Cabinet Office

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

January 2019

EXECUTIVE SUMMARY

Introduction

1. Last year, the SSRB asked the Government to undertake a fundamental review of the current SCS pay framework, with a view to implementing proposals for change from 2018. The findings from this review, overall vision for a future SCS workforce, and a set of core principles for change were developed and set out in last year's evidence.

2. In this year's evidence, the Government revisits the findings from this review, the overall vision for a future SCS workforce, and the set of core principles for change, as well as providing further details on specific proposals related to the vision and principles for implementation in 2019/20. The Government invites the SSRB to comment on these proposals to ensure the pay system supports the development of a senior leadership cadre in the Civil Service that is able to meet the challenges of the future.

Summary of evidence for 2019/20

3. The Government's evidence is provided in two parts. The first part is the main evidence in narrative form and sets out:

   Chapter 1 – background and economic context;
   Chapter 2 – last year's report and recap of findings from the 2017 SCS pay framework review and long-term vision for the future SCS pay framework;
   Chapter 3 – priority topics and proposals for 2019/20;
   Chapter 4 – wider progress related to the SCS workforce; and
   Chapter 5 – further evidence relating to the Devolved Administrations and the Government Commercial Organisation.

4. The following information is annexed to the main evidence:

   Annex A – a summary of the Government's proposals for 2019/20 against SSRB's strategic priorities;
   Annex B – an evaluation of the 2018/19 pay award and its application by Main Departments;
   Annex C - proposed evidence requirements for market facing and niche roles;
   Annex D – summary specialist pay business cases from the Government Finance function, Government Digital, Data and Technology (DDAT) Professional Capacity Team, and Ofsted; and
   Annex E - findings from internal and external research into capability based reward.

5. The second part is the supporting statistical data requested by the SSRB. This includes the 2018 People Survey Results for the SCS and analysis from SCS exit interviews conducted from October 2017 to October 2018.

6. As in previous years, the Cabinet Office will work with the SSRB secretariat to provide any additional information required.

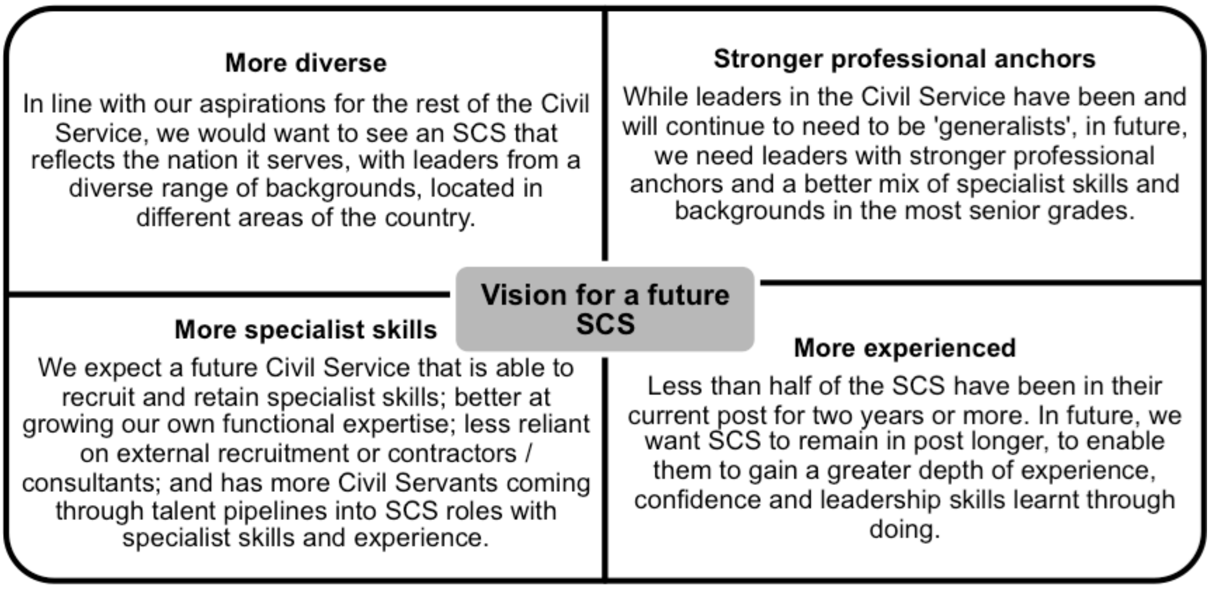
Economic context

7. The Government recognises that public sector workers deserve to be fairly rewarded for the vital work they do, and seeks to ensure the overall package remains fair and competitive. The last Spending Review budgeted for a 1% average increase in basic pay, and it remains important to take a balanced approach to public spending.

Long-term vision for the future SCS pay framework

8. Based on the 2017 review of SCS which identified a number of key issues, a vision for a future SCS pay framework was set out in last year's Government evidence and endorsed by SSRB. This vision still stands and forms the basis of all work undertaken over the last year.

Figure 1. Vision for a future SCS



9. The proposed pay system is based around three core principles:
    - To move to a set of consistent pay ranges by professional grouping over time.
    - To provide greater reward for high performers and those who develop capability by remaining in role.
    - To provide clearer rules and control on how people move through and around the SCS pay system.

Figure 2 - SCS pay core principles

Movement over time to a set of narrower pay ranges by professional grouping

to make pay more consistent for most SCS roles but enable higher pay to be available, where needed, to address certain skill shortages.

Greater reward for those who remain in role

to encourage SCS to gain experience by remaining in post

Clear rules and control on how people move through and around the SCS pay system

to bring greater rationality to the pay system, encourage less frequent movement, and take advantage of savings that may be available by reducing pay increases for moves on transfer/promotion

10. Last year's evidence set the direction for a future SCS pay framework, as well as provisional steps towards this, whilst acknowledging that the full vision would be realised through phased evolution of the pay system over a number of years. This year's evidence seeks to further articulate proposals to move towards this vision and address some of the most pressing challenges remaining in the current system.

11. In developing this year's evidence, the Government has taken particular note of the SSRB's priorities set out in its 2017 Report as follows:
    - Pay and workforce strategy
    - Focus on outcomes
    - Action on poor performance
    - Performance management and pay
    - Better data
    - Feeder Groups
    - Targeting
    - Central versus devolved tensions
    - Diversity

12. Our commentary against each of these is set out through out the evidence. Annex A provides an overall summary of how proposals in the Government evidence this year will make progress on each of these areas and activity the Government plans to take forward to address these priorities in the long-term.

Approach to 2019/20 awards

General approach

13. The Government plans to use this year's pay award to move towards the new pay framework, aligned to the principles outlined above. Within the vision and proposed framework, a particular focus has been given this year to specialist pay, capability based pay progression, Directors General pay, and performance management.

14. For 2019/20 pay awards, the Government proposes to continue reinvesting savings from operating more consistent policies on pay levels for movement around the system and reductions to the pay band maxima, and using these to fund structural reform (by raising minima) and other targeted increases.

15. The Government believes that fairness in the approach for senior and junior grades in the Civil Service is a critical factor in setting the annual pay award for the SCS. In consequence, the Government proposes that this year the headline figure for the SCS should be no higher than that agreed for delegated grades through the annual pay remit guidance.

16. The last Spending Review budgeted for a 1% average increase in basic pay and there will still be a need for fiscal discipline over the coming years. The Government requests that the SSRB considers affordability when making recommendations. Further information on this will be provided at oral evidence and through supplementary written evidence.

17. The Government also believes that the majority of any award to the SCS should be targeted to address current and future problems and priorities, rather than being set as a flat or average increase for all SCS.

Moving to consistent pay ranges

18. The Government propose the following pay ranges for this year:

Table 1 - Proposed pay ranges for 2019/20

	Deputy Director	Director	Director General
Minimum	£70,000 (from £68,000)	£92,000 (from £90,500)	£115,000 (from £111,500)
Maximum	£102,000 (from £117,800)	£136,000 (from £162,500)	£167,500 (from £208,000)

19. Last year's Government evidence committed to increasing the minima for Deputy Directors from £65,000 to £70,000 for Directors from £88,000 to £92,000 and for DGs from £108,000 to £115,000 over 3 years (e.g. by 2020/21).

20. The Government proposes that the minima levels for each grade are achieved this year rather than next year to make quicker progress in reducing the length of the pay ranges, and eroding the G6/SCS1 overlap in many departments.

21. Reductions to the maxima would not remove the ability to pay a starting salary above this level for roles where there is a clear rationale (for example for some specialist or

niche roles whilst the specialist pay approach is still under development). Rather, it would give a clear indicator to the SCS as to where the range for the majority should sit. It is expected that for those currently above the maxima (a higher max will likely apply for those in agreed market facing roles - see specialist pay section at paras 123-151) increases could still be applied to maintain their salary in real terms.

22. Despite some classification issues, departments have confirmed that they are following the longstanding policy of not recruiting into Pay Band 1A. This will not affect staff covered by legacy arrangements and the SCS1A minimum will be increased in line with that for SCS1. Work will continue with departments to ensure accurate reporting and the Government is confident that this grade will become obsolete over coming years as existing Pay Band 1As leave role.

Specialist Pay

23. In order to progress towards the vision of an SCS with more specialist skills and professional anchors, the discourse on the future shape and approach to specialist pay (and pay ranges by professional grouping) has continued since the proposal's set out in last year's Government evidence:

Table 2 - Proposed pay range structure

Group	Deputy Director	Director
A - 'Civil Service Wide' professions	As per annual proposed min and max[1]	As per annual proposed min and max[2]
B - Market facing roles	TBC following discussion with professions identified as market-facing	
C - Niche / department specific roles	TBC following discussion with departments who employ most of profession	

24. The Government proposes the following principles apply in relation to specialist pay:
    - a specialist pay approach will, in the first instance, only be taken for Deputy Director and Director roles, not Director General roles;
    - any higher rates of pay introduced should be reviewed on a regular basis;
    - agreement to introduce a higher maximum, and specific rates for specialist roles within this, for particular professions will be contingent on a robust business case submitted by the profession, clearly demonstrating the problem, the need for a long term pay solution rather than a tactical fix, as well as how an increase in pay will address the problems identified; and
    - movement to new pay ranges may take place over a longer timescale to ensure the final position is robust, well tested, and takes into account other changes to the SCS pay system.

[1] last year's evidence set out an aim for this to be £70-95k by 2021
[2] last year's evidence set out an aim for this to be £92-130k by 2021

25. This year the Government proposes to focus on a small number of professions (Finance and Digital Data and Technology (DDAT) as a minimum), working with them to introduce a target pay range for SCS in specialist roles that meet strict criteria. These roles, and the target levels of pay, will be established through business cases submitted by professions in the spring, and agreed through a central approvals route. Further professions will be considered for 2020/21.

26. To implement any agreed changes departments will be given flexibility within the overall pay award this year to target payments to increase the pay of those in agreed roles, where pay sits below the proposed range. In addition identified roles would then be as standard advertised at these new ranges.

27. **The Government would like the SSRB to:**
    - **Endorse the proposed pay approach for specialist pay.**
    - **Comment on the proposed criteria and evidence requirements set out in Section 4.**
    - **Continue to work with the Government to further define pay ranges throughout 2019 and 2020 as professions submit business cases.**

Directors General (DG) pay

28. Due to concerns about the administration of a tiered approach (proposed in last year's evidence), the Government began a more holistic review of the DG pay range and issues arising that are particular to this group.

29. This year the Government proposes to focus on increasing the DG minima to £115,000 whilst further evidence is gathered to explore whether there is a need for larger increases in future years, and the work on capability based pay progression is further developed. The Government will also continue to review the impact of the specialist pay approach being explored at Deputy Director and Director level on the DG cadre.

30. A DG pay committee will also be established in the spring. The purpose of such a committee will not be that of a typical remuneration committee which sets strategy (as is SSRB's responsibility based on Government evidence), but to ensure the pay strategy is implemented properly. This committee will focus on consistency of application of the DG pay strategy, offering challenge where strategy is not achieving desired outcomes or driving the desired culture, making strategic recommendations for the DG group to be fed into the annual Government evidence, and giving increased scrutiny to decisions made outside of the agreed pay framework (e.g. exceptions process for pay on level transfers and promotion, breaching of certain caps such as £150,000 for starting salaries).

31. **The Government would like the SSRB to:**
    - **Endorse the proposed approach to DG pay this year**

Greater reward in role

32. Last year's Government evidence outlined a vision to facilitate greater reward in role for members of the SCS in order to encourage greater depth of experience, confidence and leadership skills. This included consideration of the linking of reward to capability as a way of allowing progression through the pay range(s) whilst maintaining affordability and driving greater productivity.

33. Extensive research to establish lessons learnt from capability based reward systems already in place in the Civil Service, public and private sectors has been conducted. The Government plans to use this over the next year to inform the design of a sustainable way to enable some movement through the SCS pay ranges based on growth in capability through development in role.

34. The Government is not making any firm proposals in this year's evidence but has provided the SSRB with findings from the research and an exploration of options for a future system. A detailed proposal is planned for the Government evidence for the 2020/21 pay round.

35. In the interim the Government proposes to continue the consolidated and non-consolidated tactical solutions set out in last year's evidence, namely:
    - departments should continue to have the flexibility to designate base pay awards within their organisation but should be strongly encouraged to target these at high performers and those lowest down the pay scale.
    - End of year and in-year non-consolidated reward should continue. The expansion of the in-year reward flexibility for departments from up to 10% up to 20% of staff within existing cost controls has been well received and should continue at this level. The new corporate recognition scheme which launched this Autumn is in its infancy, and information on application and response to these new awards is not yet available.
    - to tackle immediate flight risks, the current Pivotal Role Allowance scheme should continue as a transitional measure to ensure that highly specialist staff and those delivering major projects are retained (reviewing its continued appropriateness as the Government begins to move towards a new long-term pay model). This has been reviewed recently and recommendations made to improve the process.

36. The tactical solutions above exist to support the start of a transition towards a pay system that better incentivises and rewards SCS who acquire expertise and depth of experience through their current roles. The Government commits to articulating fully in next year's evidence a long-term approach to how a system based on capability based pay progression would operate, including the potential implications of this for the wider SCS performance management structures.

37. **SSRB is asked to:**
    - **Comment on the Government's discussion of the development of capability based reward outlined in Section 4.**
    - **Endorse the Government's commitment to further development of a capability based reward system.**

- **Work with the Government throughout 2019 on detailed proposals in this area for the 2020/21 evidence round.**
- **Comment on the outcome of the PRA review and recommendations.**

SCS Performance Management

38. The vision for a future SCS needs to be supported by a robust and fit for purpose performance management system. This will become even more crucial as the work on capability based pay progression unfolds. Evidence shows that there are strong perceptions of unfairness and disengagement towards the current system. Therefore, the Government has accepted the SSRB recommendation that SCS performance management needs to be reviewed as a priority.

39. To test new approaches to SCS performance management and gather robust evidence for any future system, the Government proposes to run a small number of pilots in different departments.

40. Following the successful implementation of a new performance management system for delegated grades, the Department for Education (DfE) started trialling a new approach to SCS performance management in 2018/19. The DfE pilot (which extends an approach successfully being implemented for its delegated grades) focuses on monthly coaching conversations instead of end of year performance discussions and an increased focus on in year reward for achievement of key milestones.

41. In addition to the ongoing DfE pilot, the Government is considering running further pilots in a small number of departments to assess the benefits of different approaches to SCS performance management. The success of these pilots will be evaluated over a two year period, to inform decisions on the future SCS performance management system to be implemented in 2021/22. The Government will provide further supplementary evidence on the details of any further pilots in February 2019.

42. In addition to running pilots, the Government is currently considering whether any interim changes to the current SCS performance management system may be required for departments not running pilots. If any changes are considered necessary, the Government will provide further details in supplementary evidence to SSRB in February 2019.

43. **SSRB is asked to:**
    - **Endorse the proposed approach to review SCS performance management by running pilots in 2019/20 and 2020/21**

SCS pay approach (central versus delegated)

44. The current SCS system which combines centralised rules with implementation by separate employing departments.

45. Each department deals with many different complex issues and has their particular policy and operational priorities. Elements of flexibility are helpful for departments to tailor their pay awards to enable them to tackle any specific recruitment and retention issues and motivate their own workforce.

46. The Government believes that the current approach will become more coherent and streamlined with the shortening of pay bands, and more informed, coherent and disciplined decisions made through, or with input from, professions.

47. Furthermore, a number of improvements to departmental application of the central pay guidance and rules will be put in place, including the introduction of the DG pay committee, increased communication and clarity around central rules, and increased scrutiny on departmental reporting to the centre.

SECTION 1 – BACKGROUND AND ECONOMIC CONTEXT

Introduction

48. The economic and fiscal context in which the Pay Review Bodies make their recommendations was set out in the October 2018 Budget. However, as in previous years this chapter sets out points in the economic and fiscal context which are of particular relevance to the PRB process, notably the latest Office for Budgetary Responsibility (OBR) projections and labour market context, both public and private. This should be considered alongside the rest of the evidence set out in this document

49. In July the Government announced the biggest pay rise in almost 10 years for around one million public sector workers across Britain. This Government recognises that public sector workers deserve to be fairly rewarded for the vital work they do, and seeks to ensure the overall package remains fair and competitive.

50. Our flexible approach to pay allows us to recognise areas of skill shortage, and improvements to workforce productivity. The Government continues to take a balanced approach to public spending and it is important that pay awards are considered within the wider fiscal picture. With budgets for 2019-20 already set, it is crucial that Pay Review Bodies consider the more detailed information about affordability set out in this document alongside the economic and fiscal context.

UK economy

51. As usual, it is very important that the PRBs take into account the wider fiscal context when making their recommendations. The UK economy has solid foundations and continues to demonstrate its resilience. GDP has grown every year since 2010 and is forecast by the OBR to continue growing over the forecast period. Employment is at a near record high and real wages are rising at the fastest rate for two years.

52. There has been a sustained worldwide slowdown in productivity growth since the 2008 financial crisis, but the UK has been affected more than most. Whilst productivity growth has improved since 2016 it remains below pre-crisis levels. Increasing productivity is the only sustainable way to boost economic growth and prosperity, and to deliver better jobs and higher income for people across the country. The forecast for productivity remains subdued in the medium term but is expected to rise gradually to reach 1.2% per year[3] by 2023.

53. With public services accounting for around 20% of UK GDP, public sector productivity plays an important role in the UK's productivity growth overall. While public sector productivity has increased by 0.8% in the last year, continued improvement is essential for meeting growing demands on our world class public services. Public sector pay awards should reward efforts to modernise workforces and delivery models.

Public finances

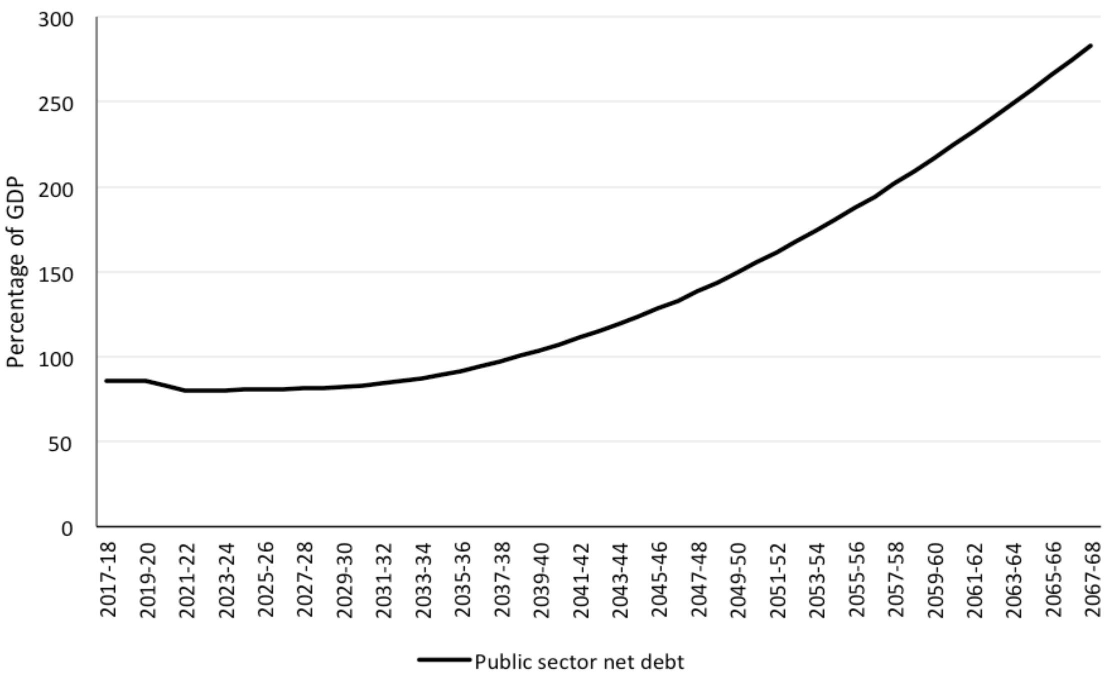
[3] OBR Economic and Fiscal Outlook, October 2018.

