although we only expect around 100 to have a tax charge to pay – since many members will have unused “carry-forward” from previous years. The number of members with a tax charge is expected to increase to around 800 by 2018/19 due to the erosion of "carry forward" over the next 3 years.
46. Members of the SCS who incur an annual allowance charge can choose to pay the charge directly or for the pension scheme to pay the charge on their behalf and recover the amount from future pension payments. Depending on the members' salary, the impact can be up to a 7-10 per cent reduction on total remuneration. By way of example, those earning around £160,000 in alpha would incur an annual pension tax charge in excess of £20,000 (once carry forward is eroded), which they would not have faced a few years ago.
47. The Cabinet Office is currently considering the implications for the SCS workforce and whether any action is appropriate.

Market facing specialists

48. Last year's Government evidence acknowledged that there are some issues with digital and commercial specialists and the reward strategy needs to address these areas. The Government had already taken action on commercial pay where more work to tighten up contracts with suppliers and generate greater savings is needed. Departmental commercial capability reviews had identified a number of improvement actions, including the recruitment of a core group of senior commercial specialists, complementing existing SCS, to be the most senior commercial specialists across Whitehall. Accordingly, HM Treasury agreed that there should be flexibility to recruit up to 25 commercial specialists, sitting outside the SCS, with remuneration packages beyond those normally available to SCS members.
49. Since then, work has been undertaken to develop pay solutions for specialist roles in these functions.

Commercial

50. A new pay proposal for the Commercial function is at the most advanced stage. A programme of work began earlier this year to create a new 'Government Commercial Organisation' (GCO) with the aim of raising the capability of senior commercial specialists across the Civil Service, through improved talent management and a reward offer more in line with what commercial experts would expect to see in the wider market.

51. Current Civil Service grades in-scope to be transferred in to GCO are Grade 6, SCS Pay Band 1 and SCS Pay Band 2 Commercial roles. GCO staff will be offered (upon successfully passing a capability assessment) access to a new reward package, that offers a different mix between higher base pay and performance-related pay, offset by lower defined-contribution pension arrangements. The terms and conditions of GCO staff will also differ slightly from the standard Civil Service offer. Staff that transfer onto the new GCO terms will be reviewed by an independent Remuneration Committee that will report annually to HM Treasury.

Digital, Data and Technology

52. Following analysis of recruitment and retention issues across the Digital, Data and Technology (DDaT) function, issues with recruiting and retaining key skills were found to be at a middle manager (SEO, Grade 7 and Grade 6) rather than Senior Civil Service level. The DDaT function has therefore taken an alternative approach to Commercial that seeks to focus on these delegated grades. A proposal, setting out a set of new pay ranges and allowances for six critical specialist roles, is in the final stages of development.

Other specialists

53. Whilst work in Commercial and DDaT is furthest ahead, other functions such as Project and Programme Management and Finance are taking steps to identify whether specific recruitment and retention issues also exist in these areas that may require interventions in future. Solutions so far have been designed around 'job families', an approach which could be used by other functions as they strengthen their functional identity and build business cases for different reward models.
54. The work undertaken to date to assess the workforce capability requirements needed to exit the European Union indicates that the majority of additional roles are likely to be at delegated grades. However, it is likely that where additional capability is required at SCS level, the focus is on scarce specialist skills, often with a strong external market (i.e. trade, commercial etc.).

Pivotal Role Allowance

55. An initial part of the review of the SCS pay framework has been to review the Pivotal Role Allowance (PRA). PRA was introduced in April 2013 to retain members of the SCS in highly specialised roles and those delivering the riskiest major projects across government.

56. The review:

- Established the number of allowances presently in payment, assessed the current size of the pot and the characteristics of recipients.
- Considered the effectiveness of PRA against its original aims.
- Considered options for the future and made recommendations on how the process can be improved.