54. Since 2010 the government has made significant progress in restoring the public finances to health, which have now reached a turning point. The deficit has been reduced by four-fifths from a post-war peak of 9.9% of GDP in 2009-10 to 1.9% in 2017-18. The fiscal rules approved by Parliament in January 2017 commit the government to reducing the cyclically-adjusted deficit to below 2% of GDP by 2020-21 and having debt as a share of GDP falling in 2020-21. These rules will guide the UK towards a balanced budget by the middle of the next decade. The OBR forecasts that the government has met both its near□term fiscal targets in 2017-18, three years early, and will meet them in the target year.

55. The need for fiscal discipline continues however as, despite the improvement, debt still remains too high at over 80% of GDP. Continuing to reduce borrowing and debt is important to enhancing the UK's economic resilience, improving fiscal sustainability, and lessening the debt interest burden on future generations.

56. The OBR's 2018 Fiscal Sustainability Report (FSR) was published in July and highlighted the long-term pressures and risks to the public finances, underscoring the importance of locking in this hard-won progress. The 2018 FSR projection shows that, left unaddressed, demographic change and non-demographic cost pressures on health, pensions, and social care would push the debt-to-GDP ratio far beyond sustainable levels in the long-term. This would pass an unacceptable burden on to the next generation, and the government is therefore committed to ensuring that debt remains on a sustainable trajectory.

Figure 3 - Baseline projection public sector net debt (OBR Fiscal Sustainability Report, 2018)[4]



[4] OBR Fiscal Sustainability Report, July 2018.

57. Affordable pay awards will be an essential part of keeping borrowing under control: the public sector pay bill was £183.79bn in 2017. This accounts for £1 in every £4 spent by the Government. There continues to be a need to ensure increases in pay are affordable to ensure the delivery of world-class public services remains sustainable. Keeping control of public sector pay supports the Government's fiscal strategy to avoid passing an increasing burden of debt onto future generations. We spend more on debt interest than on the police and Armed Forces combined.

58. Existing spending plans set through the Spending Review 2015 remain in place, excepting the NHS, where the Government has announced a five-year funding settlement. The affordability position for each workforce is set out elsewhere in this evidence pack.

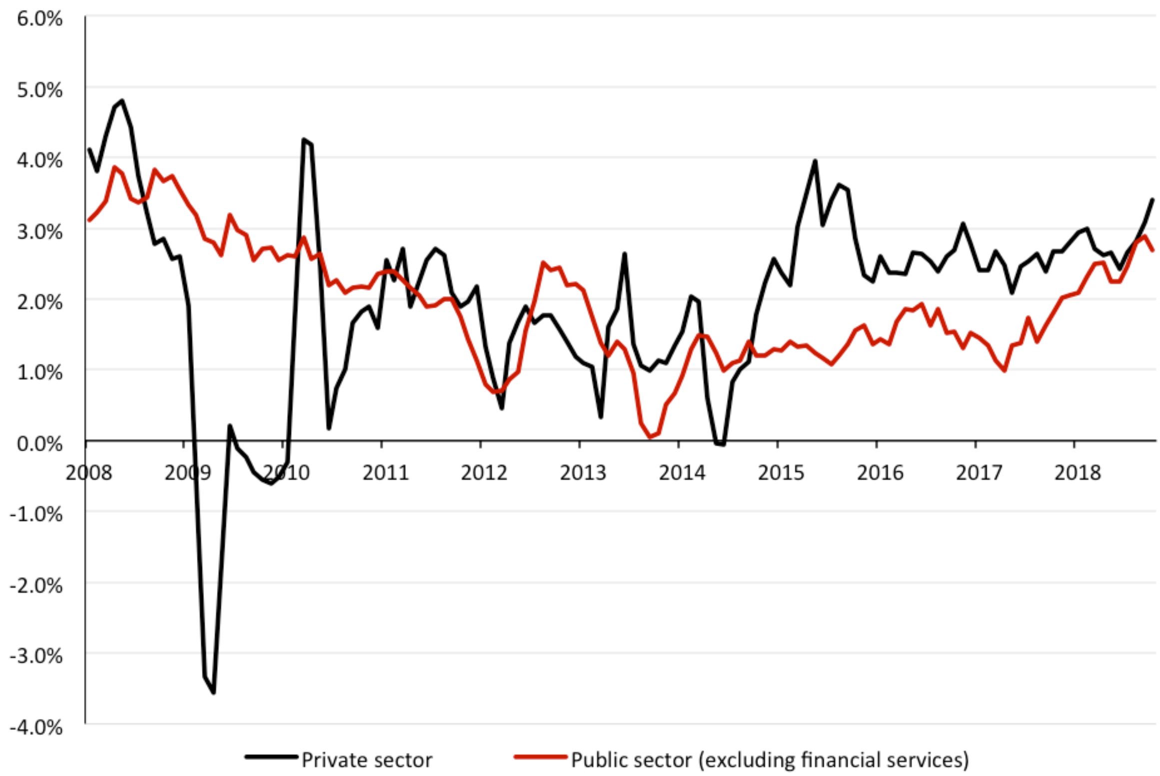
Labour market

59. Activity in the UK labour market is an important contextual consideration. Total employment reached a new record high in the 3 months to October 2018, with 32.5 million people in work. In 2018 the unemployment rate has dropped to its lowest since the 1970's, currently at 4.1%, it remains close to its historic low.

60. In their most recent Economic and Fiscal Outlook, the OBR revised down their assessment of the equilibrium rate of unemployment from 4.6% to 4.0% at the end of the forecast. The unemployment rate is forecast to reach 3.7% in 2019, before returning to 4.0% by 2023.

61. The downward revision to the equilibrium rate of unemployment was accompanied by an upward revision to labour market participation, meaning the number of people available to the labour market has increased. This was partially offset by a fall in average hours worked. Looking ahead, the OBR forecast employment to rise every year to reach 33.2 million by 2023.

Figure 4 - Public sector (excluding financial services) and private sector average nominal earnings growth (ONS November 2018).



62. Total nominal wage growth rose to 3.3% in the 3 months to October[5] (including bonuses), although wage growth remains lower than averages seen prior to the financial crisis, which reflects sluggish productivity growth. Public sector (excluding financial services) and private sector total wage growth are both above the current rate of inflation, at 2.7% and 3.4% respectively. Both the public sector and the private sector saw real total pay growth in the three months to October. It should be noted that wage growth as reflected in the ONS Average Weekly Earnings series reflects pay growth beyond annual settlements, including promotions, incremental increases and compositional changes.

63. The OBR forecast average earnings growth for the whole economy to be 2.6% in 2018, 2.5% in 2019, 2.8% in 2020, 3.0% in 2021, 3.1% in 2022 and 3.2% by 2023[6]. Average earnings growth is forecast to remain below the pre-crisis average.

64. Ultimately, a pickup in productivity is vital for the recovery of cross-economy wage growth rates to pre-recession levels. Public and private sector wages tend to move in similar directions, both because of pay expectations and the implications of tax receipts on public sector budgets. Despite low unemployment, weak growth in labour productivity has been weighing down on wages and, ultimately, the public finances. The OBR forecasts productivity growth of 0.8% in 2019, 0.9% in 2020, 1.0% in 2021, 1.1% 2022 and 1.2% in 2023.

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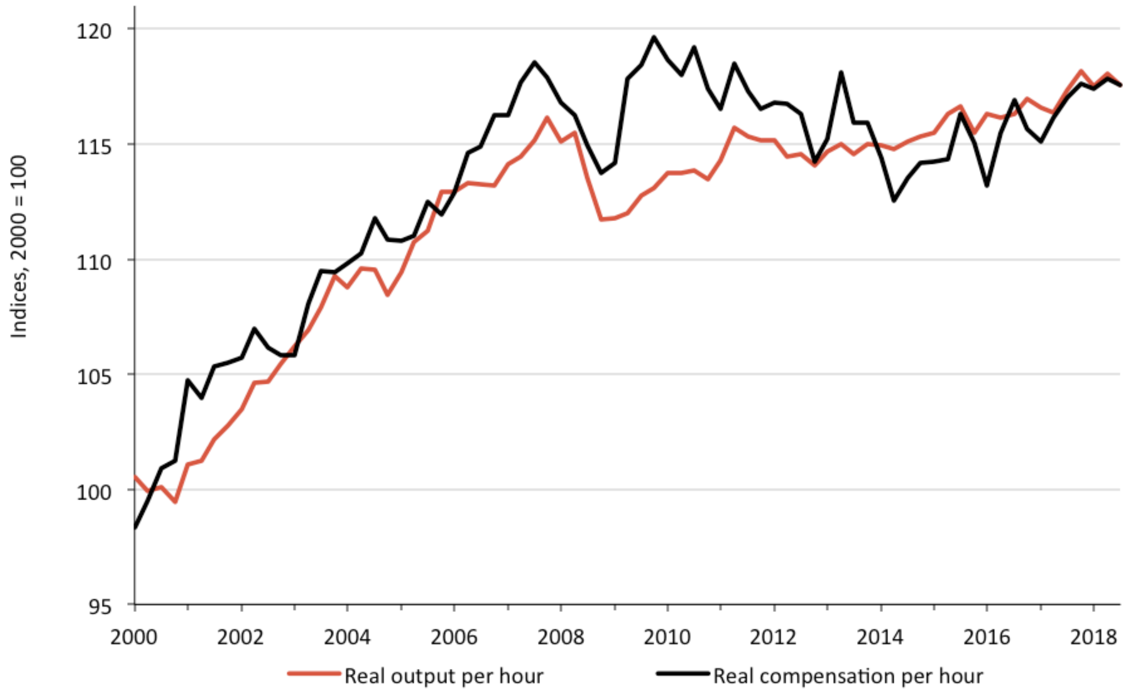
[5] Looking at annual growth rates for total pay (including bonuses), between July to September 2017 and July to September 2018.

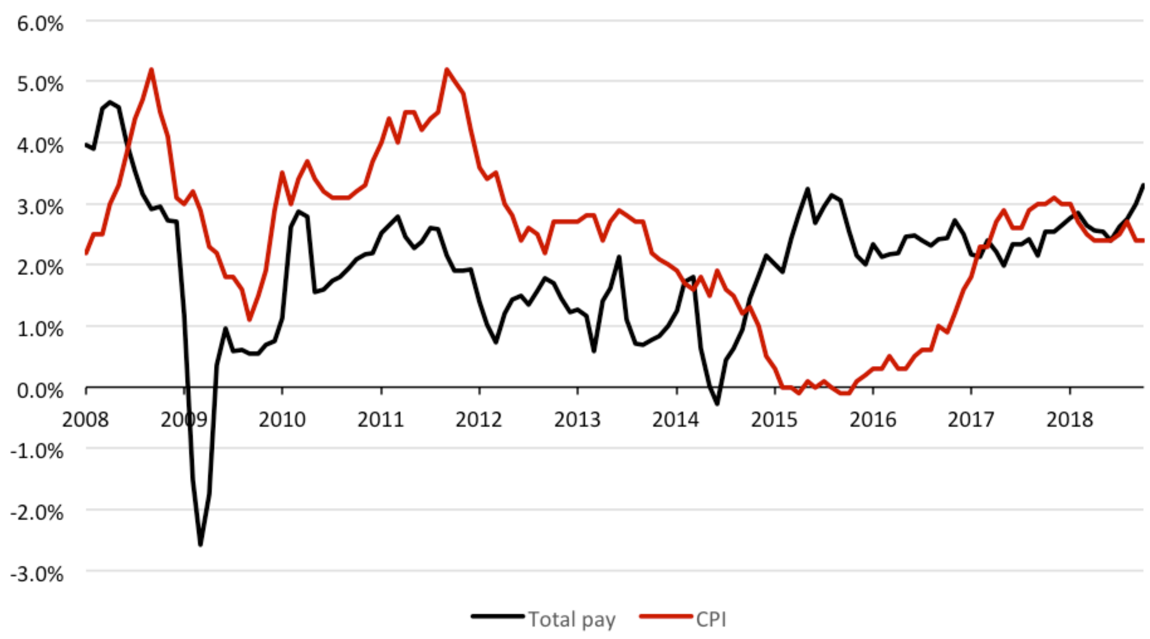
[6] The OBR use Wages and Salaries divided by employees to estimate wage growth, and so this will not exactly correspond to the ONS headline AWE measure.

Figure 5 - Real output per hour and real compensation per hour, year on year growth (ONS November 2018)



65. Inflation reached a peak of 3.1% in November 2017, following an increase in import prices after the earlier depreciation of sterling, but has since fallen back to 2.1% in the year to December 2018. The OBR forecasts CPI inflation to be 2.6% in 2018 and it is then expected to be 2.0% in 2019. It remains the view of Government that the appropriate level of public sector pay award is complex and determined by a variety of factors. Rates of price inflation are important, but not the only consideration.

Figure 6 - Whole economy average earnings growth and inflation (ONS November 2018)



Public sector pay and pensions

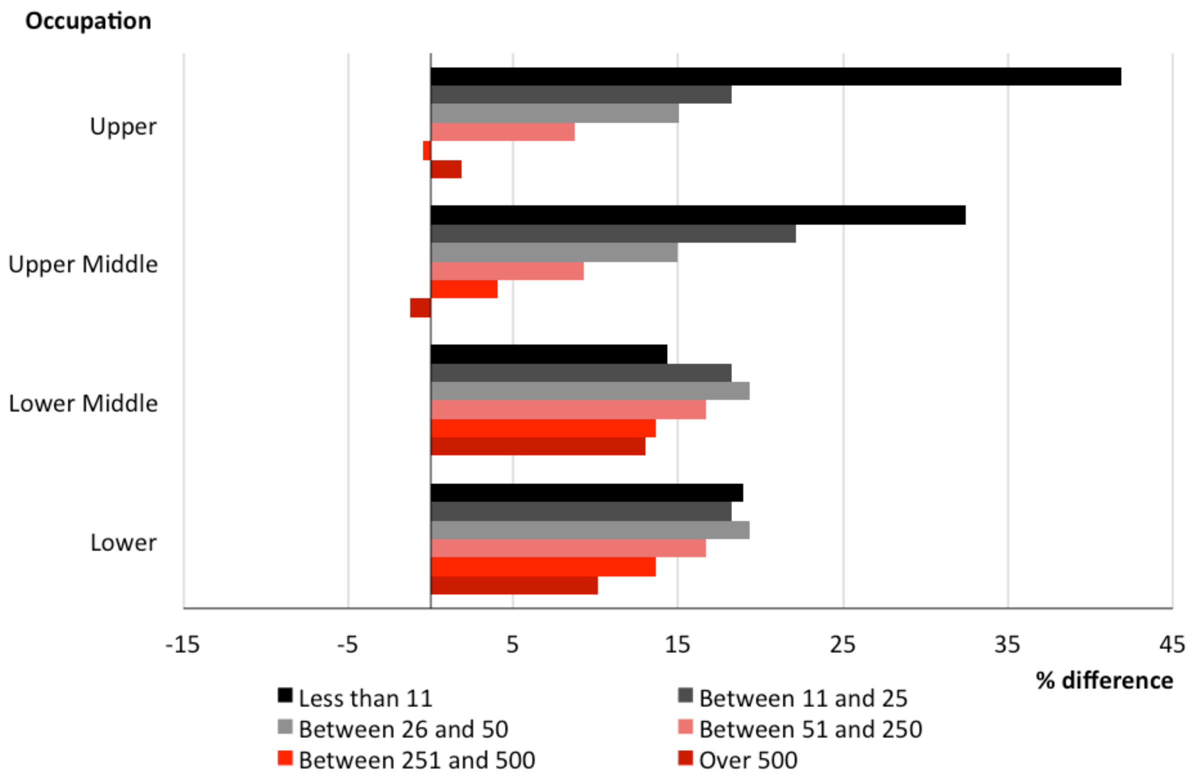
66. Public sector pay remains competitive: the median full-time wage in the public sector is £31,414, compared to £28,802 in the private sector. Public sector workers benefit from wider Government measures to support wages and ensure that people take home more of what they earn. The introduction of the National Living Wage marked an increase in pay for approximately one million people across the UK labour market, including in the public sector. Income tax changes mean that a typical taxpayer will pay £1,205 less in tax in 2019-20, compared to 2010-11, an additional support to public sector workers.

67. Following the 2008 financial crisis public sector workers were protected from the sharp drop in wages that was seen in the private sector, though wages subsequently grew at a slower pace. However, during Q3 2018 public and private sector wage growth was similar, and public sector remuneration when pensions are taken into account remains higher than in the private sector, as shown in recent ONS analysis (see chart 5).

68. This analysis shows that after controlling for various individual and job characteristics, on average there is a positive earnings differential in favour of the public sector, when pensions are included. However, as shown in Chart 5 below, this premium varies considerably by occupational skill level, and by the size of private sector firm being compared to the public sector, which is treated as a single large employer in this analysis. The right-hand side shows the average premium received by public sector workers in comparison to their private sector counterparts, and the left-hand side showing the penalty.

69. Key PRB workforces, including teachers, police and NHS staff such as nurses, midwives and GPs are in the upper and upper middle skill categories according to the ONS Standard Occupational Classification.

Figure 7 - Average percentage difference in mean hourly earnings (including pensions) of employees, by occupational group and firm size, private sector compared with public sector, UK, 2017[7]



70. When considering changes to remuneration, PRBs should take account of the total reward package including elements such as progression pay, allowances and pensions. Public service pension schemes continue to be amongst the best available and significantly above the average value of pension provision in the private sector. Around 13.3% of active occupational pension scheme membership in the private sector is in defined benefit (DB) schemes, with the vast majority in defined contribution (DC) schemes. In contrast, over 92.7% of active members in the public sector are in DB arrangements.

71. The Budget confirmed a reduction of the discount rate for calculating employer contributions in unfunded public service pension schemes. The valuations indicate that there will be additional costs to employers in providing public service pensions over the long-term. It is a long standing principle that the full costs of public sector pensions are recognised by employers at the point they are incurred. This is important to ensure that the schemes are affordable and sustainable in the long-term. However, HM Treasury is working with departments to ensure that recognition of these additional costs does not jeopardise the delivery of frontline public services or put undue pressure on public employers.

[7] ONS, Public and private earnings in the UK, November 2018.

Conclusion

72. This chapter summarises the economic and fiscal evidence which is likely to be relevant to the recommendations of the PRBs. This is intended to inform consideration of the affordability of specific pay awards, and to place these awards in economic context, on top of the workforce specific evidence presented elsewhere in this evidence pack.

73. Much of the evidence presented here will feed into retention and recruitment across public sector workforces. Retention and recruitment will vary considerably across geographies, specialisms and grades. As set out in our remit letter, we ask that the PRBs set out what consideration they have given to targeting in their final report, alongside affordability of awards.

Civil Service pay and pensions

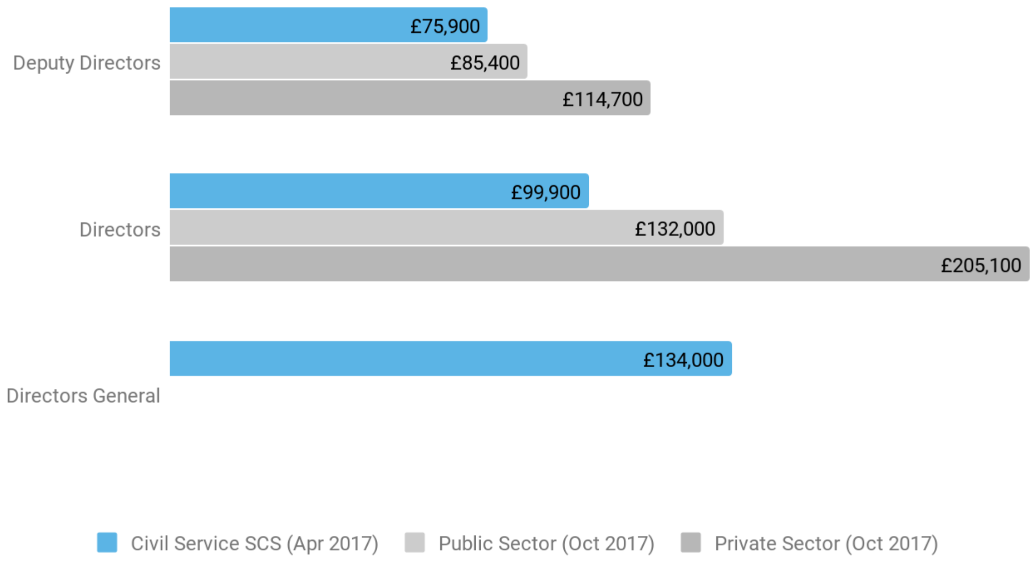
74. The picture is slightly different when the Civil Service, and particularly senior grades within the Civil Service, rather than the wider public sector is considered against the private sector.

75. Both base salary and total remuneration for all SCS paybands are lower than that for private sector equivalents. This differential has increased over time, and increases with seniority within the SCS.

76. The current payband minima for the SCS are £68,000 (SCS1[8]), £90,500 (SCS2) and £111,500 (SCS3). The median salaries for each grade in April 2017 were £75,900, £99,900, and £134,000 respectively. SCS who joined the Civil Service after April 2013 are entitled to 25 days of annual leave, rising to 30 days at five years of service. Sickness absence entitlements for those on Civil Service modernised terms and conditions begin at one month full pay and one month half pay, rising to five months full pay and five months half pay at five years of service.

Figure 8 - Median base salary for SCS and public and private sector equivalents[9] by grade (Apr 2017, Oct 2017)

[8] Not including SCS1A
[9] Comparison figures are estimates based on data from July 2017



Sources: Cabinet Office SCS database, Korn Ferry Reward benchmarking report 2018[10]

[10] Korn Ferry's report does not provide information at DG level

SECTION 2 – 2018 SSRB RECOMMENDATIONS FOR THE SCS

77. Earlier this year, the Government responded to the recommendations in the SSRB's report on Senior Salaries 2018. The Government was pleased that the SSRB welcomed the direction of travel laid out in our vision for the future SCS, and committed to engaging with SSRB further on the strategy to reach this vision.

Overview of SSRB recommendations in 2018 report

78. In its 2018 report, the SSRB made the following recommendations for the SCS workforce:

We recommend an overall increase to the SCS paybill of 2.5 per cent, which should be allocated in accordance with the recommendations set out below.

Recommendation 1: *We recommend that all SCS members should receive a 1 per cent consolidated basic pay increase.*

Recommendation 2: *We recommend that an additional 0.25 per cent of the paybill should be used to increase the pay band minima for all pay bands to the following levels:*

- *Pay band 1: £68,000 (currently £65,000)*
- *Pay band 2: £90,500 (currently £88,000)*
- *Pay band 3: £111,500 (currently £107,000)*

The 1 per cent consolidated basic pay increase set out in Recommendation 1 should be applied after the increase to the minima.

Recommendation 3: *We recommend that the pay range maxima for new recruits and those people currently paid below the new maxima are reduced for 2018-19, to the following levels:*

- *Pay band 1: £102,000 (currently £117,800)*
- *Pay band 2: £136,000 (currently £162,500)*
- *Pay band 3: £167,500 (currently £208,100)*

Recommendation 4: *We recommend that an additional consolidated 1.25 per cent should be allocated and should be distributed to SCS members dependent on:*

- *Demonstration of sustained high performance, increased effectiveness and deepened expertise.*
- *Their position in the pay range.*
- *The extent to which they benefited from the increase to the minima.*

Recommendation 5: *The Cabinet Office should provide evidence to demonstrate, in particular in relation to Recommendation 4, that the application of the award has resulted in higher awards to those:*

- *who demonstrated evidence of sustained high performance, increased effectiveness and deepened expertise;*

- *who were relatively low in the pay range; and/or*
- *who have benefited less or not at all from the rise in the minima.*

Recommendation 6: We endorse the proposals to:

- *Extend the eligibility of in-year awards from 10 to 20 per cent of the remit group.*
- *Introduce a corporate recognition scheme with awards of around £1,000, authorised at Permanent Secretary level. This is on the proviso that these schemes are applied consistently across departments with a central audit process put in place to confirm this. We should like to be updated on the result of this audit in future years.*

79. The Government accepted all recommendations in principle. However in response to recommendation 3, it committed to reducing the maxima in a longer time frame once further consultation had taken place, and in response to recommendation 4, 0.25% was put aside for pay anomalies rather than the 1.25% recommended. This was due to the fact that the recommended amount would move significantly away from coherence between the approach for SCS and delegated grades and risked affordability issues in some departments.

SCS assessment in 2017 Government evidence against SSRB strategic priorities

80. The SSRB also made the following assessment of the SCS against its strategic priorities:

Table 3 - Assessment of SCS proposals for 2018/19 against SSRB priorities

SSRB priority	Assessment of SCS
Pay and workforce strategy: Departments need to be clear about their long-term objectives, their future operating model and the pay and workforce strategy required to support them. Annual changes to pay need to be linked to longer-term strategy.	Cabinet Office has conducted an initial review of the pay framework and its linked proposals for 2018 to its future Vision. However, considerable further progress is required.
Focus on outcomes: There should be more focus on maximising outcomes for lowest cost and less fixation on limiting basic pay increases across the board.	Some proposals to make savings from operating more consistent pay policies. However, detailed costings were not provided and there is concern about the ability to generate savings.
Action on poor performance: Greater analysis is required of where value is being added and action taken where it is not.	The proposals put more emphasis on rewarding high performers but there is little evidence on how poor performance is being identified or addressed.

Performance management and pay: There needs to be demonstrable evidence that appraisal systems and performance management arrangements exist and are effective, and of a robust approach to reward structure and career development	Established performance management system, but not trusted by staff. Increase in use of in-year awards. Commitment to review in 2018.
Better data: Better decision-making requires better data, particularly in respect of attrition, retention and recruitment. Emerging issues and pressures need to be identified promptly and accurately so that appropriate action can be taken.	Good and improved workforce data. Better exit interview data is required.
Feeder Groups: The feeder groups that will supply the next generation of senior public sector leaders must be closely monitored. The data relating to them needs careful scrutiny for early warning signs of impending problems	Some data on motivation and pay of feeder group provided. Further work required. No evidence of major concerns.
Targeting: Where evidence supports it, pay increases should be targeted according to factors such as the level of responsibility, job performance, skill shortages and location.	The new framework seeks to provide consistency across departments whilst retaining departmental flexibility to target. However, the current system limits scope for strategic targeting of awards.
Central versus devolved tensions: Tensions that exist in the system that hinder the development of a coherent workforce policy, such as between national and local control, need to be explicitly recognised and actively managed.	Tension between central and departmental control not resolved by new proposals.
Diversity: The senior workforces within our remit groups need to better reflect the society they serve and the broader workforce for which they are responsible.	Relatively improved performance on gender but still not satisfactory. Despite increases in numbers, still poor on ethnicity, in particular in relation to Permanent Secretaries.

81. The Government broadly agreed with SSRB’s assessment of its performance against the strategic priorities outlined in the 2018 report, acknowledging that much of the action proposed in 2018/19 was the first step towards the outlined vision with further work needed to establish the detail.

82. The Government has made further steps this year to develop its thinking in a number of areas that support the overall vision with a particular focus on specialist pay,

capability based pay progression, Directors General pay, and performance management.

83. Annex A sets out an overall summary of how the Government has sought to address each of SSRB's strategic priorities in the proposals it is putting forward this year. In developing this year's proposals, the Government believes it has taken steps to improve performance against all of the SSRB priorities.

84. The Government recognises in some areas there is even more progress to be made. Where this is the case, plans for future activity have been set out to accelerate progress in these areas.

SECTION 3 - RECAP OF 2017 PAY FRAMEWORK REVIEW AND LONG-TERM VISION FOR THE FUTURE SCS PAY FRAMEWORK

Recap of findings from the 2017 SCS pay framework review

85. In last year's Government evidence, the Cabinet Office set out findings from the review of current pay arrangements undertaken in 2017. This involved a significant data gathering exercise and interviews to gather views from across government on the impact of current pay arrangements. The review identified a set of core issues, supported by analysis of ongoing SCS data collection; SCS responses to the Civil Service People Survey; and SCS exit interview data.

86. The following issues were identified as the most pressing in the pay system, many of which had been raised as areas of concerns by the SSRB in previous years:

Table 4 - Core issues and supporting evidence from 2017 SCS pay framework review

2017 Core Issues	2017 Supporting evidence
Promotion (or level transfer) are seen as the only way to obtain a pay increase *This is driving SCS towards promotion too early, often before they are ready. Meanwhile, acquisition of expertise and depth of experience is not being rewarded (or seen to be rewarded).*	● Median time in current post for SCS is just under two years; in pay band is 3 years. ● Remaining in post does not lead to a significant increase in salary. Meanwhile, promotions, brought on average an 18% salary increase in 2016.
Internal market issues and 'job-hopping *Departments are often bidding for talent, which exacerbates unnecessary or premature movement around the system.* *Limited flexibilities exist to review salaries once people are in the department.*	● In the three years preceding 2016 (inclusive), there were in **excess of 1,100 moves per year into or within the SCS (new entrants to the SCS** as well as moves between departments and within departments).
There are inconsistent approaches in pay policies *Pay on promotion, transfer and rules for internal appointments used by departments vary widely and there are large disparities across departments in terms of salary distributions.*	In 2016: ● there was a 14% difference between the median at the lowest paying department and highest paying department at Deputy Director level; ● a 27% difference at Director level as lowest; and ● a 20% difference at Director General level. ● In 2015/16, only 22% of SCS moving on level transfers received an increase in

	pay and 28% of SCS moving on promotion received an increase in excess of 10% or the pay band minima
Cannot compete with the external market for some specialist skills *The gap between SCS pay and that of comparable groups in the wider public and private sectors is widening.* *Departments would welcome market segmentation looking at professional roles/job families/spot rates or ranges with a degree of flex for recruiting and retaining in specialist roles. The review also found support for the Cabinet Office to look at shorter ranges, to drive greater consistency.*	● SSRB estimates that since 2009 take home pay for the SCS fell by 23% - compared to 5% and 4% for the wider public and private sectors respectively. This disparity worsens with seniority. ● The proportion of SCS in Commercial, Digital and Project Delivery posts has increased from 10% to 15% in the last decade. ● However, since 2012/13 the general trend in the proportion of new entrants to the SCS from outside the Civil Service has been downward (from 39% in 2012/13 to 27% in 2016/17). For appointments overseen by the Civil Service Commission, the number of external candidates has fallen from 59% in 2014/15 to 40% in 2016/17. ● Meanwhile, while a grade breakdown of non-payroll staff is not available, the number of consultants in the Civil Service and Executive NDPBs. Increased substantially between March 2015 to March 2017 (from c.300 to 500)
The system is inefficient *Despite 1% pay increase limit, the SCS paybill is growing.*	● The SCS salary bill grew by 5% in 2015/16 and increased by over 20% in the 4 years between 2012-2016. ● This was driven primarily by an increase in headcount over this period (total 13%, which is almost all at Deputy Director and Director grades). ● Mean salary has increased by 4.4% (about 1.1% each year) & median salary by 3.2% since 2012.
The system does not follow a rational structure. *There are frequent cases where SCS are paid less than the staff they manage. The link between pay and performance is also often inconsistent, despite efforts made to target consolidated and non-consolidated*	● **Around 6,000 Grade 6/7s** are paid in excess of £65,000 (the current SCS minima). ● The median salary for Directors marked as “Achieving” in 2016 was around **£6,000 less** than the median for low performing Directors, whilst for Deputy

pay awards towards high performers. *This is reported to be damaging confidence and impacting morale.*	Directors it was **£1,000 less**. This is likely to be due to a number of factors and further detailed analysis is planned to determine the underlying causes. ● **Pay was reported as a factor for 60% of SCS who undertook an exit interview in 2017**, and 81% of those classed as "regrettable losses." ● SCS responses to the Civil Service People Survey in 2017 show **a decrease in satisfaction with pay and benefits over time**.

Evidence of recruitment, retention and motivation concerns in the SCS

87. The review also found that whilst there was growing evidence that the SCS is falling behind the market and this trend was set to continue, there was not yet clear evidence of an immediate recruitment and retention issue:
    - SCS engagement levels were at the highest level they have been (77% in 2017, up from 76% in 2016);
    - the turnover rate for SCS had increased from 14.3% in 2015/16 to 14.5% in 2016/17, but remained below the all time high of 16.9% in 2011/12; and
    - high performers in the SCS were far less likely to resign than low performers. Low performers in 2014/15 were more likely (9.8%) to have resigned by June 2017 than their top performing colleagues (6.7%).

88. And the Civil Service continued to attract talent:
    - recruitment of Fast Streamers was at a record high – 1,245 Fast Streamers recommended for appointment in 2016, up from 967 in 2015;
    - the number of SCS roles unfilled (from those overseen by Civil Service Commission) had fallen to 5.6% from 21.5% in 2015/16; and
    - 70% of successful candidates in Civil Service Commissioner-chaired competitions were ranked as very good or outstanding, 19% 'clearly above' and just 12% were 'acceptable'.

89. Nevertheless, on recruitment, the Government raised some potential challenges including the following trends:
    - of the 153 appointments made by the Civil Service Commission, 42% resulted in only one appointable candidate being identified (with no reserve candidates), up from 38% in the previous year; and
    - the proportion of successful candidates from outside of the Civil Service was seen to be dropping. For appointments overseen by the Civil Service Commission, the number of external candidates fell from 59% in 2014/15 to 40% in 2016/17.

90. Some trends in resignations also indicated there may be emerging issues:

- The resignation rate increased from 3.7% in 2014/15 to 4.4% in 2015/16 and then 4.5% in 2016/17, a record high, and since 2009 the proportion of SCS saying they want to leave their organisation within one year continuing to rise (a trend more pronounced in London than outside London); and
- Resignation rates varied amongst specialist professions. For example, Digital (8.4%) and Commercial (7.4%) SCS roles had resignation rates much higher than the overall rate (4.5%).

Conclusions from the 2017 Framework Review

91. Overall, the Government concluded that there was not widespread evidence of an immediate recruitment and retention concern for the SCS workforce. Nonetheless, there were growing pockets of concern – particularly with regard to specialist skill shortages – and an indication these trends may be getting worse over time.

92. The review of the pay framework this year did, however, find common concerns and frustrations across the SCS workforce regarding the rigidity of the SCS pay framework and the perverse incentives or random outcomes that can result from it.

2018 update

93. A review of the data this year has confirmed that there remains unclear evidence of immediate recruitment and retention issues:
    - SCS engagement levels remain at the highest level they have been (78% in 2018); and
    - the turnover rate for SCS dropped to 10.9% in 2017/18, from 14.5% in 2016/17, its lowest level since 2009/10.

94. And the Civil Service continued to attract talent in 2017/18:
    - recruitment of Fast Streamers at a record high – 1,411 Fast Streamers recommended for appointment (excluding in-service candidates) in 2018, up from 1233 in 2017;
    - the number of SCS roles unfilled (from those overseen by Civil Service Commission) fell again to 3.1% in 2017/18; and
    - 71% of successful candidates in Civil Service Commissioner-chaired competitions were ranked as very good or outstanding, and just 8% were ‘acceptable’.

95. Nevertheless, on recruitment, some potential challenges continued to exist:
    - of the 159 appointments made by the Civil Service Commission, 31% resulted in only one appointable candidate being identified (with no reserve candidates). However this was down from 42% in the previous year; and
    - the proportion of successful candidates from outside of the Civil Service dropped again this year. For appointments overseen by the Civil Service Commission, the number of external candidates fell from 54% in 2015/16 to 40% in 2016/17, to 37% in 2017/18.

- A review of the comments made on pay and related issues raised in DG panel reports by the Civil Service Commission in the period July 2017 to August 2018 showed that, of the 34 externally advertised posts, seven (20%) contained a reference to the fact that the salary on offer at this level was not sufficient to either attract the range and/or appropriate calibre of external candidates desired, or the reward package was a factor in strong candidates withdrawing from the pool.

96. Resignation data from 2018 suggests a mixed picture with potential pockets of issues:
    - the resignation rate decreased in 2017/18 to 3.5% from 4.5% in 2016/17,
    - 21% of SCS in London said they wanted to leave their organisation as soon as possible or within the next 12 months in 2018, with some departments showing significantly higher percentages; and
    - resignation rates remain varied amongst specialist professions. For example, Communication (12.4%) and Digital (8.3%) SCS roles had resignation rates much higher than the overall rate (3.5%) in 2017/18.

97. The Government believes that the 2018 data continues to indicate some areas of structural concern. On the one hand, there is an ambition for the Civil Service to be as self-sufficient as possible in producing its own supply of senior (including SCS level) specialists. Two positive indicators that this had been achieved would be both successful appointments of internal appointees to specialist roles, and a meaningful number of internally developed specialists securing external roles. The latter indicator would evidence the level of expertise being generated among senior civil servants, referenced to what the external market demands. This would be shown by higher levels of turnover, as more civil servants sought to develop their careers in other sectors. This churn would be offset by both external appointees joining to take advantage of the experience and skill development opportunities Civil Service roles offer, and by more internal opportunities being created by ‘ventilation’. In due course, a significant proportion of the SCS would leave and re-join at points during their professional careers.

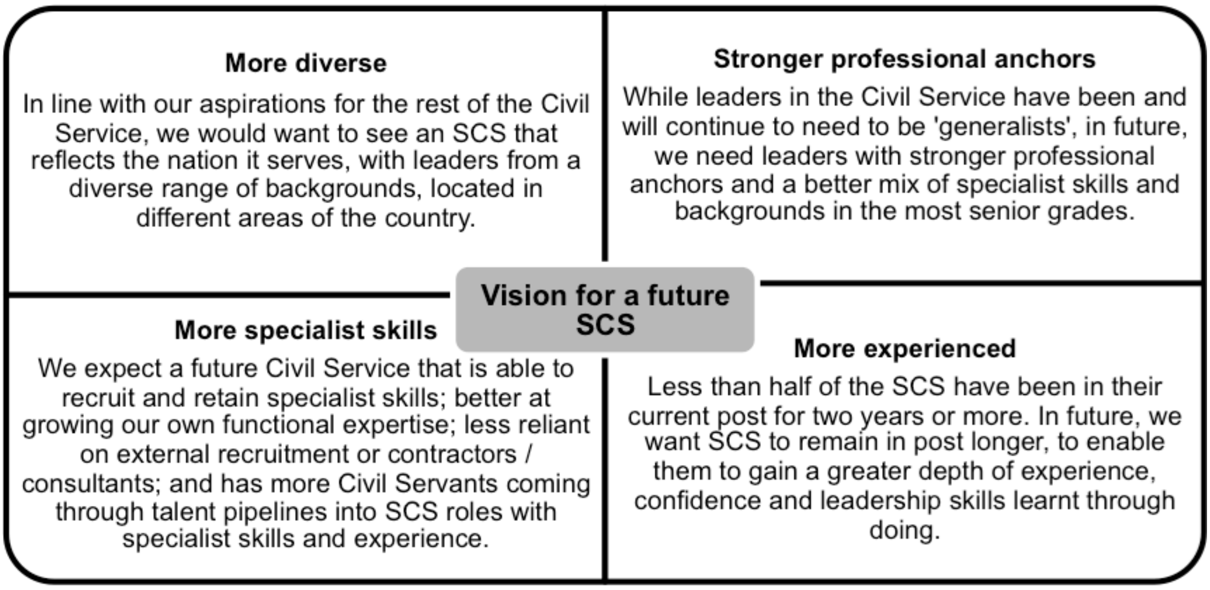
98. On the other hand, and at this moment in time where the Government believes senior expertise in a number of professional areas is currently insufficient, it might be expected that more external professionals joining the SCS. Currently, this remains too infrequent and, as the figures above show, fewer external candidates are being appointed. It would be naive to believe that this was simply due to merit. It is likely that many well qualified external professionals do not consider applying for Civil Service roles because levels of remuneration are significantly below what they can earn in other sectors.

Vision for a future SCS pay structure

99. To ensure all decisions on SCS pay are made with consideration to a wider workforce strategy for the SCS, and noting the challenges present in any attempt to create a ‘fixed’ vision for a workforce in a changing political context, the Government set out in last year’s evidence an overall vision for a future SCS pay framework which

- in line with the Civil Service Workforce Plan - would help attract, retain and develop the very best senior talent for government.

Figure 9 - Vision for a future SCS



100. Any pay system needs to consider the appropriate starting salary based on the skills/experience brought to the role; the salary you would expect/wish to pay for someone who is fully effective; and it should have the right incentives and rewards in place to ensure people develop and gain in capability (by either staying in role/grade or moving around to develop additional skills/experience).

101. The Government has concluded that the current combination of a broad banding structure, pay restraint, inconsistent application of policies and controls was not enabling these key elements to work together effectively to maximise the productivity of the SCS or develop the workforce to meet the challenges of the future.

102. The Government’s long-term ambition remains, as last year, for a future SCS pay framework that aligns more closely with the professions, with more structure, efficiency and consistency, incentivising and rewarding SCS who look to build depth as well as breadth of experience.

103. In last year’s evidence it was acknowledged that a fundamental change of the SCS pay framework would be required to support movement towards the vision. The Government believes that this year’s evidence has gone some way to articulate this requirement further.

Core principles for change

104. Alongside the vision, the Government also developed a set of three core reward principles to guide movement towards a new SCS pay framework in the long-term.

105. These principles were:

Figure 10 - SCS pay core principles

Movement over time to a set of narrower pay ranges by professional grouping

to make pay more consistent for most SCS roles but enable higher pay to be available, where needed, to address certain skill shortages.