57. The review found that:

- The allowance is being used as intended: to retain people in business critical roles while they remain pivotal to the organisation. Allowances are being removed at the end of a project or where the roles have ceased to be pivotal to the organisation. This has ensured that money is being recycled for future cases.
- Since April 2013, 44 cases have been agreed for people responsible for delivering the Government's priorities. This has enabled departments to retain (amongst others) those leading major transport infrastructure projects and sustainable energy programmes, those protecting the borders and national security, those providing modern digital services to the public and departments and those in highly technical defence roles.
- While PRAs have been successful in retaining key SCS, only twelve departments have made use of this flexibility. A perception remains in some departments that the eligibility and scrutiny bar is set too high for what are relatively modest payments and that the clearance process takes too long. Heads of Profession have so far had minimal involvement in the process with departments normally taking the lead on identifying cases.

58. The review considered a range of options. While PRA has been successful in retaining key SCS, it is acknowledged that it has been a tactical solution to meet immediate retention needs. It has also been under-utilised by departments. The initial view is not to make wholesale changes, but to improve the current arrangements by working more closely with Heads of Profession and departments to identify and agree suitable cases and to speed up the clearance process for lower value applications.

59. This will be considered further by CSB as part of the wider review of the pay framework. The Review Body has already been invited to comment on the framework review.

Controls

60. Pay proposals would continue to be subject to existing controls:
- Chief Secretary sign off process for all packages of £142,500 and above (or any other defined threshold that may be agreed by the Chief Secretary), performance awards of more than £17,500 and Pivotal Role Allowance applications (where Minister for the Cabinet Office sign off is also required).
 - Cabinet Office approval to pay above SCS Pay Band 1 maximum.

Performance Management

61. There have been two minor changes to the sharpened SCS performance management system that has been in place since April 2011 and which underpins all reward decisions for the SCS. In May 2016, simpler performance management guidance for the SCS was introduced. This was followed up with a new performance review form that provides greater clarity, is shorter in length and is easier to use. The need for a more fundamental evaluation of the SCS performance management system will be kept under review.
62. The latest version of the guidance can be found at:

<https://www.gov.uk/government/collections/senior-civil-service-performance-management-and-reward>

Permanent Secretaries

63. A robust framework for Permanent Secretary starting pay on appointment has been adopted since the last general election. The three-tiered model is based on agreed rates of pay for posts, based on job size and complexity. This applies regardless of whether it is an internal promotion or an external appointment.
64. As for other members of the SCS, the highest performing ('Top' 25 per cent) Permanent Secretaries are eligible for a non-consolidated performance related payment. This is assessed by the Permanent Secretary Remuneration Committee (PSRC) comprised of an independent chair, external members and includes the Cabinet Secretary, the Chief Executive of the Civil Service and the Permanent Secretary to HM Treasury.
65. The PSRC considers Permanent Secretary performance on the basis of a wide range of robust evidence and feedback, including from the relevant Secretary of State/minister and Lead Non Executive Director and a variety of business performance metrics. The Non-consolidated performance related pay for

Permanent Secretaries is currently set at £17,500. The Prime Minister approves PSRC's recommendations for performance pay.

66. Like the SCS, Permanent Secretaries are covered by the current public sector pay policy and the 1 per cent average consolidated award for the next year. The PSRC will take account of wider SCS pay policy and practice on the distribution of the consolidated pay award.

Staff motivation

67. Some of the key SCS scores from the 2016 People Survey, including engagement levels, perceptions of pay and future intentions are provided in the separate data pack. While overall engagement continues at its highest level since 2009, SCS perceptions of pay and benefits remain low, particularly for those based in London.

Exit interviews

68. The Government has previously accepted the Review Body's recommendations to adopt a more mandatory approach to exit interviews. The Government responded by developing a standard Exit Interview Toolkit for use by departments from 1 April 2015. From July 2015 Cabinet Office began commissioning quarterly returns from departments on exit interviews conducted throughout the previous quarter.
69. From 1 April 2015 to 31 March 2016, 175 SCS resigned. Exit interview returns were submitted for 66 SCS (37 per cent). Where exit interviews were conducted, over 50 per cent gave pay as a significant reason for resigning. Of the 66 SCS where an exit interview return was provided, the nine-box talent grid mark was known for 50 staff. Of these, 56 per cent were regrettable losses. Further information is included in the data pack provided for the Review Body. We are taking steps to ensure greater completion of exit interviews in the future.
70. With the current limited coverage, it is too early to conclude that the majority of resignations from the SCS are regrettable. The Cabinet Office will continue to push departments on the importance of conducting exit interviews. A comprehensive understanding of why SCS are resigning will help inform the reward strategy.