Greater reward for those who remain in role

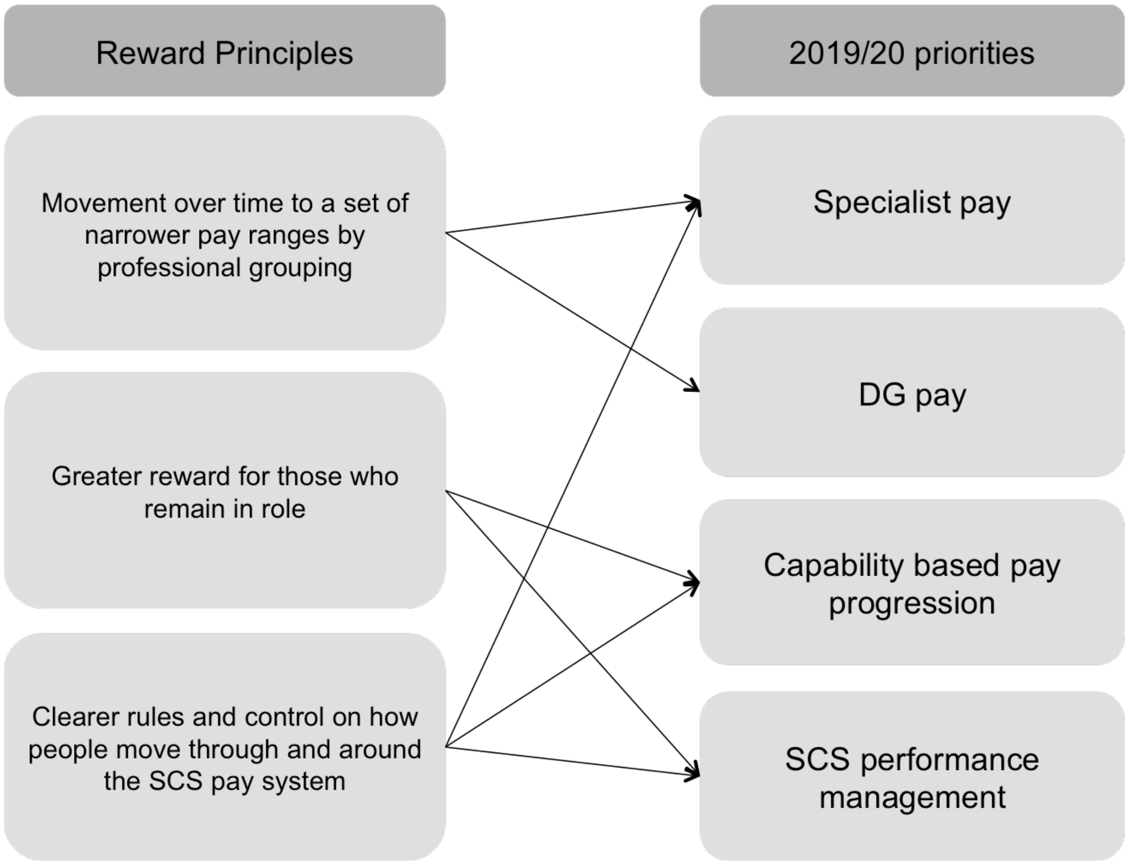
to encourage SCS to gain experience by remaining in post

Clear rules and control on how people move through and around the SCS pay system

to bring greater rationality to the pay system, encourage less frequent movement, and take advantage of savings that may be available by reducing pay increases for moves on transfer/promotion

106. Progress against these principles including proposals have been set out throughout Section 4 as well as the detail of how each proposal relates to the vision. Figure 11 sets out how the priority focus topics this year relate to the reward principles.

Figure 11 - Reward principles in relation to the 2019/20 priority topics


Reward Principles
2019/20 priorities
Movement over time to a set of narrower pay ranges by professional grouping
Specialist pay
DG pay
Greater reward for those who remain in role
Capability based pay progression
Clearer rules and control on how people move through and around the SCS pay system
SCS performance management

SECTION 3 - PRIORITY TOPICS AND PROPOSALS

Headline figure for the SCS

107. Government believes that the headline figure for the SCS should be no higher, on average, than that agreed for delegated grades through the annual pay remit guidance. However, it also recognises that the difference between the levels of remuneration (including pension) within the SCS and those for equivalent roles in other sectors, is generally greater than that at other grades, and that flexibility is required to respond to this, particularly for specialist roles. The appropriate headline figure for the SCS is currently being discussed and supplementary evidence will be provided when more information is available.

108. The Government also believes that the majority of any award to the SCS should be targeted to address current and future problems and priorities, rather than being set as a flat or average increase for all SCS. Last year's award was targeted towards minima increases at each grade, tackling pay anomalies which targeted high performers who sit towards the bottom of the pay ranges, and, within the 1% general uplift, many departments chose to further target their award to address specific department based issues and to target high performers.

Consistent pay ranges and specialist pay

Pay ranges

109. The Government proposes the following pay ranges for this year:

Table 5 - Proposed pay ranges for 2019/20

	Deputy Director	Director	Director General
Minimum	£70,000 (from £68,000)	£92,000 (from £90,500)	£115,000 (from £111,500)
Maximum	£102,000 (from £117,800)	£136,000 (from £162,500)	£167,500 (from £208,000)

110. Last year's Government evidence committed to increasing the minima for Deputy Directors from £65,000 to £70,000, for Directors from £88,000 to £92,000, and for DGs from £108,000 to £115,000 over 3 years (e.g. by 2020/21).

111. The Government proposes that the minima levels for each grade are achieved this year rather than next year to make quicker progress in reducing the length of pay ranges, eroding the G6/SCS1 overlap in many departments, and addressing particular issues for the DG cadre (outlined in section on DG pay).

112. The cost of minima increases will vary by department depending on the makeup of the SCS population. For example, initial modelling of minima increases for Deputy Directors in departments suggests the overall cost will be c.0.2%, but for

some departments with large numbers of SCS on the minima of the range these could be in the region of c.0.5-0.9%, and for others it will be below 0.2%.

113. Each department will be given flexibility to meet these costs, even where this means, in a small number of cases, the department exceeds the overall average headline figure. For those departments with particularly high costs relating to minima rises, where extra money cannot be found from existing budgets to meet this, flexibility may be needed to allow minima raises to be prioritised over other pay increases such as a general ‘cost of living’ increase or addressing pay anomalies.

114. Figures for reduced maxima are based on SSRB’s 2018 recommendations which were calculated at 150% of the current minima. It is expected that for those currently above the maxima (a higher max will likely apply for those in agreed market facing roles - see specialist pay section) increases could still be applied to maintain their salary in real terms.

115. Reduction to the maxima would not remove the ability to pay a starting salary above this level for roles where there is a compelling exception case made (for example, for some specialist or niche roles whilst the specialist pay approach remains under development). Rather, it would give a clear indicator to the SCS as to where the range for the majority should sit.

116. An exceptions process already exists to support the central rules on pay increases on level transfer and promotion introduced last year which could apply for cases above the maxima. Agreement to pay outside of these rules is required from the Permanent Secretary and relevant Head of Profession (or delegated representative) based on evidence provided against central criteria.

117. The Government believes that a shorter overall pay range through reductions to the maxima as well as increases to the minima will be particularly helpful in:

- Increasing engagement and reducing inequities associated with maintaining a long pay range;
- Reducing burden on departments to reduce pay range length purely though minima raises; and
- Preparing for the introduction of capability based pay progression and proposed movement through the pay ranges. The Government would anticipate challenge if it were to introduce movement through only a small percentage of the current long ranges.

118. Few SCS currently sit above these proposed maxima. In the most recent pay data (Q1 2017), only 4% of Deputy Directors, 10% of Directors, and 11% of Directors General had salaries above the proposed maximum values[11]. Of the DG group, the majority of those currently above the maximum are Chief Executives of executive agencies, or hold specialist roles (e.g. Parliamentary Counsel, some Heads of Function).

[11] these percentages would be expected to increase following the implementation of the 2018 award

SCS pay band 1A

119. At a time when many organisations are delayering their workforces, recruitment into Pay Band 1A is not appropriate, particularly when there is enough flexibility in the SCS pay system to recruit into Pay Bands 1 and 2. From April 2013 departments were informed that they should no longer recruit into Pay Band 1A, but that existing staff would remain unaffected, and they could continue to make pay awards in the same way as for other SCS staff. In 2018/19 the Government raised the Pay Band 1A minimum to align in line with the Pay Band 1 minimum and plan to continue to do the same this year and in future years.

Table 6 - SCS1A numbers

Year (as at April)	Number
2003	198
2005	212
2007	202
2010	183
2011	206
2012	113
2013	121
2014	105
2015	106
2016[12]	126
2017	114
2018	87

120. Reported numbers have come down significantly from an all time high of 212 in 2005 to the current level of 87, a nearly 60% reduction. However this is likely to significantly decrease further as a number of departments confirmed during the review that they are in the process of recategorising PB1As in their departments as PB1s. For example, one department has confirmed that it no longer recognises the PB1A grade but the 16 PB1As showing in its data are in the process of being recategorised and should show as zero in the future.

121. The only department with a genuine legacy issue is Scottish Government that currently has 26 PB1As. Its policy is not to recruit into PB1A. When a 1A post

[12] The slight increase in numbers is due to improved data.

becomes vacant it evaluates the role and, in the main to date, the post has been graded at PB1, so current indications are that they will 'wither on the vine'.

122. Despite some reporting issues, departments have confirmed that they are following the longstanding policy of not recruiting into Pay Band 1A. This will not affect staff covered by legacy arrangements and the SCS1A minimum will be increased in line with that for SCS1. Work will continue with departments to ensure accurate reporting and the Government is confident that this grade will become obsolete over coming years as existing PB1As leave their roles.

Specialist Pay

123. The Government is continuing to professionalise the Civil Service and its core capabilities, including operational delivery and policy, and has introduced a functional model across government. This provides the expertise needed to deliver an increasingly complex agenda, allows more coherent and targeted development, ensures better workforce planning and recruitment, and provides clear lines of accountability. Moreover it ensures all civil servants develop a blend of core Civil Service and profession-specific skills.

124. There are 28 recognised professions in the Civil Service and 13 Functions. In the Civil Service, the terms 'function' and 'profession' are sometimes used interchangeably, however they have different meanings:

- A **function** delivers a defined and cross-cutting set of services through roles, standards and processes to a department and the Civil Service as a whole. Strong central leadership within a function sets the standard for quality of delivery in departments (and in the central function where delivery elements have been centralised).
- A **profession** is a group of individuals with common professional skills, experience and expertise. In many cases the profession may be linked to a professional body that regulates membership and governs accreditation. The profession provides a career anchor for individuals, and acts as a body to guide professional development and progression.
- As a result, a cross-government Head of Profession (HoP) might also be a Head of Function (HoF) but the roles can be separate.
- Departments will also have departmental Heads of Profession who have responsibility for the development of the profession within that department only.

Figure 12 - Civil Service Professions and Functions

Functions

- Analysis
- Commercial
- Communications
- Corporate Finance
- Digital, Data and Technology
- Finance
- Fraud, Error, Debt and Grants
- Human Resources
- Internal Audit
- Legal
- Project Delivery
- Property
- Security

Professions

- Corporate Finance
- Counter-fraud Standards and Profession
- Digital, Data and Technology Professions
- Government Commercial Profession
- Government Communication Service
- Government Economic Service*
- Government Finance Profession
- Government Knowledge and Information Management Profession
- Government Legal Profession
- Government Occupational Psychology Profession
- Government Operational Research Service*
- Government Planning Inspectors
- Government Planning Profession
- Government Property Profession
- Government Security Profession
- Government Science and Engineering Profession*
- Government Social Research Profession*
- Government Statistical Service Profession*
- Government Tax Profession
- Government Veterinary Profession
- Human Resources Profession
- Intelligence Analysis
- Internal Audit Profession
- International Trade Profession
- Medical Profession
- Operational Delivery Profession
- Policy Profession
- Project Delivery Profession

*Professions within the Analysis function

125. The SCS has a more varied range of professions than the rest of the Civil Service. Also almost three in ten SCS posts is a policy post, in comparison to one in sixteen for all Civil Service posts.

126. Last year, to support the Government's vision of an SCS with stronger professional anchors and more specialist skills, a proposal was made to move to consistent pay ranges by professional grouping, according to the groups outlined below:

- **Group A:** for a majority of 'Civil Service' wide professions.
- **Group B:** higher 'guideline' ranges for a small number of 'market-facing' professions.
- **Group C:** narrow ranges or fixed rates for niche, specialist roles (particular to one or only few departments)

Table 7 - Proposed pay range structure

Group	Deputy Director	Director
A - 'Civil Service Wide' professions	As per annual proposed min and max[13]	As per annual proposed min and max[14]

[13] last year's evidence set out an aim for this to be £70-95k by 2021
[14] last year's evidence set out an aim for this to be £92-130k by 2021

B - Market facing roles	TBC following discussion with professions identified as market-facing
C - Niche / department specific roles	TBC following discussion with departments who employ most of profession

127. This proposal was primarily aimed at ensuring the Civil Service is able to attract and retain key, scarce skills from the external market, as well as addressing the often cited issues of pay disparity between internally and externally recruited SCS, and overlap between G6 and SCS1 salaries. This overlap is expected to be most pronounced when non-specialist SCS are managing specialist staff (for example, 73% of G6/7 Staff working in the Medical profession earned above the SCS1 minima in 2018, and 18% of those in Psychology roles) or staff who have transferred at level from higher paying departments (for example, 22% of G6/7 staff at MOJ earned above the SCS1 minima in 2018).

128. It was also recognised that in some areas the Civil Service is failing to compete effectively with the external market for senior, specialist skills. For example (as set out in Annex D), the for Digital, Data and Technology (DDaT) Profession have struggled to attract and retain talent with the breadth and experience required for certain business critical roles even when the maximum salary is available. The maximum of the current SCS pay ranges are below the market average for similar leadership roles outside of Government. The profession believes this is affecting the internal talent pipeline, with feeder grades attracted to leave the Civil Service to receive higher salaries in the external market.

129. In the long term the Government plans to increase the supply of senior specialists through growing and retaining talent from within, balancing the supply between internal and external candidates. Therefore, any agreement with professions for market facing pay ranges must ensure the profession has a long term view and strategy for growing internal talent, including its long term reward strategy.

130. In the interim, the Government has proposed that approval could be given for particular professions (or roles within professions) to adopt a market facing pay range where there is a clear and demonstrable issue of extensive external market pressures having an impact on the ability to attract and retain the right capability to deliver against government priorities in the future.

131. As it is expected that the majority of SCS roles will not fall into this market facing category, the Government will, alongside this work, continue to focus on other reward interventions (such as capability based reward) to ensure the engagement of all members of the SCS. Subject to affordability, it is also the Government's intention to minimise the differential between SCS remuneration levels and those for equivalent roles in other sectors.

132. There remains variation between the different professions and their makeup in terms of internal and externals, with commercial, property, and digital professions

having the highest levels of externals. External recruits tend to be paid higher salaries than those internally recruited due to departmental rules on appointment which enable external recruits to be offered higher starting salaries that reflect the level of skills and experience that they bring from outside the Civil Service where appropriate.

133. With internal recruits limited to the minima of the pay range on promotion or a 10% increase (with a small number of exceptions), and no substantial ability to progress through the pay range, there remain some issues with fairness. Where individual capability is equivalent between internal and external appointees this is not a sustainable position and, as referenced above, it is the Government's intention to minimise the differential between SCS remuneration levels and those for equivalent roles in other sectors.

134. Although the Government has made some small progress on addressing this issue over the last year with the introduction of an exceptions process alongside rules relating to pay increases on level transfer and promotion, and the setting aside of money to address pay anomalies, the creation of a new pay range that both internal and external candidates would benefit from, should go some way to addressing this issue further, alongside the work in train regarding capability based pay progression.

135. In time, the Government also plans to set specific ranges for those roles which are niche and likely to be specific to one or two departments (e.g. Inspector of Education). The Government proposes that for niche roles a spot rate, or very short pay range would be utilised to ensure fairness across groups of largely identical roles. Work is underway with departments to identify such roles and the evidence that might support a pay intervention.

136. The Government believes that specialist pay is best focussed on groups of roles (e.g. professions) with their particular skills requirements, rather than being focussed on an individual's skills and qualifications that would move with them from role to role. Individuals should be eligible for specialist pay only while they remain in a relevant specialist role and career path, or are performing a time limited role outside their profession for developmental reasons, before returning to their professional career path.

137. In other circumstances, recognition of an individual's capability and performance is best addressed by the reward mechanisms already in place, such as the use of non-consolidated bonuses, as well as the proposed introduction of capability based pay progression detailed later in this section. Applying specialist pay to designated professions (and roles within them) offers a more consistent approach to pay that will appear fairer to staff and will allow the targeting of pay to particular roles or professions where a market facing approach is most necessary. Not every role within a profession will necessarily attract a market facing premium. But for professions designated as market facing, the market benchmarks will inform the specific role ranges, and mechanisms to pay in line with those ranges will be available.

138. The Government proposes the following principles apply in relation to specialist pay:

- this approach will only be taken for Deputy Director and Director roles, not Director General roles (please refer to relevant later section for a discussion of DG roles and pay);
- any higher rates of pay introduced should be reviewed on a regular basis;
- agreement to introduce a higher maximum, and specific rates for specialist roles within this, for particular professions will be contingent on a robust business case submitted by the profession, clearly demonstrating the problem, the need for a long term pay solution rather than a tactical fix, as well as how an increase in pay will address the problems identified; and
- movement to new pay ranges may take place over a longer timescale to ensure the final position is robust, well tested, and takes into account other changes to the SCS pay system.

139. Over the last six months cross government Heads of Profession were invited to submit preliminary evidence, as part of the scoping work, to have their profession, or roles within their profession, considered as ‘Market Facing’ or ‘Niche’.

140. These preliminary cases provided insight into some of the current issues faced by the professions. Evidence provided highlighted:

- high levels of competition with the private sector;
- inability to compete with the salaries offered - supported by data;
- clear issues with fairness when considering externally recruited versus internally recruited salaries;
- clear articulation of skills needed and proven investment in capability, but still remaining unable to attract necessary skilled individuals.

141. For niche roles, the strongest evidence showed a requirement for specific external skills that could not be attained within the Civil Service and no definitive pathways from within the Civil Service to develop sufficient internal candidates for roles of this type.

142. Summaries of full business cases can be found at Annex D, with Finance and Digital, Data and Technology (DDaT) putting forward a case to be considered as ‘market facing’ and Ofsted to be considered as ‘niche’. The cases set out the particular context of the professions and the evidence to support the need for a specialist pay approach for their roles.

143. Based on initial evidence received, further work has been underway to define ‘market facing’ and ‘niche’, the criteria that professions will need to meet to have roles considered, and the evidence that will need to be provided to meet the criteria. Proposed evidence requirements can be found at Annex C.

Table 8 - Proposed definition and criteria for market facing and niche roles

Group	Proposed definition	Proposed criteria
Market Facing	A role, or set of roles, which require enduring skills that are in high demand across sectors, are scarce within the Civil Service, and attract a higher rate of pay in the wider market.	Evidence of extensive external market pressures having a clear impact on the ability to recruit and retain the right capability to deliver against government priorities in the future.
Niche/ Department Specific	Deep specialists working in fields where there are very few individuals with the necessary skills nationally.	Evidence of a limited field of potential candidates, which necessitates a more individual reward offer.

144. The SSRB asked the Government to further explore the issue of movement between professions. Work is underway to analyse movement at SCS level, but this data will not be available for this year's evidence, given current limitations of data gathering mechanisms. Anecdotally the Government believes some movement does exist between professions but that generally those externally recruited into specialist roles, who tend to be paid a higher salary for their specialist experience, do not tend to move to other professional roles at the same level.

145. There are two options when considering moving staff to a higher pay range for market facing roles, increasing base pay, or applying an allowance.

Table 9 - Positives and negatives of allowances versus base pay increases

Option	Positive	Negative
Allowance	Non contractual allowing greater flexibility to respond to future changes in the market or CS approach to SCS pay. Can be removed when no longer required (e.g. a role is no longer considered to be market facing) or increased and decreased accordingly. If an individual moves from a market facing to non-market facing role they would not take their allowance with them and subsequently drive up pay in a role that does not require it. Provides a more temporary solution	Removal may still be difficult and act as a disincentive to movement Non-contractual allowances may be less attractive to candidates than higher base pay. They appear also to be less used in the wider market

	whilst professions grow in capacity and capability to support a maturer and longer term approach.	
Base pay increase	May be more attractive to candidates than allowances. No disincentive to broadening skills if retained for a time limited role outside the profession for developmental reasons	Removal would be difficult when an individual moves from a market facing to non-market facing role. Generally when an individual moves on lateral transfer, as long as they are still within the pay range of the new role, they tend to take their level of pay with them without being held on marked time or facing a reduction in pay. This practice could potentially drive up pay in a role that does not require it and exacerbate perceptions of unfairness. If decreases in pay on movement were to happen, it may act as a disincentive to movement as with the removal of an allowance.

146. At delegated grades allowances are applied (albeit inconsistently across departments) for a number of professions. These can then be removed if the individual chooses to move to a role that does not attract the allowance. However, there are cases where departments do not remove an allowance when an individual has moved, and the prospect of the removal of an allowance may also be seen as a disincentive to movement.

147. At this juncture, the Government believes that adjustments to bring an individual up to a specialist pay range to address a market premia for particular skills or professional roles, could take the form of either a base pay increase or through the use of an additional non-consolidated allowance.