Corporate talent schemes

71. The Review Body has requested information on how the Civil Service is growing its own talent and identifying future members of the SCS. Information on the main corporate talent schemes operating in the Civil Service is provided at [Annex D](#).

Application of the 2016/17 SCS pay award by departments

Background

The key elements of the SCS pay award for 2016/17 comprised:

- Consolidated pay increases limited to an average award of 1 per cent.
- Increases of £1,000 to the minimum salaries of SCS pay ranges 1, 2 and 3. The revised ranges were:

SCS pay ranges from 1 April 2016

Pay Band	Minimum (£)	Maximum (£)
3	£106,000	£208,100
2	£87,000	£162,500
1A	£67,600	£128,900
1	£64,000	£117,800

- After raising staff to the new minima, departments had flexibility to use the remainder of the 1 per cent average award to make base pay awards of between 0 - 9 per cent depending on performance, job weight, challenge of role, and/or position in the pay range. SCS in the bottom 10 per cent performance group were not eligible for a pay award.
- Flexibility to recruit above Pay Band minima as necessary to bring in particular skills and experience from outside.
- Non-consolidated Performance Related Pay end-year awards to the 'Top' 25 per cent of performers within a cash limit of 3.3 per cent of the SCS pay bill. Additional flexibility to introduce in-year contribution awards for a further 10 per cent of staff within the 3.3 per cent cash limit.

- Flexibility to convert, on an exceptional basis, up to 0.5 per cent of their 3.3 per cent non-consolidated performance pay pot to address recruitment and retention issues and other pay anomalies.
- The continued availability of a Pivotal Role Allowance to help retain existing staff in highly specialised roles or those responsible for delivering the most critical and riskiest major projects across government.
- An unchanged Permanent Secretary three tier pay structure with the Permanent Secretary Remuneration Committee determining how the 1 per cent average award was used:

Permanent Secretary pay structure from 1 April 2016

Tier	Minimum (£)	Maximum (£)
1	£180,000	£200,000
2	£160,000	£180,000
3	£142,000	£160,000

Application of the SCS pay award for 2016/17

Cabinet Office surveyed main SCS employers on how they applied the pay award in 2016/17. The full results are set out in Annex B. In summary:

Base pay

- Departments used the flexible framework to target general awards. Most departments reflected both position in pay range and level of performance (differentiating between Top and Achieving performers) using matrices or relative position to reference points or Whitehall medians to calculate awards. Others reflected pay range position only with no differentiation between Top and Achieving performers. Some departments (including HM Revenue & Customs, Work and Pensions and Ministry of Justice) took action to reposition the salaries of individuals to reflect the weight/challenge of their roles and to address other pay anomalies. While the degree of targeting varied between

departments, all SCS got some form of pay increase other than those assessed in the Low performance group (in line with Cabinet Office guidance).

- In most departments raising SCS to the new minima only used up a small proportion of the 1 per cent average award. It was most costly in Department of Culture, Media and Sport (36 per cent), Cabinet Office (32 per cent), Foreign & Commonwealth Office (30 per cent) and Ministry of Justice (20 per cent).

Non-consolidated performance related pay (NCPRP)

- 13 of the 20 main departments surveyed spent the full, or a high proportion of, the 3.3 per cent NCPRP pot with individual end-year payments for 2015/16 capped and differentiated by pay band. Some departments have held back part of their budgets to finance in-year contribution awards for 2016/17.
- Four main departments have already made in-year contribution awards and 12 others are developing proposals. Use of in-year awards will be reviewed in April 2017.
- As last year, Home Office made a successful business case to Cabinet Office and HM Treasury to convert a further 0.25 per cent of its NCPRP pot into consolidated base pay awards to address retention issues for some of its lowest paid highest performing staff in business critical roles.

In addition:

- The Permanent Secretary Remuneration Committee used the 1 per cent average award available for Permanent Secretaries to provide flat rate increases for those in the top two performance groups.
- Since its introduction in April 2013 there have been 44 successful applications for Pivotal Role Allowance (PRA) to retain staff in a variety of positions delivering key Government priorities. These include people leading major transport infrastructure projects and sustainable energy programmes, those protecting the borders and national security, those providing digital services to the public and to departments, and those in highly technical defence roles.
- Pay controls continued to apply. All remuneration packages of £142,500 and above (including any benefits in kind) and any performance pay opportunity worth more than £17,500 required sign off from the Chief Secretary to the Treasury. Pivotal Role Allowance applications required the approval of both the Chief Secretary and the Minister for the Cabinet Office. Departments are required to secure Cabinet Office approval where they wished to pay above the Pay Band 1 maximum.

- From 1 April 2015 all except the most senior SCS are paying 7.35 per cent towards their pension. Those under age 50 are now accruing in a new pension scheme (Alpha) on a career average basis.
- Due to changes in pensions taxation, some staff are liable to higher tax charges from April 2016.
- From April 2016, staff are paying higher National Insurance Contributions following the end of the contracted out discounted rate.

2015/16 SCS Pay Award – Application of Flexible Framework by Departments

Department	Use of 1% base pay award, including action to target award	Proportion (percentage points) of 1% average award used to raise staff to new SCS pay range minima from 1 April 2016	End year non-consolidated performance related pay for staff assessed as a top 25% performer in 2015/16	Any action or proposals to make in-year contribution awards for 2016/17 performance
Business, Innovation and Skills	Matrix system that determined base pay increases based on performance and position on the pay range. For illustrative purposes, Top performers in the bottom quartile of the pay range got £1,000 compared to Top performers in the top quartile who got £700. Middle performers in the bottom quartile got £700 compared to £400 for Middle performers in the top quartile. No award for Bottom performers.	0.03%	Full 3.3% used (of which 2.8% used for end-year awards for 2015/16 performance and 0.5% kept back to pay for in-year awards in 2016/17). Level of end-year awards for top 25% performers were: Pay Band 1: £8,000 Pay Band 2: £10,000 Pay Band 3: up to £10,000	In-year awards of £4,000 for outstanding contribution.
Cabinet Office	Base pay awards dependent on top performance performers and position in pay range. Those assessed as top performers and in the lower quartile were paid 2%, those in the second quartile were paid 1.5%, third quartile received 1% and the fourth quartile got 0.5%. Staff assessed as Achieving received a £500 award if they did not receive a	0.32%	3.04% used. Flat rate end-year awards of £10,000 for top 25% performers. Awards were not differentiated by grade.	Proposals currently being developed including eligibility criteria.

	pay increase due to the raising of the new minima.			
Department for Communities and Local Government	<p>The Executive Team agreed that the 2016/17 SCS pay award should differentiate between top and middle performers and also differentiate by grade.</p> <p>The preferred option was to differentiate based on flat cash amounts (as opposed to percentages) with higher awards to group 1 performers:</p> <ul style="list-style-type: none"> • The same flat cash amounts were awarded to SCSPB3/SCSPB2 (£2k for group 1 performers and £785 for group 2 performers). • Flat cash awards for SCSPB1 were £1,150 (for group 1) and £650 (for group 2). • No specific action taken with regards to targeted positioning in relation to skills or pay anomalies. • No award for those in bottom performance group. 	0.17%	<p>Full 3.3% used.</p> <p>Pay Band 1: £15,000 Pay Band 2: £13,000 Pay Band 3: £11,250</p>	<p>Scheme in place for exceptional performance and paid only to individuals with proven evidence based delivery e.g. against stretching project milestones or for an exceptional corporate contribution.</p> <p>This will be limited to approximately seven individuals over the year. Five awards already made. Awards levels of £5,000 for Pay Band 2 and £3,000 for Pay Band 1.</p>
Department for Culture, Media and Sport	Base pay increases used a combination of uniform and targeted awards that were dependent on performance and position in the pay range.	0.36%	<p>2.06% used. Level of end-year awards for top 25% performers were:</p> <p>Pay Band 1: £8,500 Pay Band 2: £10,000 Pay Band 3: £10,000</p>	DCMS propose to make awards of £5,000 to 10% of its SCS during 2016/17. Eligibility criteria to be determined.