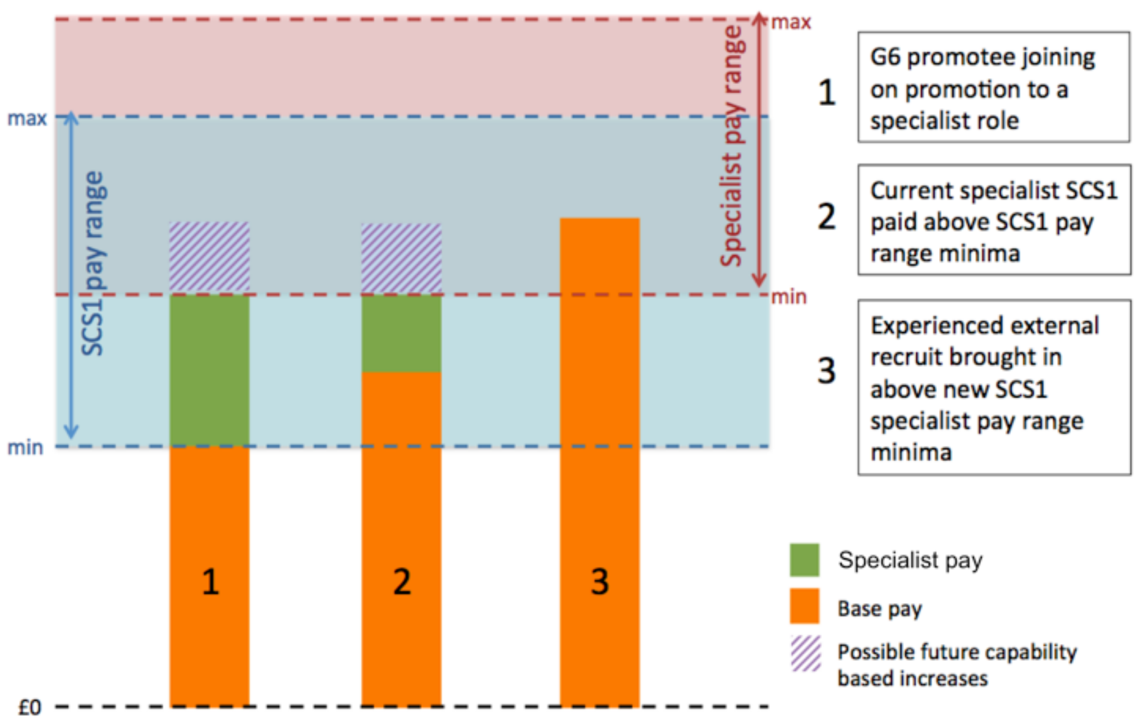
148. Over the last few years, most professions have been carrying out work on developing career pathways and frameworks, supported and evidence by data, however some are further along this journey than others and have differing levels of maturity, capability and capacity. The Government will therefore need to take a pragmatic approach to allow the professions to work at a sustainable pace and develop the infrastructure needed to support this new approach to pay.

149. Therefore this year the Government proposes to focus on a small number of more mature professions (Finance and Digital, Data and Technology (DDAT) as a minimum), and to introduce a target pay range for SCS in specialist roles within those professions that meet strict criteria. These roles, and the target levels of pay, will be

established through business cases submitted by professions (signed off by the cross government Head of Profession) in the spring, and agreed through a central approvals route. Further roles/professions will be considered for 2020/21, and previous agreements will be reviewed in line to ensure consistency and minimise any equality impact issues arising.

150. To implement these changes departments will be given flexibility within the overall pay award this year to target payments (be that through consolidated increases or allowances) to increase the pay of those in agreed specialist roles, who possess the appropriate level of professional skill and experience (as assessed against the relevant professional capability framework, increasingly expressed in the form of the Success Profile [see section 5]), but where pay sits below the proposed range. See Figure 13 for an illustration of how this could work in practice. In addition identified roles would then be as standard advertised at these new ranges.

Figure 13 - Specialist pay examples (SCS1)



151. **The Government would like the SSRB to:**

- **Endorse the proposed approach to specialist pay for this year and in future.**
- **In particular endorse the suggested criteria and evidence requirements for specialist pay provisions.**
- **Comment on the business cases summaries submitted by Finance, DDaT and Ofsted.**

- **Comment on the level of involvement SSRB desires to have (if any) in relation to approving business cases from professions.**

Directors General (DG) pay

152. As of April 2018, there were 156 DG roles in Government, of which 53 are policy roles, and 24 are in operational delivery. The DG pay range is currently the longest of all SCS grades (£111,500 - £208,000). The median salary of the DG group in Q1 2017 was £134,000, dropping to £125,500 when roles that are likely to attract external premium are excluded[15].

153. All DG roles have significant scale, breadth and leadership responsibilities. Although the full range of roles differ, the role of a DG is likely to include building critical and trusted relationships, confidently representing the organisation in Parliament and with stakeholders, leading large-scale programmes, financial and commercial leadership, organisational design, inclusive leadership, collaboration and systems leadership, and leading multidisciplinary teams.

154. The 2017 Government evidence to the SSRB set out an intention to move to a tiered pay structure (similar to that of Permanent Secretaries) for Directors General (DGs). The tiered system proposed was to be supported by a matrix approach to allocate DGs to tiers, which would take into account individual circumstances and skills, as well as job size.

155. Following further consideration and exploration, the Government has decided that a different approach to DG pay would be more appropriate. Concerns that differentiating roles into tiers within professions (for example placing one policy DG into a different tier to another policy DG) would cause engagement issues, that the process of rating roles could become overly complex and may be too subjective, and that DG roles were often dynamic and expand over time, led the Government to explore other options over the last six months.

156. The option of mirroring the specialist pay approach proposed for Directors and Deputy Directors was explored but was also not felt to be as appropriate at this level, given the leadership and general management responsibilities, and inter-role deployability. However this will be kept in review as the pay by profession work progresses at Deputy Director and Director level.

157. Given the significant leadership component and level of responsibility attached to roles in this group, as well as the particular issues faced by many of those who have reached certain thresholds relating to their pension, the Government plans to continue its holistic review of the employment offer for this group over the next year, and to focus (in the meantime) on shortening the DG pay range and increasing the minima. The Government is committed to ensuring DG roles continue to be developed to meet existing challenges, and that an employment package that

[15] For example some functional leaders and CEOs of niche arm's length bodies, however not all roles could be classified

attracts and retains the right level of capability to these most senior roles is available to support this.

158. The resignation rate for DGs in 2017/18 was 6.8%, compared to 3.5% for the SCS as a whole, while the turnover rates for DGs and all SCS were 11.6% compared to 10.9% respectively (note that in addition to resignations turnover counts all exits, including voluntary redundancies, retirement, etc).

159. The Civil Service executive recruitment team have reported that they rarely fail to attract internal or external applicants for DG roles. Of the 38 posts competed across the Civil Service as a whole, 37 were filled[16]. However, in terms of those ultimately appointed over the 2017/18 financial year, only 11 of the 38 posts competed were filled with external candidates.

160. A review of the comments made on pay and related issues raised in DG panel reports by the Civil Service Commission in the period July 2017 to August 2018 showed that, of the 38 roles competed, 34 were externally advertised, and seven of these contained references to the fact that the salary on offer at this level was not sufficient to either attract the range and/or appropriate calibre of external candidates desired, or the reward package was a factor in strong candidates withdrawing from the pool. In addition, the Civil Service executive recruitment team have reported an increase in numbers of applicants at all SCS grades who have expressed concern or surprise about the perceived erosion of the pension offer at this level, including a candidate ranked top in the competition at DG level who declined the role citing issues with the pensions annual allowance.

161. Feedback from focus groups suggests disparity and perceived unfairness in pay remains an issue for engagement for all SCS including DGs. For DGs this may be exacerbated by the fact that salaries over £150,000 must be published on gov.uk and therefore available for other current or potential DGs to view.

162. Only one DG is currently in receipt of a Pivotal Role Allowance[17] (PRA) of a total of three since the introduction of PRAs in April 2013. In recent months a couple of PRA applications have also been rejected due to a view that these were being used as pay repositioning rather than to address a flight risk.

163. The Government is concerned that indicators of near to medium term future challenges exist driven by pensions and other factors. More analysis needs to be undertaken in this area to further explore whether there are demonstrable recruitment and retention challenges. However, from the evidence available to date there is not clear evidence to suggest there are issues at DG level.

[16] Civil service Commission. (2018, July 23). *Civil Service Commission Annual Report and Accounts 2017-18*. Retrieved from https://civilservicecommission.independent.gov.uk/wp-content/uploads/2018/07/6.4265_CSC_Annual_Report_Web.pdf

[17] The Pivotal Role Allowance was introduced in April 2013 aimed at retaining those in critical, often highly specialised, roles and those delivering the riskiest major projects across government.

164. Therefore, this year the Government proposes to focus on increasing the DG minima to £115,000 whilst further evidence is gathered to explore whether there is a need for larger increases in future years, and the work on capability based pay progression is further developed.

DG pay committee

165. In the meantime, the Government proposes that a DG pay committee is put in place this year. The pay committee would not function in the same way as a remuneration committee, which typically sets the pay strategy for a group of staff, as this is the responsibility of the SSRB's based on the annual Government evidence.

166. Instead, the purpose of the committee would instead be to ensure the strategy, including capability based pay progression, is implemented properly. For example, ensuring (a desired level of) consistency of application across departments, challenging where the strategy is not achieving the desired outcomes or driving the desired culture, as well as making strategic recommendations on challenges for the DG group to feed into Government evidence to SSRB. In addition a pay committee could be used for increased scrutiny where decisions need to be made that fall outside of the agreed pay framework (e.g. exceptions, agreement to pay at and over the £150,000 threshold).

167. Example areas that the DG pay committee could be involved in include:

- giving a view on the use of the exceptions process;
- decisions regarding moving DGs to any future target rate of pay over time;
- giving a view on pay on appointment to drive evidence based consistency;
- decisions regarding pay increases to those above any new maxima set for the grade; and
- challenge/sign off on departmental application of the pay award at DG level.

168. Although it would be helpful for such a committee to also exist for Directors and Deputy Directors, the Government believes that the current size of these groups would render such a committee unmanageable. This mirrors the approach taken to senior talent where DGs are discussed as a cohort by the Senior Leadership Committee (SLC)

169. **The Government would like the SSRB to:**

- **Endorse the proposed approach to DG pay this year**

Greater reward in role

170. Last year's Government evidence outlined a vision to facilitate greater reward in role for members of the SCS in order to encourage greater depth of experience, confidence and leadership skills. This included consideration of the linking of reward to capability as a way of allowing progression through the pay range(s) whilst maintaining affordability and driving greater productivity.

171. Through the 2017 review of the SCS pay system, it was noted that, although movement amongst senior talent is not negative in and of itself (and indeed may be reflective at times of necessary agility to respond to changing Government priorities), the drivers in place exacerbated unnecessary or premature movement of SCS on both a lateral and vertical plane.

172. Promotion (or level transfer) have been seen as the only way to obtain a substantial pay increase, which in turn drives SCS towards promotion too early, often before they are ready or have fully developed subject matter expertise, or to move with pay as a primary motivating factor rather than career development or preference in type of work. Meanwhile, acquisition of expertise and depth of experience is not being rewarded (or seen to be rewarded). These issues were also recently picked up by the Institute for Government (IfG) in their report *Moving on: the costs of high staff turnover in the civil service*, published on 16 January 2019[18]

173. The data from 2017/18 suggests that the problem remains with the median time in post for members of the SCS being just under two years with some departments having far lower median times. However overall turnover (movement into or out of the SCS) dropped to 10.9% in 2017/18 from 14.5% in the previous year, marking the lowest rate of turnover since 2009/10.

174. Evidence shown in data is reinforced through ongoing feedback from members of the SCS suggesting that the lack of substantial pay progression remains a primary concern and a source of irritation, unfairness and low morale. In addition, a number of expert sources, including the IfG report[19] have identified that the ability for members of the SCS to substantially progress through their pay ranges will help address some of the less welcome drivers for movement discussed above.

175. Such a system will not mean a return to a “time served” model in which substantial increases to pay were awarded purely on the basis of length in role without consideration to performance, capability or productivity. Rather, a system in which SCS development is robustly assessed and then linked to an element of reward could be implemented.

176. The Government believes there to be significant opportunity here for long term efficiency savings in the reduction of unnecessary churn and the incentivisation of expertise. These will be born both from reduced recruitment and on-boarding costs, as well as increased productivity associated with staff remaining in post and developing expertise.

177. The Government also makes a clear distinction between capability based reward and performance related non-consolidated pay or “bonuses”:

[18] Institute for Government. (2019, January 16). *Moving On: the costs of high staff turnover in the civil service*. Retrieved from https://www.instituteforgovernment.org.uk/sites/default/files/publications/IfG_staff_turnover_WEB.pdf
[19] ibid

- **Performance** is as a role based indication of the quality of outputs in a given time frame with the performance of an individual being assessed against the terms of reference for a particular role.
- **Capability** is a longer term assessment tied to an individual rather than a role, rewarding the development of skills which are likely transferable in a generic or professional context.

178. Therefore, the Government proposes the development of framework to facilitate the linking of capability growth to movement in pay ranges based on clear and objective increases in general capabilities (leadership and experience) alongside professional specific capabilities where appropriate.

179. Over the last six months the Government has undertaken significant engagement with subject matter experts within the field of senior remuneration to understand best practice in regard to capability based pay progression within the wider private and public sector, as well as existing approaches already existing in the Civil Service at delegated grades (findings at Annex E). Combining the internal and external research, the Government has identified the following lessons and proposed actions:

Table 10 - Lessons from internal and external research and resulting actions

Lesson	Action
Capability assessments need to be robust to avoid major cost increase to overall payroll	Development of robust assurance processes developed by Civil Service HR, departments and professional capability teams where applicable alongside spending control measures.
At junior levels linking capability to reward seems more prevalent as clear increases in skill levels are easier to measure	Make use of the lessons (common pitfalls, methods of assessment etc) at delegated levels.
Linking capability to reward has been most successfully implemented in organisations that had already established capability frameworks in place before the decision was taken to link to reward.	Make use of the established capability frameworks developed by professions teams in assessing capability where they exist, and encourage the further development of such frameworks across the Civil Service professions.
The objectives of capability based reward systems should be clearly articulated to order to maximise the desired effects.	In the accompanying implementation guidance/communications to the rollout of assessments of capability the Government will clearly set out what the system is intended to achieve i.e reducing undesirable churn.
For a capacity based reward system to be most effective in boosting staff morale and increasing incentives to develop key	Robust controls on the affordability of capability based reward will not mean such a system becomes needlessly complex or inaccessible, as

skills, they need to be simple and easy to understand by all affected staff. This is a clear priority for departments.	such any capability based reward system will be designed with simplicity in mind. It is the Government's ambition that individual members of the SCS have the ability reasonably predict any future increases to their reward package subject to affordability, economic context and, critically, the increase of their capability.
Managers need to be confident and capability in making reward decisions as well as know the difference between assessments of performance and capability.	Continue work to increase line manager capability alongside potential for specific learning products that incorporate training on making capacity decisions if there is a clear need to do so. Assessments of both performance and capability will be issued alongside detailed implementation guidance and ongoing assistance from central government.

Design Considerations

180. The Government proposes to use capability based reward to address unnecessary churn and encourage the development of expertise and leadership capability for all members of the SCS regardless of profession, function or specialism. Many of the capabilities that are valuable for an SCS to develop in the Civil Service are universal across all roles, for example leadership skills.

181. However, as noted in the lessons set out above, often the most effective capability based reward systems integrate existing capability frameworks, especially those targeted at select/specialist roles as already exists within some Civil Service professions. In addition there are many roles in the Civil Service where both leadership breadth and technical depth are equally important. Ability to target professional or technical skill development with a pay system will therefore be an additional consideration, building on existing best practice.

182. As such, there is a requirement to balance the need in some roles to reward particular technical skills, against the need to create a resource efficient system that is applicable to all SCS. Ultimately the Government desires to put in place a system which rewards the development of capabilities that are most valuable to the Civil Service at any given time. However, the identification of such capabilities will require further work and input from a wide range of sources, central, departmental, and professional.

183. Whilst detailed scoping work is yet to be done, the Government's preferred approach at this juncture is a capability based reward system based both on general and leadership skills (fundamental to any SCS level role by definition, and of increasing importance with greater seniority), with, over time, professions identifying gradations corresponding to levels of skill and experience as rigorously and objectively assessed against the relevant professional capability frameworks. Any

assessments will require a level of rigor to ensure fairness as well as a consideration of affordability.

184. The development of a capability based reward system will be undertaken with regard to the following:

- existing and future professional capability frameworks as well as central leadership capability frameworks;
- the emerging Success Profiles Framework replacing the current "competency framework" which will allow for more precise targeting of particular skills or technical elements in the recruitment process (more information in section 5) and could be applied to wider processes in future;
- how capability based reward can support the professionalisation agenda across whitehall by allowing profession to target specific subject matter expertise or technical skills;
- a "user focused" methodology in designing and articulating plans for capability based reward in the SCS. Any pay system should be reflective of our understanding of the preferences and behaviours of the SCS and will be subject to extensive engagement with the SCS as service users;
- any changes to the assessment of performance across the SCS; and
- any relevant impacts on D&I assessment measures across the Civil Service.

Going Forward

185. This strand of work is a priority for the Government, and a full proposal including costing and implementation considerations will be developed and shared with the SSRB in next year's government evidence.

186. In the interim, the Government proposes to continue the consolidated and non-consolidated tactical solutions set out in last year's evidence, namely:

- departments should continue to have the flexibility to freely designate base pay awards within their organisation but should be strongly encouraged to target these at high performers and those lowest down the pay scale;
- end of year and in-year non-consolidated reward should continue. The expansion of the in-year reward flexibility for departments from up to 10% up to 20% of staff within existing cost controls has been well received and should continue at this level. The new corporate recognition scheme launched this Autumn is in its infancy and application and response to these awards is not yet available; and
- to tackle immediate flight risks, the current Pivotal Role Allowance scheme should continue as a transitory measure to ensure that highly specialist staff and those delivering major projects are retained (reviewing its continued appropriateness as the Government begins to move towards a new long-term pay model)

187. **The SSRB is asked to:**

- **Comment on the Government's approach to the development of capability based reward and link to the retention and development of senior talent, particularly those with specialist skills.**

- **Endorse the Government's commitment to further development a capability based reward system.**
- **Work with the Government throughout 2019 on detailed proposals in this area for the 2020/21 evidence round.**

Pivotal Role Allowance

188. The Pivotal Role Allowance (PRA) was introduced in April 2013. This payment is aimed at highly specialised roles and those delivering the riskiest major projects across government, and is agreed through a rigorous control process including clearance from a Permanent Secretary "Star Chamber" currently comprising the Chief Executive of the Civil Service, Treasury Permanent Secretary, and Chair of People Board, followed by the Chief Secretary to the Treasury and the Minister for Implementation.

189. The allowance is removable and non-pensionable and is strictly controlled within a financial limit of 0.5% of the overall SCS pay bill. The pot is notional and controlled by Civil Service HR. Departments fund agreed payments from their own non-consolidated pay budgets.

190. Any proposal to pay the allowance must meet four qualifying criteria:
- where the role is critical to delivering the strategic goals of the organisation;
- where there is potential to make a disproportionately large impact on the business if left unfilled;
- where the role requires specific skills that are not easily available in the Civil Service; and
- where there is a recruitment and retention problem.

191. Both the SSRB and the Public Administration and Constitutional Affairs Committee (PACAC) have shown an interest in PRAs. As part of its report on *Civil Service Effectiveness,* PACAC asked how PRAs can be used to address churn. In response the Government committed to continuing to *'monitor and review the appropriateness of the PRA process, including the scope for streamlining as it begins to move towards the new, long-term pay framework for the Senior Civil Service".* Therefore a review of the PRA policy and process was undertaken in the Autumn.

192. Findings from departments showed that the allowance continues to fulfill its original aim to address flight risks for key business critical roles. PRAs are being removed when an individual completes a project or moves to another role so that money can be recycled for future cases.

193. Since April 2013, 86 cases have been agreed for people responsible for delivering the Government's priorities, including those: delivering including major transport infrastructure projects and sustainable energy programmes, providing specialist health and safety advice, protecting the borders and national security, providing digital services to the public and to departments, working in niche and highly technical defence roles.

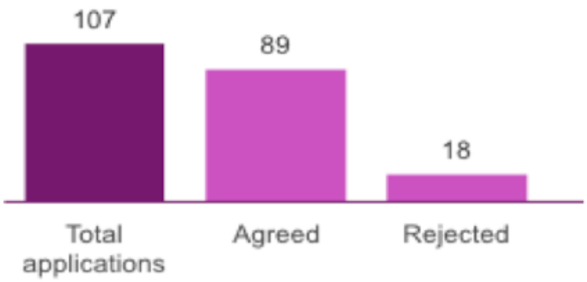
194. The vast majority of main departments have had PRAs agreed since 2013. Some departments (Cabinet Office, DfE, Home Office and MOD in particular) have made greater use of this flexibility than others. Nevertheless a perception remains that the eligibility and scrutiny bar is set too high for what are relatively modest payments, and that clearance takes too long.

195. Employing departments (business units working with HR and with the approval of the Permanent Secretary/Accounting Officer) are driving PRA applications. With the exception of the Finance function that has had two bulk cases of five agreed, there is no further evidence that Heads of Profession are actively working with departments to identify cases.

Key facts[20]

196. Since its introduction in April 2013, there have been 107 applications for Pivotal Role Allowances with a success rate of 83%.

Figure 14 - Number of pivotal role applications since 2013



197. Of the 89 cases agreed, 45 are currently in payment and 44 have been removed and recycled back into the pot. The average individual annual payment has been around £14,000.

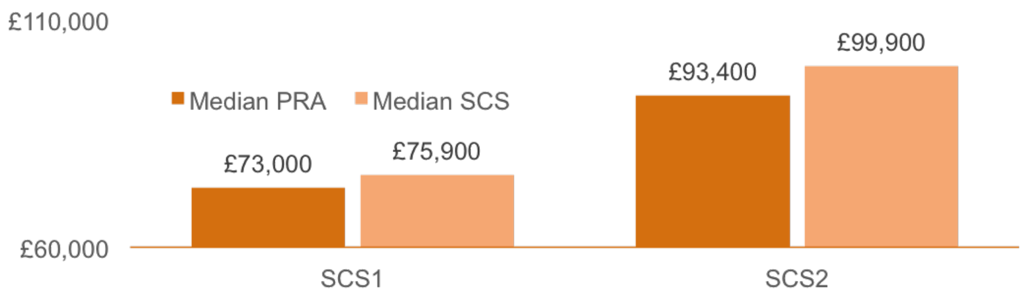
198. The vast majority of PRAs are paid to SCS1s and 2s (21 and 23 respectively) with only one PRA being paid to an SCS3. The professional characteristics of the 45 current recipients are spread but most are in Programme and Project Management and Finance roles.

Figure 15 - PRA recipients by profession

[20] As at 31 October 2018

199. The **median salary** of current recipients is below the median for the grade, and the length of payment tends to be two to three years to deliver a particular piece of work, with payments made on a monthly or quarterly basis linked to performance. In a smaller proportion of cases (14%), payments are more directly linked to specific milestones.

Figure 16 - Median salary of PRA recipient compared to median salary of SCS



200. Female recipients have increased from 28% in 2016 to 42.2% in 2018 and representation is now consistent with the whole SCS population. We are unable to provide meaningful analysis on other protected characteristics given the small numbers involved and the disclosure issues that this would raise.

201. The clearance process involves three Permanent Secretaries and two Ministers and currently takes on average two to three weeks.

Issues

202. The review found the following issues:

- **Lower than expected take up**. At the launch of the process around 100 PRAs were anticipated to be in payment at any one time (less than 3% of the SCS cadre). There are 42 allowances currently in payment. More than £1.1 million of the budget is unallocated.
- **Perceived low approval rate**. Some departments believe that it is too difficult to submit a successful application or that the allowance sought will be reduced. Actual success rate is 83%. Of the 45 cases currently in payment the allowance was not reduced. It is also encouraging that some smaller

departments (e.g. Charity Commission and Office for Rail and Road) have been successful in their PRA applications.

- **Perceived long turnaround times**. The clearance process involves consultation with a number of interested parties: four members of a Permanent Secretary Sub-Group, and two Ministers. Despite the number of very senior stakeholders involved, clearance is usually achieved within three weeks, though Recess periods can affect this. In cases of heightened flight risk, approval has been successfully achieved within two weeks.
- **Eligibility criteria not met.** PRA is to retain business critical SCS where there is a genuine flight risk and where skills would be difficult to replace. Rejected cases tend to be those where there is no flight risk, and roles that are not sufficiently specialised or differentiated from others in the SCS. The weight of role and pay relative to peers is not sufficient justification alone.
- **Alternative pay solutions.** Some departments have considered PRA to be a substitute for targeting their 1% award. In a number of rejected cases a view has been taken that it would be more appropriate to utilise the conventional pay award route (i.e. by targeted re-positioning using the 0-9% flex within the 1% average award and any pay anomaly provision), or use of non-consolidated performance related pay (i.e. that allows payments up to £17,500 to top 25% performers without CST approval), or a combination of both. The move to professional pay ranges should also enable some PRAs to be removed e.g. in the finance function.

<u>Recommended changes</u>

203. The review also considered whether any changes should be made to the PRA process. Options included:

- retaining the current rigour of existing controls and continuing to review outcomes (the ‘as is’ option);
- strengthen the link between Heads of Professions and departments to identify and agree suitable cases more proactively;
- streamlining the process further by delegating some decisions from Ministers to the Permanent Secretary Sub-Group based on certain value thresholds to significantly reduce cases requiring ministerial sign off; and
- full delegation to departments (or Heads of Profession) of a 0.5% pot within the current PRA eligibility framework, allowing them to determine their own business critical roles and the level of individual allowances.

204. With regards to the final point, concerns remained that allowances would be used for general pay repositioning rather than to address genuine flight risks, and that smaller departments with low SCS numbers (and hence a small PRA budget) would be at a disadvantage without access to a larger central pot.

205. Therefore the review recommended that:

- the existing controls are retained, but Heads of Professions should work more closely with departments to identify and agree suitable cases;
- the current process be streamlined through delegation of decisions on lower value cases from the ministers to the Permanent Secretary Sub-Group.

- Civil Service HR will continue working with departments at an early stage to help them strengthen their business cases and promote the flexibility; and
- the diversity characteristics of recipients will continue to be monitored.

206. The Government has decided that there should continue to be ministerial approval for all PRA cases, although some streamlining has been agreed. The other recommendations were agreed. PRA will be kept under review and an update will be provided to SSRB in next year's evidence.

207. **The SSRB is asked to:**
- **Comment on the outcome of the PRA review and recommendations.**

SCS Performance Management

208. The current SCS performance management system is set centrally by the Cabinet Office and requires departments to apply forced distribution when assessing performance with an explicit link to remuneration. Departments are able to identify up to the top 25% of their SCS to receive an end-of-year bonus, and up to a further 20% for in-year rewards. The total non-consolidated performance-related pay (NCPRP) pot is calculated at 3.3% of the SCS paybill for the departments.

209. Feedback from individuals and departments shows that there are strong perceptions of unfairness and disengagement towards the current performance management system. This has been raised previously by the SSRB and the Government accepts the SSRB's recommendation that the current SCS performance management system needs to be reviewed.

210. Feedback from Departments has shown a perception that the current system does not support the identification of genuine poor performance (see below section), places an emphasis on a complex process that is operationally time-consuming, and results in unfair reward implications for staff who might narrowly miss the top box marking.

Poor performance

211. Ensuring under performance is managed effectively continues to be a government priority and is a critical outcome of any performance management process, particularly in terms of addressing multi-year consecutive poor performance.

212. Therefore, before considering changes to the SCS performance management system, a poor performance deep dive was conducted with departments who have SCS with multiple consecutive low performance markings. This review found:
- a perception that forced distribution did not support the identification of genuine poor performance and subsequent support often required;
- that the proportion of genuine poor performers amongst those with multiple years assessed as low was less than half, with many departments confirming that they didn't believe any of the SCS in this box were really underperforming; and

- that none of the departments interviewed reported they had managed any of this group under formal poor performance procedures. They attributed this to individuals at this level being more likely to decide to leave the organisation before procedures began, or moving (or being moved) into a different, more appropriate role within the Civil Service.

213. In terms of data, 2% of SCS in the 2016/17 performance year had two consecutive low performance ratings, while 0.4% of SCS with known outcomes were rated low performers at their last three end-of-year reviews. Of the individuals in the latter category, half were still in the same department as of March 2018, with the remainder either leaving the Civil Service, changing departments during the period of poor performance, or having incomplete records[21].

Delegated grades

214. A further consideration when planning a review of SCS performance management has been recent changes to performance management for delegated grades across the Civil Service.

215. In April 2017, a new approach was taken to performance management for delegated grades following a recognition that the existing model policy no longer suited departments' evolving circumstances. Departments found that the guided distribution model no longer reflected their workforce. Some also found that they needed to be able to differentiate more specifically between different performance levels to reflect a greater range of individual circumstances.

216. As a result, a new framework was put in place, which moved away from a centrally set performance management system for all departments. This was designed to:
- give departments greater flexibility to tailor performance management approaches to meet business needs and culture; and
- ensure permeability and consistency is maintained across the Civil Service and professions through collaboration.

217. The framework approach draws on four key areas (manager capability and confidence; inclusive performance culture; motivating, engaging and developing our people; and performance management and assessment process) and identifies eight elements (leaders are accountable; what and how; development focussed; differentiates performance; under and poor performance addressed; D&I addressed; functional, professional and departmental translation; and coordination and consistency) that must be implemented by departments as part of their policy.

[21] In comparison, at the end of 2017/18, there were 4,226 delegated members (1.8%) with two or more successive Must Improve rankings. 6.5% of delegated employees (16,313 members) received a bottom box in 2016/17. 77.1% of these remained in the organisations the following year, 22.8% left, and for the remaining, the status is unknown. Of those who remained in their organisation, 20.6% received a bottom box marking also in the 2017/18 performance year.

218. The outcomes of the first year of the new approach demonstrated that effective differentiation of performance levels still seemed to be happening without a guided or forced distribution model, with a greater focus on more regular and meaningful performance conversations. However, it was clear that more still needed to be done to improve performance management diversity outcomes, and departments are now running further trials during 2018/19 and 2019/20 to identify what measures would make a positive difference.

SCS performance management pilots

219. The success of changes at delegated grades, research into poor performance, and SSRB's previous recommendations regarding the lack of trust and staff engagement with the current system have given a clear indication of what elements on the current SCS performance management system are not working. To identify what might work in the future, the Government proposes a small number of departments should carry out pilots to test different approaches to performance management. This will then inform the development of a new performance management system for all SCS to be introduced in 2021/22 (following two years of pilots).

220. Following the successful implementation of a new performance management system for delegated grades, the Department for Education (DfE) were given approval to pilot a new system for their SCS from September 2018.

221. The core elements of the DfE's SCS PM pilot include:

Table 11 - DfE PM pilot core elements

Performance conversations	A focus on monthly coaching conversations between the jobholders and the line manager with outcomes recorded on a central database. A fuller performance discussion in October (at the start of the pilot) covering performance over the first six months of the reporting year.
Objectives	In addition to personal work objectives, central objectives and leadership objectives/standards set by DfE Leadership Team and Cabinet Office will be assessed.
Reward	A focus on rewarding more people in year for strong/outstanding performance which has had a significant impact in relation to the delivery of departmental priorities. Up to 45% of SCS will be eligible for an in year award of up to £5000 in total throughout the year. Some of those who receive an in year award, will then be eligible for an award at the end of the financial year which reflects sustained exceptional performance throughout the year. **Overall, only 45% of SCS will receive a non-consolidated award.**
Data	The DfE PM database will be used to record outcomes of performance conversations and line managers will be asked to identify those exceeding, underperforming, and talent grid positions.. This information will be regularly shared with the DfE Leadership Team and Cabinet

	Office.

222. In addition to the ongoing DfE pilot, the Government is exploring the option of running further pilots in a small number of departments to assess the benefits of different approaches to SCS performance management. This approach has been proposed to enable a range of different approaches to SCS performance management to be tested and evaluated over a two year period to inform the development of a new performance management approach for all SCS to be rolled out in 2021/22.

223. The Government proposes that any SCS performance management pilots will:

- be co-created with the SCS;
- have the potential to apply to all SCS across Government;
- develop staff and motivate high performance;
- ensure any non-consolidated payments are aligned to performance;
- enable poor performance to be tackled;
- improve D&I outcomes.

224. Any department selected to run a pilot will be required to provide assurance to the Cabinet Office that their pilot meets these principles and that they have processes in place to gather quantitative and qualitative data to evaluate effectiveness. Departments will be required to provide information on the extent that their pilot has achieved positive performance management outcomes, and the Government will provide regular updates to the SSRB throughout the two year review period.

225. Supplementary evidence covering the details of any further pilots will be provided to SSRB in February 2019.

Interim changes for all departments

226. In addition to the pilots approach, the Government is also exploring whether any interim changes are needed to the current performance management system for departments not undertaking a pilot whilst the two-year review period is ongoing. The changes that have been currently proposed are the removal of forced distribution and additionally exploring expanding or removing the 25% cap on the percentage of SCS eligible to receive an end-of-year bonus. If these proposals are progressed, the Government will provide supplementary evidence to SSRB in February 2019.

227. **The SSRB is asked to:**

- **Endorse the proposed approach to review SCS performance management by running pilots in 2019/20 and 2020/21**

SCS pay approach (central v delegated)

228. The SSRB have challenged the Government on a number of occasions to be clearer on the approach taken to manage the SCS as a single cadre. In the 2018 report SSRB commented that:

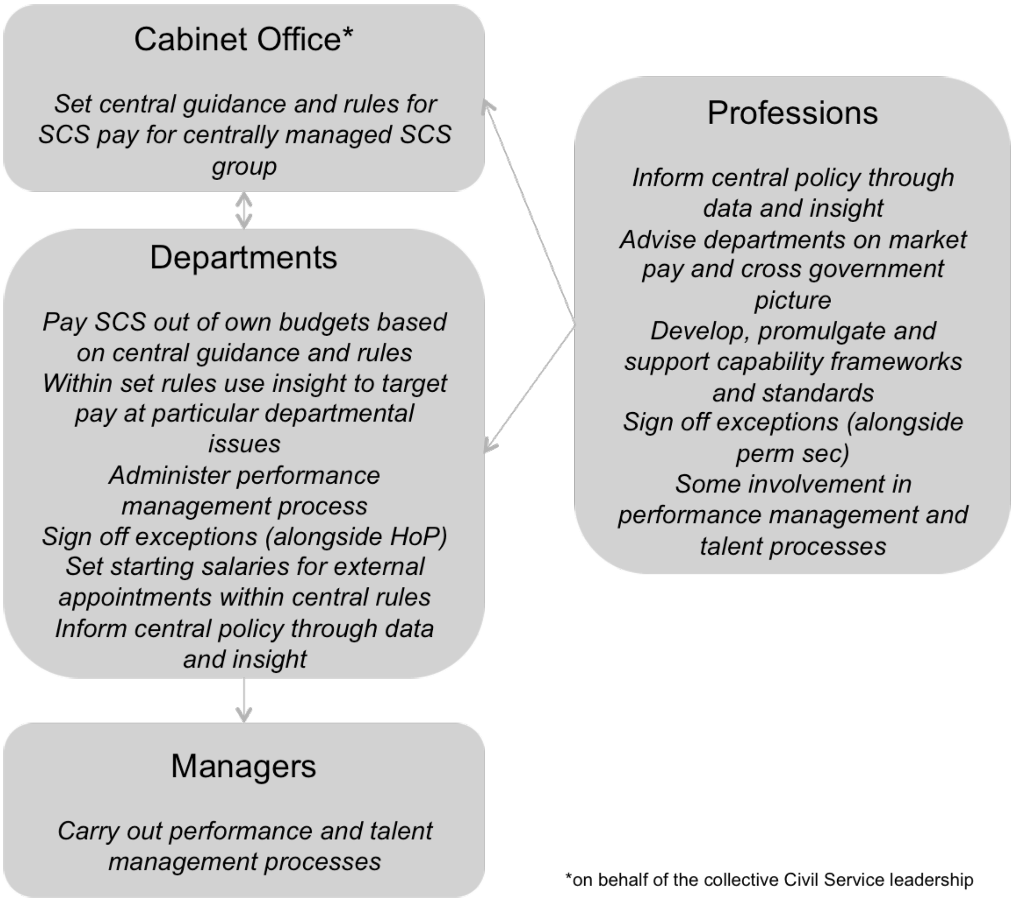
The government needs to determine, and clearly articulate, the system that it wants, whether that be a centralised management of the workforce, delegation to departments or a specified balance between the two. It then needs to ensure that mechanisms are in place to manage it, that the rules are communicated and understood, and that there is accountability for them.

229. The Government acknowledges that a tension exists in the current SCS system which combines centralised rules with implementation by separate employing departments. Any changes to SCS pay must be paid for from departmental budgets which, depending on the makeup and pay levels of each department's SCS cadre, alongside the differing approaches some departments have taken to pay in the past may be more or less affordable.

230. Each department deals with many different complex issues and has their particular policy and operational priorities. Elements of flexibility are helpful for departments to tailor their pay awards to enable them to tackle any specific recruitment and retention issues and motivate their own workforce. However departments are also keen to support consistency across the SCS group and to ensure fairness in the application of rules and pay strategy.

231. The Government expects the professions to play an increasing role in reward moving forward, and therefore playing an increasingly important role in alleviating and managing the centralised/delegated tension that the SSRB has identified. The professions generally sit across many, if not all, of the departments, and provide advice to departments as well as being involved in a number of processes that involve the SCS, forming cross-departmental professional communities which facilitate consistency and coherence (e.g. through creation and maintenance of career frameworks and pathways, success profiles, and reward strategies). An explanation of the roles of the various parts of the system can be seen below.

Figure 17 - SCS pay system



232. An example of where the various parts of the system work together to ensure a robust and fair process which also meets departmental needs, is the newly implemented exceptions process for rules on pay on lateral transfer and promotion shown below.

Figure 18 - Exception Process

Department identifies requirement for exception and, working with departmental head of profession, develops a business case against centrally set out criteria

→

Case is signed off by both cross Government Head of Profession (or delegated representative) and departmental Permanent Secretary* to ensure consistency and challenge across the Civil Service

→

Department's inform Cabinet Office of the case and outcomes for central monitoring and analysis. Central review of outcomes, impact, and consistency of application informs future policy decisions

*For DGs additional sign of is required from the Cabinet Secretary and Chief Executive of the Civil Service to further ensure consistency at this level. This may be replaced by the proposed DG pay committee in future.

233. The Government believes that the current approach will become more coherent and streamlined with the shortening of pay bands, and more informed, coherent and disciplined decisions made through, or with input from, professions.

234. Although broadly content with the current approach, the Government commits to keeping this in review and regularly considering whether any changes may be appropriate. The Government also commits to further detailing how the various parts of this structure work together when final proposals are available for specialist pay and capability based pay progression.

235. A number of improvements to departmental application of the central pay guidance and rules will be put in place this year, including the introduction of the DG pay committee, increased communication and clarity around central rules, and increased scrutiny on departmental reporting to the centre.

Senior pay controls

236. Pay proposals continue to be subject to the following control processes:

- Chief Secretary sign off process for all packages of £150,000 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 the approval of the Minister for Implementation is also required).
- Cabinet Office approval to pay above SCS Pay Band 1 maximum.

237. Departments must also comply with the following wider controls

- End-year non-consolidated performance related awards:
  i. 3.3% of SCS paybill cost limit; and
  ii. Top 25% of performers eligible only.

- In-year non-consolidated performance related awards:
    i. Within the above overall 3.3% cost limit;
    ii. To a maximum of 20% of staff only; and
    iii. Individual awards limited to £5,000.

238. Breaches to these rules are taken seriously and, in agreement with HM Treasury, sanctions can be put in place where necessary.

SECTION 5 - WIDER PROGRESS RELATED TO THE SCS WORKFORCE

Leadership

239. The Civil Service Leadership Academy (CSLA) celebrated its first full year of operations in October 2018. It was created to offer events and learning interventions to support the development of leadership skills within the civil service. Presently, the programme is focused on Senior Civil Servants and people on talent programmes but will be extended to the whole civil service over time.

240. The Leadership Academy's approach to learning focuses on bringing leaders together from across the civil service to share experiences and expertise as a core part of its learning offer. Over 2,500 SCS have attended a CSLA event this year and the Academy has offered over 400 hours of learning through its teaching and learning programme.

241. There are four strategic objectives for the CSLA:

Table 12 - CSLA strategic objectives

Objective	Detail
Developing Leaders	The focus in the first year of operation reflected the unique nature of the Civil Service and focused on three strands of activity: **Strand 1 - Effective working in government** Focus on learning from experience through carefully designed case studies about real government successes, and failures, that explore the challenges to both delivery and to the resilience of leaders; supported by learning to help leaders navigate the unique political context of the Civil Service - working with ministers, parliament and in an environment of public accountability. This year the CSLA launched the immersive learning series to explore successes and failures based on real experiences of leaders. **Strand 2 - Rounded technical and professional expertise** Focus on learning that will give senior leaders a core grounding in specialist areas, such as finance, commercial or digital, where they have some leadership responsibility but are not, and should not, be the experts. This year the CSLA delivered a series of interventions at Deputy Director and Director level to support those transitioning between grades, as well as building a cohort for individuals to continue to draw on for ongoing support. A masterclass series has also been developed to address specific areas. **Strand 3 - Great leaders at every level** Focus on learning to strengthen leadership of self, team and enterprise;

	created with departments and complemented by opportunities for leaders to learn directly from each other and build collective leadership.This year the CSLA has designed interventions focussing on themes of collective leadership.
Clear and consistent approach to leadership	The CSLA is a key contributor to ongoing work on the creation of a strategy for developing strategic leadership in the Civil Service. This will compliment the Civil Service leadership statement and broaden this into a comprehensive strategy for leadership.
Leaders Teaching Leaders	The CSLA fosters a strong culture of 'Leaders Teaching Leaders'. Over the last year a faculty of around 58 members from within the Civil Service has been built, to share their experiences and insights and assisting in the facilitation of programmes. This resource has been vital in bringing leadership to life in the context of the Service.
Keeping pace with external insight and innovation	This year the CSLA has focused on bringing external insight and thought provocation into the civil service through a programme of Master classes which are open to senior colleagues to attend. These have been offered in bite sized sessions so that leaders can attend these events within the working day.

242. The impact in the first year and feedback received in the first year of delivery has proved that the initial value proposition of CSLA is being realised. As the Academy enters year two, the Government will be ensuring investment in terms of time and resources enables the full realisation of the ambition and strategic objectives set for the academy.