	<ul style="list-style-type: none"> • 1% of the median to Middle and Top performers (PB1 £697, SCS PB2 £909, SCS PB3 1% of actual salary). • Top performers earning below £68,500 were uplifted to this salary • Middle performers earning below £67,000 were uplifted to this salary <p>No award was paid to those in the Bottom group.</p>			
Ministry of Defence	Curve award applied – level of pay determined by performance and position in pay range. No award for Bottom performers. No action to target specific areas or scarce skills.	0.11%	<p>Full 3.3% used. Level of end-year awards for top 25% performers were:</p> <p>Pay Band 1: £8,800 Pay Band 2: £11,000 Pay Band 3: £14,300</p>	To be considered.

<p>Department for Education</p>	<p>A zonal approach was taken with awards ranging from 0.3% -1.52% depending on performance (provided Top and Middle) and position in pay range with Top Performers at the lower end of the pay range receiving the most. No award for Bottom performers.</p> <p>Targeted action was taken for consistently good and exceptional performance where salaries were lifted to 'spot rates'. Those identified for spot rates were:</p> <ul style="list-style-type: none"> • Exceptional (Top) performers over the last two years and whose salaries were lower than comparable peers. • Consistently strong performers with five years and more at Pay Band 1 and whose salaries were below new promotes to the SCS. 	<p>0.081%</p>	<p>2.62% used. Level of end-year awards for top 25% performers were:</p> <p>Pay Band 1: £9,500 and: £7,000 (differentiated by Top 10% and Next 15%). Pay Band 2: £12,000 and £9,000 (differentiated by Top 10% and Next 15%).</p>	<p>£50,000 has been put aside to make in-year contribution awards, with payments capped at £5,000.</p> <p>Awards will be considered and made by Management Committee on a quarterly basis and will reward people whose actions have significant impact in relation to the delivery of departmental priorities and ways of working.</p>
<p>Department for Energy and Climate Change</p>	<p>Top and Middle performers received the following consolidated pay increases (subject to them reaching their pay range maximum):</p> <ul style="list-style-type: none"> • Pay Band 1 £790 • Pay Band 2 £1,050 • Pay Band 3 £1,400 <p>No award for Bottom performers.</p>	<p>0.1%</p>	<p>Full 3.3% used (of which 2.8% used for end-year awards for 2015/16 performance and 0.5% kept back to pay for in-year awards in 2016/17). Level of end-year awards for top 25% performers were:</p> <p>Pay Band 1 £10,000 Pay Band 2 £12,500 Pay Band 3 £15,000</p>	<p>In-year awards of up to £5,000 for outstanding contribution for 10% of staff (11 individuals).</p>

	<p>With the exception of Bottom performers, all staff moved to the following DECC minima:</p> <ul style="list-style-type: none"> • Pay Band 1 to £66,000 • Pay Band 2 to £88,000 			
Department of Environment, Food and Rural Affairs	<p>Base pay awards based on a matrix approach with higher awards for top performers and those below the Whitehall median for each pay band.</p> <p>No base pay awards for those with salaries over £100,000 at Pay Band 1, £120,000 at Pay Band 2 and £140,000 at Pay Band 3.</p> <p>Targeted, higher base pay awards for top performing Pay Band 1s with salaries below the Grade 6 maxima and Pay Band 2s with salaries at the Pay Band 2 minima.</p>	0.11%	<p>2.73% used. Level of end-year awards for top 25% performers were:</p> <p>Pay Band 1: £11,000 Pay Band 2: £13,000 Pay Band 3: £15,000</p>	<p>Contribution awards proposed but eligibility criteria yet to be finalised. Payments will be capped at £5,000 and limited to 10% of the SCS.</p>
Foreign & Commonwealth Office	<p>Fixed cash awards of 1.2% (Top performers) or 0.6% (Middle performers) of grade average salary giving bigger % increases to higher performers with below average salaries, but less in % terms for those with above average salaries. No salary increase for Bottom performers.</p> <p>No targeted repositioning.</p>	0.3%	<p>Full 3.3% used. Level of end-year awards for top 25% performers were:</p> <p>Pay Band 1: £10,080 Pay Band 2: £11,720 Pay Band 3: £14,010</p>	<p>No current proposals</p>

<p>Department of Health</p>	<p>Targeted awards to those individuals whose salaries were positioned towards the lower end of their respective pay scale. This was achieved by applying “breakpoints” in each SCS pay band and differentiating consolidated increases based on individual position in range in relation to the respective breakpoint.</p> <p>Cash awards, rather than percentage uplifts were applied across all pay bands as follows:</p> <ul style="list-style-type: none"> • £1000 for those below and £250 for those above the respective breakpoint. • For staff relatively low in their respective pay scale and with at least two years of exceptional performance (Top 25% performers), including the most recent performance year, consolidated cash awards of £2,000 (in total) were paid. • Where applicable, salaries were raised to the new pay scale minima before application of the targeted awards outlined above. <p>No award for Bottom performers.</p>	<p>Cost neutral. The cost of raising pay scale minima was offset by the non-payment of awards to those in the bottom 10% Performance Group.</p>	<p>Full 3.3% used. Flat rate end-year awards of £11,000 for top 25% performers. Awards were not differentiated by grade</p>	<p>Has announced the introduction of the new in-year contribution award to recognise outstanding performance for up to 10% of SCS staff from the performance year 2016-17. Implementation of the new awards planned for October 2016.</p>
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Department for International Development	Slightly higher awards to those at the bottom of the range, but did not differentiate between Top and Middle performers,	Nil	Full 3.3% used. Level of end-year awards for top 25% performers were: Pay Band 1: £8,000 Pay Band 2: £9,000 Pay Band 3: £10,000	The total number of awards for SCS in year awards has been capped at 8 awards for the year. Eligibility is at Permanent Secretary's discretion with Executive Management Committee sign off. Those that received year-end award would not qualify for the in-year award.
Home Office	<p>Base pay increases dependant on performance and position in the pay range. Top performers received:</p> <ul style="list-style-type: none"> • Lower Tranche received 1.55% pay increase; • Middle Tranche received 1.10% pay increase; and • Upper Tranche received 0.65% pay increase. <p>Achieving performers received:</p> <ul style="list-style-type: none"> • Lower Tranche received 1.25% pay increase; • Middle Tranche received 1.00% pay increase; and • Upper Tranche received 0.65% pay increase. <p>Top performers below the Civil Service median received an additional consolidated increase using the consolidated element of the non-</p>	0.01%	<p>1.72% of the pot used for Top 25% performance in 2015/16, but converted (with Cabinet Office approval) 0.25% to use on targeted consolidated awards. For the future, the total non-consolidated pot available is 2.8%.</p> <p>Level of end-year awards for top 25% performers were Individual awards of:</p> <p>Pay Band 1: £7,000 Pay Band 2: £10,000 Pay Band 3: £12,000</p>	Executive Management Board (EMB) agreed to the introduction of the in year bonus scheme. Currently developing the criteria/approach for EMB sign off.

	<p>consolidated pot (0.25%). 23 staff in business critical roles received staggered increases up to the median giving an overall average consolidated award of 4.15%.</p> <p>No award for Bottom group.</p>			
Ministry of Justice	<p>Consolidated performance awards of £700 for a top 25% performance marking, £500 for an achieving marking (65% of workforce), and nil for bottom performers (10% of workforce).</p> <p>In addition, targeted action increases were applied to three posts in year and 7 posts at end year. In total the targeted awards for 10 posts averaged £5,900.</p>	0.20%	<p>3.07% used. Level of end-year awards for top 25% performers were Individual awards of:</p> <p>Pay Band 1: £10,000 Pay Band 2: £12,500 Pay Band 3: £15,000</p>	Proposals for an in-year scheme for the 2016/17 performance year are under consideration
Medicines and Healthcare products Regulatory Agency	<p>Standard pay increases with no differentiation to reflect performance or position in pay range.</p>	0.02%	<p>3.16% used. Level of end-year awards for top 25% performers were Individual awards of:</p> <p>Pay Band 1: £10,500 Pay Band 2: £13,000</p>	In-year contribution award to recognise outstanding performance for up to 10% of SCS staff/limit £5,000 per person planned during the performance year 2016/17. Eligibility criteria in development.
Public Health England	<p>Individual targeted awards to address pay anomalies (e.g. equality) and the pay of those at the low end of the Pay Band 1 salary distribution (with a longer term aim to move all Pay Bands 1 salaries above the maximum of the inner London Grade 6 scale)</p>	Nil	<p>2.7% used. Flat rate end-year awards of £11,000 for top 25% performers. Awards were not differentiated by grade</p>	No current proposals.