243. The focus for year two will be on creating balance of stability and growth, to deepen and embed the roots of the CSLA, and expand its offer to leaders at other levels in the system. This will see a focus in 19/20 on:

- continued development of the CSLA portfolio of high-impact teaching and learning that reflects the Civil Service adoption of a 70/20/10[22] approach to learning;
- extension of the curriculum through additional immersive case studies and by building on learning about what works best;
- increased focus on Management Fundamentals and building the capability for first line leaders, which is critical to organisational effectiveness;
- tightening the relationship with other parts of CSHR, professions and functions e.g. CS Talent (FLS and SLS) and the professions Academies, so the development activity is aligned and supports a consistent approach to leadership development across the Civil Service; and
- building the CSLA reputation as a centre of excellence for leadership development and capability growth.

[22] 70% on the job learning, 20% learning through others (mentoring/coaching etc.), 10% structured courses and programmes.

Directors General Indicators of Potential

244. Following a review of the Indicators of Potential (IoP) for Permanent Secretary and Heads of Function roles in February 2018, work is now underway to develop Directors General Indicators of Potential to support the identification and development of individuals who can progress to the most senior roles in government. These indicators will set out the expectations of a role at this level, as well as the experience, and behaviours of someone likely to be successful in filling a Director General role.

245. The Indicators will be relevant for all, though those with potential to be widely deployable across a range of Director General roles will likely demonstrate the broadest range of experience and behaviours. They are not designed to be exhaustive and it is not expected that individuals will have extensive experience in all areas in order to show their potential for the role or upon first becoming a DG.

246. The Indicators are intended to be used for development purposes and to inform succession planning in order to support discussions about an individual's potential to fill a range of future senior roles across government. Alongside use in succession planning, the Indicators will also be used to support selection for a number of internal accelerated development schemes for those individuals looking to progress to senior roles within the Civil Service.

247. The Indicators are not designed to be used in Director General recruitment (but will inform Success Profiles - see below) or Director General performance management. The Government will ensure any future DG pay strategy takes into account and supports the indicators agreed through this piece of work.

Corporate accelerated development schemes

248. The Civil Service continues to grow its own talent and identifying future members of the SCS. Three accelerated development schemes are in place to support the pipeline to Director and beyond:

Table 13 - Civil Service corporate accelerated development schemes

Senior Leaders Scheme (SLS) - To accelerate the development of the pipeline for future leaders from the Deputy Director cadre for Director & DG roles. ○ The Senior Leaders Scheme started in 2012 with 47 participants. The number of participants has increased year on year, and in 2018 96 participants secured a place on the programme - meeting our aim of 2-3% of the SCS 1 population. ○ In 2018, 49% of successful applicants are female (compared to 43.2% across all SCS1). ○ Participants from the 2018 intake from an ethnic minority represent 12.8% of the intake, compared to an average at grade of 4.7%. ○ Participants from the 2018 intake recording a disability represent 7.4% of the

intake, compared to an average at grade of 3.6%.

- Resignation rates of DDs on SLS is 5.4% since 2012, compared to 11.8% for all DDs.
- Promotion rate for DDs on SLS is 8.5% since 2012, compared to 3.5% for all DDs.

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. The Government now has 49 cohorts to date across five intakes;
- The number of participants has increased year on year, and in 2018 430 participants secure a place on the scheme. This is slightly over 1% of G6/7 population;
- The META programme, a positive action programme for participants from an ethnic minority background, has been integrated with the FLS and in 2018 had 56 participants, making it the largest intake to date;
- In 2018, 53.2% of successful applicants are female, compared to 44.8% average at grade.
- On FLS, ethnic minority candidates represent 16.5% of the intake compared to an average at grade of 8.2%.
- Candidates reporting a disability represent 8.4% of intake compared to 6.3% at grade. A new disability offer will be launching in 2019.

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 – 1,411 Fast Streamers recommended for appointment (excluding in-service candidates) in 2018, up from 1233 in 2017.
- The percentage of those that declined the offer in 2018 is down to 12.8% from 15.6% in 2017
- There were 1,992 Fast Streamers across all schemes as at 30th April 2017.
- 29 applications per appointment for the Fast Stream in 2018.
- The resignation rate of Fast Streamers has been higher than that of their HEO/SEO counterparts in the last two years – 4.4% vs 2.2% in 2016/17.

249. 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.

Professional Career Frameworks and Career Pathways

250. The Government's overarching ambition, as set out in the Civil Service Workforce Plan, is for the Civil Service to have professional capability frameworks and career pathways that mean all Civil Servants can identify the right career route

for them, developing either depth of expertise and/or breadth of experience, building the capability the Civil Service needs.

251. Professional career frameworks, which specify expectations of skills and experience, could also play a role in defining and allowing objective assessment of individual capability: fundamental to linking pay to growth in capability within and between roles in the future. Ten priority professions[23] were identified to develop frameworks to support the building of capability where it is most needed, of these six now have frameworks in place, with the other four due to deliver in 2019/20.

252. Career pathways form a key part of the Government's strategy to ensure all Civil Servants, including those who aspire to be future senior leaders, can identify when and how they will gather the experience they need to fulfil their potential.

253. Creation of comprehensive professional capability frameworks and cross-Civil Service pathways links together coherently to a number of other strands of activity, including the development of Indicators of Potential and Success Profiles.

254. The Government is also working closely across functions including Property, HR and Policy to ensure that sustainable career paths are built that facilitate career progression to the most senior levels outside of London. This is part of the overarching ambition (as contained within the 2018 Government's Estate Strategy) to move large numbers of Civil Service roles (not people) and public bodies out of London and South East England by 2030.

255. Doing this well will mean the Civil Service will have locationally neutral career pathways that make visible, early in the leadership journey of its most talented individuals, the types of experience needed to reach the most senior roles to help realise the opportunities these present.

Success Profiles

256. The Government is currently introducing a new Success Profile Framework to attract and retain people of talent and experience from a range of sectors and all walks of life to the Senior Civil Service, in line with the commitment in the Civil Service Workforce Plan.

257. Success Profiles moves recruitment away from using a purely competency based system of assessment, where candidates provide evidence within narrow written criteria.[24] It introduces a more flexible framework which assesses candidates against a range of elements using a variety of selection methods relevant to role at hand and the desired candidate profile. Thus giving the best possible chance of

[23] Analysis, Commercial, Communications, Digital, Data and Technology, Finance, Human Resources, Operational Delivery, Policy, Project Delivery, and Property
[24] More information can be found at https://www.gov.uk/government/publications/civil-service-competency-framework

finding the right person for the job, driving up performance and improving diversity and inclusivity.

258. The elements that can be selected for assessment by the recruiting manager in order to find the best candidate for the role are:

- **Behaviours**: the actions and activities that people do which result in effective performance in a job.
- **Strengths**: the things we do regularly, do well and that motivate us.
- **Ability**: the aptitude or potential to perform to the required standard.
- **Experience**: the knowledge or mastery of an activity or subject gained through involvement in or exposure to it.
- **Technical**: the demonstration of specific professional skills, knowledge or qualifications.

259. Not all elements are relevant to every role, so the makeup of the Success Profile should be different for different types of job to improve the chances of getting the best candidate for the post.

260. For example the recruitment of an apprentice would be more likely to focus on potential and the evidence that they can demonstrate that a certain mindset and strengths, whereas for the recruitment of a project leader there would be additional focus on the individual's experience to understand what their previous work and achievements.

261. The Success Profiles framework is being rolled out across the Civil Service in phases and will be implemented into recruitment by early 2019. Success Profiles will also be integrated into talent and resource management projects underway by the recognised Civil Service professions through their career frameworks.

262. Career frameworks, developed within a profession, articulate in one place the skills, experience and capabilities needed for each role, in each grade, for that profession. This establishes a common understanding of the skills, knowledge, experience and behaviours that are critical for professional organisational and individual success clarifying the different routes an individual can take to enable them to develop depth of expertise.[25]

263. The Government will look to integrate the Success Profiles, where appropriate, into the SCS pay approach. In particular through changes to performance management for the SCS and the introduction of any future capability based pay progression (see Section 4).

[25] An example of a Career Framework (for the Commercial Profession) can be viewed at https://www.gov.uk/government/publications/the-commercial-career-framework

Diversity and Inclusion

264. The Civil Service is at its best when it reflects the diversity of the country as a whole and is able to understand what the public needs. When people from diverse backgrounds are involved in creating the public services we all rely on, we get better services that work for everyone. For these reasons, the Civil Service is committed to reflecting the country that it serves, and is taking targeted action to tackle underrepresentation, especially in the Senior Civil Service. That's why the Civil Service Diversity & Inclusion Strategy, published in October 2017, sets out our ambition to be the most inclusive UK employer by 2020.

265. The Civil Service is more diverse now than at any time in its history. The proportion of civil servants who declare a disability (10%) and those who are from an ethnic minority background (12%) are at record highs. Activity to improve diversity and inclusion in the Civil Service since the publication of our strategy includes:
- maintaining the diversity of participants on the Future Leaders and Senior Leaders programmes, with representation of ethnic minority, female, LGBO[26] and disabled colleagues at least equal to representation at grade;
- publishing targets for the Civil Service as a whole (on flow of ethnic minority and disabled staff into the SCS); and
- establishing a Diverse Leadership Taskforce - to assure progress in increasing the flow of ethnic minority and disabled talent to the very top of the Civil Service.

266. The Government acknowledges, however, that the Civil Service still needs to go further on improving representation, especially in the more senior grades. Women currently make up over 43% of the SCS which is greater than the representation of female executives and Board Directors in FTSE 100 companies (26%), but ethnic minority and disability representation at SCS level is unacceptable, at 5.7% and 4.1% respectively.

267. Since the publication of the Strategy the Government has:
- established an Ethnic Diversity Programme to increase ethnic minority representation at SCS and build a sustainable talent pipeline;
- refocused the Disability Inclusion Programme so it drives effort towards increasing flow of disabled people entering the SCS; and
- published SEB measures and begun to baseline across the CS.

It is also:
- Establishing industry standard metrics for inclusion across the CS.
- Establishing quality standards for inclusive leadership - to be incorporated into competency framework (and its future evolution)

[26] The Office for National Statistics reports Civil Servants' sexual orientations as Heterosexual / Straight, Gay/Lesbian, Bisexual or Other. The term LGBO is used to refer to staff who report belonging to one of the last three groups.

- Taking forward a programme of culture enquiries to help departments, functions and professions know where they need to take action and on what.

268. The median gender pay gap for the SCS in 2017 was 4.4%. Reasons for the gender pay gap are complex and can reflect a number of factors including seniority, profession, and tenure.

269. The Government is taking action in a number of areas to tackle the Gender Pay Gap, including:
    - launching guidance on diverse panels to limit the impact of unconscious bias in selection; all-male selection panels for posts at SCS level have been virtually eliminated;
    - ensuring recruiters for the Civil Service focus harder on attraction and fair selection to deliver a diverse candidate shortlist;
    - taking action to improve the diversity of our talent programmes to make us more representative at the most senior grades. These have a huge part to play in creating a more diverse and representative Senior Civil Service;
    - striving to create a working environment where everyone can be themselves, so they can thrive personally, perform at their best and be fairly rewarded as part of 'A Brilliant Civil Service'. For example through encouraging flexible working, shared parental leave and job sharing.

EU Exit

270. The vast majority of civil servants are not engaged directly on EU Exit work and continue to deliver important public services with dedication and skill. For those who are affected, planning and managing the UK's successful exit from the EU is a significant task and has placed an immediate pressure on resources. The Civil Service has been increasing its capacity and capability to meet this challenge, bringing on its own talent, investing in specialist skills and sourcing external support where necessary. The majority of additional roles required are, and are likely to continue to be, at delegated grades. However, where additional capability is required at SCS level, the focus is likely to be on scarce specialist skills, often with a strong external market (i.e. trade, commercial, digital, project delivery etc.). The Government will ensure that the new pay ranges reflect the ability to recruit into these roles where required.

Permanent Secretaries

271. A robust framework applies to Permanent Secretary pay; a three-tiered model 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.

272. As for other members of the SCS, the highest performing ('Top' 25%) 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.

273. 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 consolidated base pay and non-consolidated performance pay.

274. The PSRC used the 1% average award available for Permanent Secretaries to provide flat rate increases for those in the top two performance groups.

275. The PSRC also considered and approved proposals to use the 0.25% available to uplift the minimum of tier 2 from £160,000 from £162,500. No changes are planned to the tiers for 2019/20 and the SSRB will be consulted on any future changes.

Table 14 - Permanent Secretary pay structure from 1 April 2017

Tier	Minimum (£)	Maximum (£)
1	£180,000	£200,000
2	£162,500	£180,000
3	£150,000	£160,000

Pensions

Scheme eligibility details[27]

276. Prior to August 2007, new Civil Servants joined a final salary scheme with a normal pension age of 60. Those who joined before 30 September 2002 entered the classic final salary pension scheme. Those who joined between 1 October 2002 and 29 July 2007 entered the premium final salary scheme.

277. When premium was introduced in 2002, employees had the option to:

- Continue in classic
- Switch to classic plus, with pre-2002 service based on a classic benefit structure and post-2002 service based on a premium benefit structure
- Switch to premium, and also move their accrued pension into premium.

[27] Details of each scheme are available in scheme booklets at https://www.civilservicepensionscheme.org.uk/members/

278. From 30 July 2007 a career average pension scheme, nuvos, was introduced for new joiners with a normal pension age of 65.

279. In April 2015 all Civil Servants under the age of 49.5 moved to the new post-2015 pension scheme, alpha. The normal pension age of alpha is equal to an individual's State Pension age. Some members aged over 49.5 in April 2015 had protection to remain in their pre-2015 pension scheme for either a period beyond April 2015 or for the remainder of their Civil Service career, depending on their age. The current position is that everyone now aged under 55 has moved to alpha for future pension accrual.

280. The Partnership pension scheme was introduced in October 2002 as an optional alternative to the main pension scheme arrangements for new joiners. Partnership is a Defined Contribution pension scheme. Eligibility was restricted by joining date until April 2018, but from April 2018 all Civil Servants are able to switch to Partnership if they wish.

Contributions

281. The pension contribution rate a member pays is determined by their actual earnings (ie taking into account part-time status), according to the salary bands shown in the table below. The overall average employee contribution rate is 5.63%.

Table 15 - Civil Service pension scheme contribution rates, 2017/18

Actual earnings	Contribution rate
£0.00 to £21,636	4.60%
£21,637 to £51,515	5.45%
£51,516 to £150,000	7.35%
£150,001 and above	8.05%

282. Table 16 shows the automatic Partnership employer contribution rate. The Partnership pension scheme does not require any member contributions, but if a member chooses to make contributions their employer will match their contribution, up to 3%. For example, if a 47 year old chooses to contribute 4%, their employer contributes 14.75% + 3% = 17.75%, which along with the member's 4% contribution gives a total contribution of 21.75%.

Table 16 - Employer Partnership contribution rates

Age at the last 6 April	Percentage of pensionable earnings
Under 31	8.00%

31 to 35	9.00%
36 to 40	11.00%
41 to 45	13.50%
46 or over	14.75%

283. Table 17 sets out the employer contribution rates for the main pension schemes. The overall average employer contribution rate is 21.1%.

Table 17 - Employer contribution rate to Defined Benefit schemes

Salary (£)	Contribution rate
23,000 and under	20.0%
23,001 to 45,500	20.9%
45,501 to 77,000	22.1%
77,001 and over	24.5%

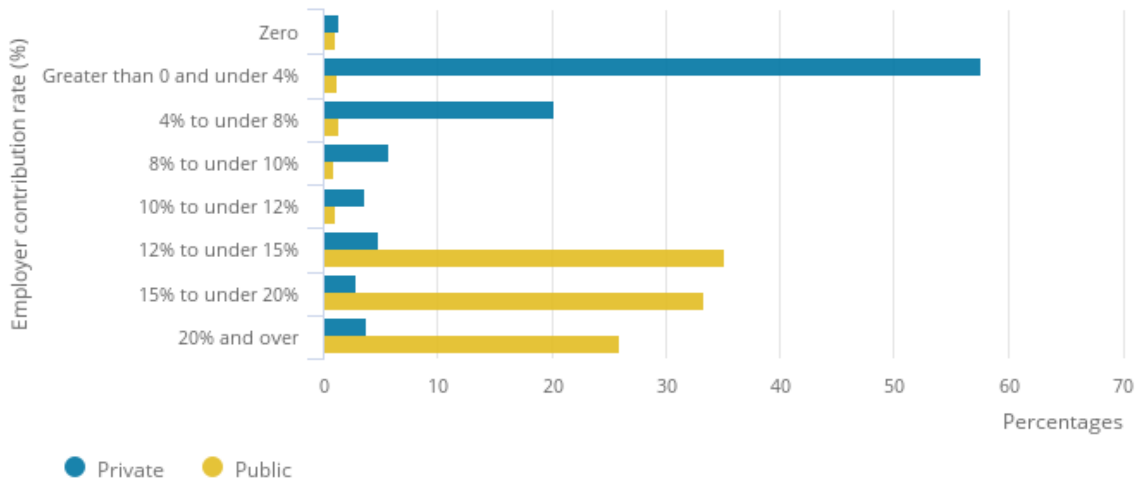
284. Table 20, at the end of this section, sets out the number of members accruing future service under each pension section within the Civil Service pension schemes.

285. The alpha pension scheme accrues at a rate of 2.32% of pensionable earnings. For example, a member with pensionable earnings of £20,000 accrues £464 p/a of alpha pension each year, which is increased by CPI in future and payable unreduced from the member's normal pension age or EPA.

286. The rate of 2.32% is equivalent to a rate of 1/43, so if a member's pensionable earnings increase in line with CPI every year and they had 43 years of service in alpha at their normal pension age or EPA age, their alpha pension would be the same amount as their annual pensionable earnings. This is particularly generous when compared to much of the private sector, as are the contribution rates as shown by Table 17 and Figure 19.

Figure 19 - Employees with workplace pensions: percentages by banded rate of employer contribution and sector[28]

[28] Office for National Statistics, Annual Survey of Hours and Earnings, 2017



Annual Allowance

287. When members move to alpha for future service they retain final salary links if they were previously in classic, classic plus or premium.

288. With the introduction of alpha in April 2015, members who moved into alpha have a pension input from their alpha accrual. For a member earning £65,000 their annual alpha pension input is approximately £24,000. The Annual Allowance has been set at £40,000 from 2014/15. This means that a member earning £65,000 in alpha would be able to build up a maximum of about £48,000 of carry-forward[29], less the pension input arising from their final-salary linked service.

Table 18 - Number of Pension Saving Statements (PSSs) issued, by salary

Salary	Number	% of total
Earning under £60,000	3,188	48%
Earning £60,000 to £65,000	554	8%
Earning £65,000 to £72,500	624	9%
Earning over £72,500	2,261	34%
Total	**6,627**	**100%**

Table 19 - Number of Pension Saving Statements (PSSs) issued, by pension input

Pension input	Number	% of total

[29] 3 * (£40,000 - £24,000)

Pension input under £40,000	832	13%
Pension input between £40,000 to £50,000	2,805	42%
Pension input over £50,000	2,990	45%
Total	**6,627**	**100%**

289. For 2017/18 there were 6,627 Pension Savings Statements (PSS) issued to members who breached the Annual Allowance and/or earn over £100,000 to date, or who requested a statement. Only a small percentage of those receiving a PSS will have a tax charge to pay, as most will be able to carry-forward unused Annual Allowance from the last 3 years.

290. 4,366 Pension Savings Statements have been issued to members earning under £72,500 which is 66% of all Pension Savings Statements issued.

291. 42% of all breaches of the standard Annual Allowance amount involve pension inputs between £40,000 to £50,000 p/a.

292. It should be noted that whilst many members will have received a Pension Savings Statement due to having long service in a final salary pension section and receiving a significant salary increase, many will have sufficient carry-forward available to avoid an Annual Allowance charge having to be paid. It is not known what proportion have a tax charge to pay, as this depends on their external taxable income and contributions to other pension schemes, which is not information held by the pension scheme.

Scheme Pays

293. Members can choose to reduce their pension to meet an Annual Allowance tax charge using a process called Scheme Pays. The scheme calculates the value by which their pension has to be reduced by in order to meet a given charge level.

294. Whilst HMRC value £1 of pension as being worth £16, the scheme (using actuarial factors) values Alpha pension in particular as typically being worth less than £16. In the case of younger higher earners (usually around 40 years of age) their alpha pension may be valued on an actuarial basis as being worth below £11 per £1 of pension.

Key Annual Allowance thresholds

295. Alpha members will breach the Annual Allowance every year if their salary is over about £108,000.

296. The tapered annual allowance is focussed on the wealthiest pension savers, to ensure that the benefits they receive from income tax relief is not disproportionate

to that of other pension savers. The annual allowance does not taper down below £10,000. Alpha members will have their Annual Allowance tapered below the standard amount of £40,000 if their salary exceeds £118,000.

Individual impact

297. Between April 2015 and September 2018 131 employees earning over £100,000 p/a who were participating in the main Civil Service pension scheme have opted-out of the main Civil Service Pension Scheme. This includes those choosing to switch from the main Civil Service Pension Scheme to Partnership.

298. Between March 2016 and July 2016 (inclusive), when the Lifetime Allowance was revised to £1m and the tapered Annual Allowance was introduced, 42 members earning over £100,000 opted-out of the main Civil Service Pension Scheme (these 42 are included in the 128 figure above). This includes those choosing to switch to Partnership.