	With the remainder of the 1%, made an equal 'flat cash' award to all other SCS staff (with the exception of those assessed in the bottom performance group who received no award)			
HM Revenue & Customs	<p>Base pay awards made to all staff whose performance was moderated as Top or Middle:</p> <p>SCS1 £700 SCS2 £900 SCS3 £1,500</p> <p>In addition 21 anomaly payments (from also from the 1% award) were made to Pay Bands 1 and 2 staff ranging from £1,000 to £5,972. These individuals were deemed to have lower pay compared to their peers with a similar workload.</p>	0.04%	<p>Full 3.3% used (of which 3.08% used for end-year awards for 2015/16 performance and 0.22% kept back to pay for in-year awards in 2016/17). Level of end-year awards for top 25% performers were</p> <p>Pay Band 1: £9,500 Pay Band 2: £12,500 Pay Band 3: £17,000</p>	Expect awards to be paid to approximately 30 SCSs, and will not exceed £5,000.
Department for Transport	<p>Base pay awards determined by position by quartile in pay range. Pay awards for DfT central and its Executive Agencies were as follows:</p> <p>Quartile 1 – 1.8% Quartile 2 – 1.2% Quartile 3 – 1.0% Quartile 4 – 0.8%</p> <p>Departmental minima for Pay Band 1 and 2 increased by £1,500 (rather than</p>	0.01%	<p>Full 3.3% used. Level of end-year awards for top 25% performers were:</p> <p>Pay Band 1: £14,000 Pay Band 2: £15,500 Pay Band 3: £17,000</p>	Proposed awards of £5,000 for 10% of SCS population (16 awards based on current figures). To be paid for outstanding contribution during the year and delivery against the Department's objectives, such as delivery of financial efficiency targets in a challenging stakeholder environment.

	<p>£1,000) to help address Grade6/SCS1 and SCS1/2 overlaps.</p> <p>Staff in Bottom performance group not eligible for pay award. Neither were those that became substantive SCS after 1st October 2015 nor those promoted within SCS after 1st October 2015, nor those paid above the maximum of their pay range. These additional eligibility criteria allowed the higher pay awards to those lower down the scale than would have otherwise been possible.</p>			
HM Treasury	<p>After raising pay levels to the new centrally prescribed pay band minima, the HM Treasury Pay Committee agreed to target basic pay increases at SCS rated in Top and Middle performance groups.</p> <p>The Pay Committee considered individuals' position in the pay range and recent pay history, as well as any market intelligence on professional or specialist skills and relativities across the Department and the wider SCS.</p>	0.16%	<p>2.92% used (with some funding kept back for in-year awards in 2016/17). Level of end-year awards for top 25% performers were:</p> <p>Pay Band 1: £8,000 Pay Band 2: £12,000 Pay Band 3: £10,000</p>	<p>Seven £5,000 (8.3% of SCS staff) individual in-year contribution awards made, recognising outstanding contribution</p>
Department for Work and Pensions	<p>Differentiated awards to Pay Bands 1 and 2 reflecting performance and in line with established 'target' rates set for Middle and Top performers. This is a continuation of the approach introduced in 2013 designed to address the Grade</p>	0.013%	<p>Full 3.3% used. Level of end-year awards for top 25% performers were:</p> <p>Pay Band 1: £10,000 Pay Band 2: £12,500</p>	<p>Currently considering the options and impacts of implementing an in year scheme.</p>

	<p>6 overlap with the lowest paid SCS, the recruitment and retention of key skills and to provide an element of reward for high performers on lower pay.</p> <p>A small number of targeted awards were made to address pay anomalies - all payments were within the 9% limit for standard awards.</p>		<p>Pay Band 3: £15,000</p> <p>More was paid in a few exceptional cases.</p>	
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**Salary Bandings of Permanent Secretary Posts -
September 2016****Roles (£190,000 - £235,000)**

- Head of Civil Service (195 - 200)
- Chief Executive of Civil Service (230 - 235)

Tier 1 roles (£180,000 - £200,000)

- HMT (185 - 190)
- FCO (180 - 185)
- DWP (185 - 190)
- HMRC Chief Exec (185 - 190)
- HMRC Exec Chair (170 - 175)
- MOD (180 - 185)
- MOJ (180 - 185)
- HO (185 - 190)
- National Security Advisor (165 - 170)

Tier 2 roles (£160,000 - £180,000)

- Scottish Govt (160 - 165)
- Secret Intelligence Service (160 - 165)
- CLG (160 - 165)
- DfT (170 - 175)
- Security Service (165 - 170)
- BIS (160 - 165)
- DEFRA (160 - 165)
- DExEU (160 - 165)
- BEIS (175 - 180)
- DfIT/BEIS (165 - 170)
- DfE (160 - 165)
- DfID (165 - 170)
- DH (165 - 170)
- First Parliamentary Counsel (175 - 180)
- GCHQ (160 - 165)
- Treasury Solicitor (160 - 165)
- Welsh Govt (165 - 170)

Tier 3 roles (£142,000 - £160,000)

- HMT – 2nd Perm Sec (150 - 155)
- NIO (155 - 160)
- DCMS (155 - 160)
- CO – 2nd Perm Sec (155 - 160)
- ONS (150 - 155)
- Chair of JIC (145 - 150)
- CO – 2nd Perm Sec (155 - 160)
- HO – 2nd Perm Sec (155 - 160)

Specialist/Advisory roles (May attract skills or market premium)

- Chief Medical Officer DH (205 - 210)
- Director for Public Prosecutions - pay determined by Judiciary panel (200 - 205)
- Chief Executive Defence Equipment & Support MOD (285 - 290)
- Government Chief Scientific Adviser (180 - 185)

Corporate talent schemes

The Civil Service is growing its own talent and identifying future members of the SCS. There are three main corporate talent schemes:

- I. **Future Leaders Scheme (FLS)** - To improve corporate visibility of the Grade 6/7 talent pool and accelerate their development to SCS.
 - FLS started in 2013 with 86 participants. 14 cohorts to date across three years, with participant numbers doubling in 2015 to 176.
 - The aim for the 2017 intake is to double numbers again to 370-400 to reach 1% of G6/7 population.
 - In 2014/15 the percentage of Future Leaders Scheme participants that resigned (1.7%) was lower than the resignation rate of G6/7s overall (2.3%).

- II. **Senior Leaders Scheme (SLS)** - To accelerate the development of the pipeline for future leaders from the SCS1 cadre for key Director & DG roles.
 - SLS started in 2012 with 48 participants. 8 cohorts to date across four years, with participant numbers remaining steady (45 in 2016).
 - The aim for the 2017 intake is to increase to 65 to reach 1% of SCS1 population
 - In 2014/15 the percentage of SLS participants that have resigned (1.7%) was lower than the resignation rate for DDs overall (3.3%).

- III. **Civil Service Fast Stream** - An accelerated career path to leadership and supported development with a graduate employer that consistently ranks in the top five of The Times Top 100.
 - Recruitment of Fast Streamers at a record high – 967 Fast Streamers recommended for appointment in 2015, up from 915 in 2014.
 - The percentage of those that declined the offer in 2014 is up to 23% from 17% in 2014;
 - There were 2,298 Fast Streamers across all schemes as at 31 March 2015.
 - 22 applications per appointment for the Fast Stream.
 - The resignation rate of Fast Streamers has been higher than that of their HEO/SEO counterparts in the last two years – 3.9% vs 2.1% in 2014/15.

In addition there is a High Potential Development Scheme to accelerate the development of Directors with the greatest potential to progress to Director General and potentially beyond and an Individual Development Programme to equip high potential DGs for the step-up to Permanent Secretary.