299. Any nuvos or alpha member with taxable income from their Civil Service salary in excess of £110,000 will be affected by the tapered Annual Allowance as their pension input will exceed £40,000. Those with gross salary[30] between about £118,000 and £135,000 are affected by:

- Standard income tax (40%) and employee National Insurance contributions (2%)
- Withdrawal of the personal income tax allowance (leading to an effective additional income tax rate of 20%)
- Standard pension scheme contribution rate (7.35%)
- Tapering of the personal Annual Allowance accelerating the rate at which the Annual Allowance tax charge builds-up

300. Members with final salary linked service who are promoted commonly have large pension inputs of around £100,000 or more. When they exceed the Threshold Income of £110,000 their personal Annual Allowance drops from £40,000 to a fully tapered level of £10,000 due to their large pension input.

301. Members may consider switching to Partnership. For Partnership members, Annual Allowance charges will not be due until salary exceeds £160,000 p/a (assuming no other pension contributions or taxable income). However, Partnership is a completely different type of pension and the most appropriate pension scheme will differ between individual preference, age and risk tolerance.

Lifetime Allowance

302. The result of the Lifetime Allowance for members is as follows:

- For those who have already exceeded the Lifetime Allowance, the pension being accrued is less due to the tax charge it will attract

[30] Assuming no other pension contributions or taxable income aside from salary

- For those who have not yet exceeded the Lifetime Allowance but expect to do so in the future, behaviours may be affected.

Table 20 - Civil Service Pension Scheme membership, as at November 2018[31]

Scheme	**Salary (FTE)**							
	£0 - £20,000	**£20,001 to £30,000**	**£30,001 to £40,000**	**£40,001 to £50,000**	**£50,001 to £60,000**	**£60,001 to £70,000**	**£70,000+**	**All**
Alpha	67,600	160,900	83,700	27,500	23,200	10,400	7,400	380,600
Nuvos	1,700	1,900	700	300	200	100	200	5,000
Premium	7,800	32,700	17,200	4,800	3,500	1,800	1,500	69,200
Classic Plus	200	1,000	600	200	200	100	100	2,500
Classic	5,300	8,500	3,200	1,500	900	600	600	20,500
Partnership	1,000	2,200	1,500	500	400	4,700	300	10,500
All	**83,500**	**207,100**	**106,800**	**34,800**	**28,300**	**17,700**	**9,900**	**488,300**

Exit Interviews

303. The Government recognises the importance of the data and insights that exit interviews can provide in understanding who leaves the SCS, as well as why they leave, and how this information can be used to address any potential recruitment and retention concerns.

304. The Government is committed to increasing the quality of data as well as using the data more effectively for greater insight. In light of previously raised SSRB concerns around quality of data, an end to end process review was carried out in January 2018. As a result, a new set of forms and guidance were introduced. These forms are designed to be consistent with previous forms but are more accessible at the request of departments and collect additional data particularly around protected characteristics.

305. Alongside 'unplanned leavers' (e.g. resignations) departments also now provide details of all their SCS leavers - for example moves back to other government departments. Importantly departments provide a 'quarterly tracker' providing the status of all their exits and whether they have been interviewed or not - and if not why not. This allows the Government to gain a better understanding of why

[31] Taken from scheme member data, as at November 2018. Figures rounded to nearest 100. Figures may not sum to total due to rounding

a significant proportion of SCS who leave the Civil Service are not interviewed each year.

306. The quarterly tracker has specifically supported periodic policy compliance analysis. The aim is to increase oversight of the use of the policy and provide tailored feedback that addresses any anomalies or gaps in data with departments. This process is not only driving up data quality, but it is improving policy compliance by challenging cases in which a valid reason for not interviewing has not been provided. The Government plans to continue this more hands on approach going forward.

307. Departments recorded 148 SCS resignations between Oct 2017 and end-Sept 2018 in their exit interview trackers. Of these, usable exit information for 77 SCS was received – similar to last year (83). This represents just over half (52%) of the 148 SCS resignations. A further 26% either declined an interview when offered, or were not offered one for good reason e.g. sensitivity of exit. For a further 16% of SCS exits the interviews or completed forms remain pending at the time of analysis. In 6% of cases it is not known why interviews were not offered - much lower than last year when no details of reasons for non-interviews were available.

308. The analysis of data from these interviews shows the following headlines:

- there was a considerably higher proportion of male exit interviews this year than female (72% vs 28%). 11% of those interviewed declared a disability, 7% were working part time, 80% were aged 40-59 and 20% had only been in the SCS for 2 years or less;
- 13% of exits went to private sector, 31% to the wider public sector[32];
- half of the exits were defined as regrettable losses[33] this year compared to 46% last year;
- opportunities to develop career within another organisation was the most cited reason for resignations (60%) - like last year (57%) and more frequently cited than pay (53%). The top three reasons were the same and in the same order in 2017/18 compared to 2016/17;
- around a third of leavers (32%) indicate that they may come back in the future – the same as last year. 86% rate their overall experience in the Civil Service as Good or Very Good compared to 83% last year;
- 75% of leavers would recommend working for the civil service to others – however this varies depending on the factors that influenced the decision to leave. Leavers are significantly less likely to recommend the Civil Service to others if fairness, respect, feeling valued or ability to fit in with organisational culture are motivating factors in the exit;
- while not the most cited reason - pay remains an important factor in 58% of all exits (60% last year) if interviews are examined as well as survey responses, and it is even more so for specific exits;

[32] Of the remaining leavers: 6% went to the Charity/Non Governmental sector; 5% to Consultancy; 9% to Local Government; 5% to NED roles; 8% were undecided; 22% did not report their destination.

[33] We define regrettables losses as SCS placed in the top 3 boxes of the 9 box talent grid or the middle right box (Strong).

i. Pay is a larger motivating factor for exits to the private sector and consultancies (a factor in 86% of cases) and in losses to the wider public sector and local government (a factor in 67% of cases). It is much less a factor in exits to charities and NED roles (33% of cases).
ii. Pay was a motivating factor in 71% of female SCS exits compared to 53% for male exits - a similar finding to last year;

- pay was a motivating factor in 64% of regrettable losses.

309. Overall the quality of data has improved but as this is a transitional year, the data quality is still not at the expected levels. It is anticipated that the next reporting year will yield greater insights, as the new forms and processes are fully embedded. Ultimately it is also important to understand the limitations of exit data, the volumes are never likely to be sufficient to drill down into detail and develop robust statistical insights about differences in motivation for leaving by some of the protected characteristics. However, the Government acknowledges that improvements could still be made to increase engagement with departments and, in turn, the level of returns.

310. The Government will carry out a further review in Spring, to seek reflections from departments about the implementation of the new forms and guidance and suggest any further improvements.That said, there will be a need for some stability in the process to allow for the changes made this year to settle in.

SECTION 6 - THE DEVOLVED ADMINISTRATIONS AND THE GOVERNMENT COMMERCIAL ORGANISATION (GCO)

The Devolved Administrations

311. The substantive SCS population for Scottish Government (SG) is currently 221 (1.4% of the workforce) with an annual pay bill cost of around £17.9 million[34]. The Welsh Government (WG) has a substantive SCS population of 162 (3% of the workforce), with an annual pay bill of £13.5 million[35].

312. The SCS in both devolved administrations are part of the centrally managed cadre which is governed by the UK, which differs from the delegated grades which are managed by their own respective government. For both governments, over time, the position in regards to the SCS has shifted slightly in recognition of the changing shape of devolution. For example the sign off for new senior appointments has moved from the Prime Minister to the First Minister of the respective administration, and there has been a delegation of certain decisions regarding the Civil Service Compensation Scheme. While these changes in responsibilities did not require amendment of the Civil Service Management Code they do acknowledge the different position of devolved administrations when compared to other departments.

313. Financial accountability to the Scottish Parliament and increasing fiscal autonomy, such as the Scottish Rate of Income Tax, also factor as part of the developing context. One feature of the evolving devolution context is that Scottish Ministers now have an established and distinctive Public Sector Pay Policy. As this has diverged from the UKG policy choices, the position for the reserved SCS in the Scottish Government has become increasingly complex to navigate.

314. Both administrations operate remuneration committees (similar to those in other Government departments). The Welsh Government's SCS Remuneration Committee is responsible for recommending senior pay decisions and managing the performance, potential and talent of senior staff. The Committee ensures remuneration is handled in a fair and appropriate way and in line with UK Government guidance. Similarly the Scottish Government has a Top Level Pay Committee (for Deputy Directors and Directors) and a Talent Action Group (TAG) for Director Generals which is responsible for recommending senior pay decisions. The Executive Team and TAG manage performance, potential and talent of senior staff.

Delegated Pay

315. Each government has its own particular ministerial priorities when managing pay for their delegated grades. For example, the Welsh Government have focussed efforts on supporting lower paid staff and implementing the Living Wage, as defined

[34] The total number of SCS includes those from the Scottish Government Agencies and non Ministerial Departments ie Scottish Prisons Service (SPS). The total number of SCS is accurate as of February 2018.
[35] The total number of SCS is accurate as of August 2018.

by the Living Wage Foundation. They have been an accredited Living Wage Employer since 2015.

316. For Scotland, the Scottish Public Sector Pay Policy (SPSPP) is set as part of the Scottish Budget and to date has been agreed annually as part of the budget process by the Scottish Parliament. It covers all delegated grades of civil servants and 44 public bodies. SPSPP provides discretion for bodies to reach their own decisions about pay progression, including for senior staff.

317. Welsh Government does not have its own public sector pay policy at present. A number of the Welsh Government Sponsored Bodies follow their pay arrangements and reflect their pay awards. They also issue pay remit guidance to and review pay remit applications from, their Sponsored Bodies.

318. In contrast to other parts of the Civil Service, pay progression continues to form part of the Scottish and Welsh Government's reward for the delegated grades. Both administrations have no more than 4 pay steps between the minimum and the maximum of the pay bands, and pay progression is expected to be based on performance. In the Welsh Government incremental increases are designed to ensure all staff reach the 'rate of pay' for their role (the maximum rate) within three years. For the Scottish Government this means that as of November 2018 just over 53% of the devolved staff are on their pay band maximum.

319. In 2018 Scottish Ministers lifted the 1% pay cap and provided a guaranteed minimum increase of 3% for those earning £36,500 or less. A limit of 2% on increase to baseline payroll applied to staff earning above £36,500 to £80,000 but public bodies had the flexibility to determine how pay increases were applied for this group of staff. There was a £1,600 cash limit for those earning over £80,000.

320. In 2018 Scottish public bodies had the opportunity to use up to 1% of paybill to address pay inequalities which introduced the scope for employers to award a non-consolidated payment for staff on their maximum recognising that such staff were greatest impacted by the years of pay restraint. Scottish Government awarded a 1% non-consolidated payment to SG staff on the pay band maxima in the delegated grades as part of the 'pay restoration' journey.

321. In both Devolved Administrations Ministers have suspended the use of non-consolidated bonuses for delegated grades.

SCS Pay

322. Scottish Public Sector Pay Policy (SPSPP) has suspended all non-consolidated payments linked to performance since 2011-12. This followed public sector Chief Executives being asked to waive bonuses in 2009-10 and 2010-11. In line with SPSPP the Scottish Government have not awarded any non consolidated bonuses for the SCS since 2010-11, to bring it into line with delegated pay. This leaves the 3.3% non-consolidated pot unused each year.

323. For Wales, a focus on transparency of senior management pay has seen greater reporting and scrutiny of SCS pay, as well as the pay of other senior managers across the public sector in Wales. Welsh Ministers have made it clear that they do not wish to see SCS members receiving bonuses and therefore the Welsh Government has not made any performance related variable payments to staff since 2013, even though the non-consolidated flexibilities are available to them.

324. For Scotland, they have also sought to steer a line that kept within the core parameters of the UK SCS pay framework but also respected the views of Scottish Ministers on headline aspects of senior pay as set out in Scottish Public Sector Pay Policy (SPSPP), particularly the suspension of bonuses. This has meant that since 2010-11 the performance related pay pot has not been distributed to SCS in Scotland (around £3m over the 7 year period). There is also a £1,600 cash limit on increases for those earning over £80k. The minima increases that are proposed this year are likely to breach this, which may result in further discussions needing to take place with their Ministers.

325. The delegated pay award, shaped by the aspirations of SPSPP, is giving rise to very significant leapfrogging issues in the Scottish Government. Allowing for a 5% increase on promotion, which has been the practice, (lower than the UK pay framework maximum of a 10% increase on promotion) promoted staff on the maximum of the feeder grade would be appointed on a salary of just under £75,800. They would leapfrog 80%[36] of the SG's DD cohort of which 36% have been in grade for more than 5 years and 23% have more than 10 years' experience.

326. The Welsh Government is also experiencing a similar situation which is most frequently apparent to people promoted to the SCS from Grade 6 who immediately overtake those promoted to the SCS from Grade 7. There is also a historic link, meaning newly promoted DD's (in particular those on the G6 max who received a minimum 5% increase) tend to earn more than there longer standing colleagues. That practice is exacerbated each year as the Welsh Government have continued to increase the G6 maxima following pay awards.

327. Neither of the administrations reports any particular issues with recruitment or retention with the SCS. For the Scottish Government around 23% of the SCS have been in the same role for more than 4 years. Those is post for 4 or more years are largely professional/specialist staff ie health professions, legal etc. The majority of the SCS roles are based in Edinburgh and Glasgow and the main competitors are other public sector organisations. The Scottish Government do experience market challenges when recruiting for finance and digital areas.

328. Senior Civil Servants in the Welsh Government tend to remain in their roles for longer tenures than in many other departments, and the majority of the SCS roles are based in Cardiff (although they are working towards a more pan-Wales approach), the main competitors are other Government departments and other public sector organisations.

[36] Pending 2018 pay award which has not been finalised

Specialist Pay

329. The Welsh Government covers a large number of functions and is responsible for the majority of the core public services in Wales. This has resulted in some high salaries for specialists (particularly in the Health and Social Services Group) that are significantly above the median salaries in their bands.

330. The Scottish Government covers a wide range of policy, delivery and specialist functions, including an overseas presence and 44 public bodies. The Scottish Government is similar in that its highest salary rates for both Deputy Director and Director relate to Chief Executive roles and those that require specialist skills, mostly market facing or niche roles in the health, education, digital, finance and parliamentary drafting areas.

Action to support the Devolved Administrations

331. Within the 2018/2019 SCS Pay Remit Guidance issued to departments, the Government made changes to the policy wording to ensure the devolved administrations were able to make a case to use the flexibility offered to convert up to 0.5% of their non-consolidated pay pot into consolidated pay to address specific recruitment and retention pressures and other pay anomalies.

332. The Government will continue to work with the Devolved Administrations to ensure their contexts are considered in future pay decisions.

The Government Commercial Organisation (GCO)

333. Following a commercial capability review in early 2015 it was identified that there were too few senior commercial leaders with the required experience and expertise leading to a review of reward against the other sectors to understand our overall market position. This review, alongside robust evidence gained from failed recruitment campaigns led to the recommendation to adopt a new market-aligned commercial pay and grading model. The proposal also sought to bring senior commercial capability under a single central employer to improve capability, coordinate recruitment, and enhance talent through a compelling career path and development offer.

334. As a result, the Government Commercial Organisation (GCO) was set up in early 2017 as a central employer of commercial specialists. It is located within the Cabinet Office and employs colleagues at Commercial Lead (which is broadly equivalent to Grade 7) level and above.

335. As part of this, the GCO Remuneration Framework was designed to enable the GCO to attract and retain the best commercial experts externally. The terms and conditions of the GCO were designed to mirror a private sector arrangement and to be cost neutral when compared to the Civil Service arrangements, but with a greater focus on higher base pay and performance related pay rather than pension benefits.

GCO terms involve a 20% salary uplift relative to that received by existing civil servants, enrollment into the Legal & General (L&G) defined contribution pension scheme, and eligibility for performance related pay. A high level overview of the GCO terms can be found in Table 21

Table 21 - GCO Terms and Conditions

Annual salary review and PRP	Salary reviewed annually. All consolidated increases must be agreed by RemCo on line manager recommendations. Access to GCO PRP scheme, paying up to a maximum of: ● 15% for Commercial Leads and Associate Commercial Specialist Grades ● 20% for Commercial Specialists and Senior Commercial Specialists PRP is non-consolidated and non-pensionable
Hours	37 hours
Overtime	No overtime payable
Annual Leave	25 days standard Option to buy a maximum of 5 additional days per year each valued at 1/261 of annual salary. No compensation for leave not utilised within the leave year. No carry forward unless agreed with GCCO, capped at 5 days per annum
Public Holidays	Entitled to all public holidays Civil servants are entitled to privilege leave for the Queen's Official Birthday. This may be taken on the Friday before or the Tuesday after the late Spring Bank Holiday in line with business need. Alternatively, staff may be awarded a day in lieu at a later date.
Pension	A defined contribution scheme with contribution levels: 3% employer, 5% employee. Pension will be auto-enrolment compliant with option to opt out. Ill health Medical retirement payment of 50% of salary for 5 years, from the date of leaving.
Life Insurance	3 x salary Compensation scheme The Civil Service Compensation Scheme does not apply
Compulsory Redundancy	3 months' pay standard no matter time employed in GCO or Civil Service Notice 3 months
Sick pay entitlement	Occupational sick pay increasing by length of service. Current arrangements will be honoured on moving within the Civil Service to GCO Terms.

336. The role of the GCO Remuneration Committee, which meets twice a year, is to review the recommendations and make decisions on the pay and reward of GCO employees. The Committee also provides advice and direction of the future reward strategy for the GCO and the reward priorities, as well as overseeing the GCO pension scheme. It is chaired by an independent non-executive director and its membership includes the Government Chief Commercial Officer, Non-Executive Directors, a senior HR representative, and/or a HM Treasury/CO Finance representative.

337. All new entrants into the GCO are required to participate in the Assessment and Development Centre (ADC). The Assessment and Development Centre includes a range of interviews and simulated role-play exercises that take place over the course of a day. It assesses the commercial expertise, skills and capability of individuals against the GCF People Standards for the Profession. There are 4 marks that can be awarded after attendance at the Assessment and Development Centre: A: Meets Threshold (Accredited), B(ASR): Need for Development but eligible for Accreditation Status Review (ASR), B: Need for Development, C: Significant Need for Development.

338. New external appointments are recruited on to GCO terms and conditions whilst internal Civil Service staff who transition across into the GCO and score an 'A' at the ADC have a choice as to whether they want to accept GCO terms or remain on their existing equivalent Civil Service terms. Individuals who achieve a 'B' at the Assessment and Development Centre remain on their existing equivalent Civil Service terms.

339. The result of this assessment means there are three populations of staff in the GCO:

- Population 1 - those who are on GCO terms and conditions whose pay is determined by the GCO RemCo with no collective bargaining rights.
- Population 2 - those who remain on their existing equivalent SCS terms whose pay complies with the centrally set SCS guidance based on recommendations from the Senior Salaries Review Body (SSRB).
- Population 3 - those who remain on their existing equivalent G6 and G7 terms whose pay is subject to collective bargaining with the Trade Unions.

340. Individuals in Population 1 and 2 are considered to fall within the remit of the SSRB and therefore decisions on their remuneration will be informed by SSRB recommendations. Proposals on their remuneration, subject to the recommendations of the GCO RemCo, will be shared with the SSRB in future.

341. Upon accepting GCO terms, Commercial Specialists and Senior Commercial Specialists, whether internally or externally hired, agree contractually to the following statement, that they are *'not a member of the Senior Civil Service, but will be subject to the same requirements as members of the SCS in their adherence to the Civil Service Leadership Statement…and contribute, as required, to the leadership of the*

Department to which they are deployed, the Commercial function and wider Civil Service.'[37]

342. Notwithstanding this provision, these members of the GCO are covered by the SSRB's remit, as explained above.

343. As of the 30th October 2018, there were 341 people employed by the GCO, made up of a combination of existing Civil Servants who transitioned across from departments and direct external hires (an increase from 253 employed in October 2017). Of this population, 35% of the eligible GCO employees have accepted the GCO terms or have been recruited on to these from the external market. In the first year eligibility for Performance Related Pay (PRP), the GCO paid out £800,029.60 in August 2018.

344. The GCO has recently delivered the first annual pay award. Through this the pay scales for those on GCO terms have been updated and PRP payments applied (see tables below).

Table 22 - GCO current pay scales

Specialist Level	Base Pay Minimum	Base Pay Maximum	Non-consolidated Performance Related Pay Potential
Senior Commercial Specialist	£130,000	£193,819	20%
Commercial Specialist	£90,000	£131,300	20%
Associate Commercial Specialist	£65,000	£96,909	15%
Commercial Lead	£58,176	£74,000	15%

345. A wide variety of evidence is used, including benchmarking data from a range of sources and experience from failed external recruitment campaigns to inform the pay bands for the GCO.

346. The table below shows how the total remuneration picture has moved since last year. Interestingly the market had significantly shifted at SCS, slightly moved at CS level and decreased at ACS level

Table 23 - Comparison of total remuneration at the 25th Percentile

Specialist Level	2017	2018	% difference

[37] employment contract, clause 25.3

Senior Commercial Specialist	£190,406	£277,355	45.6%
Commercial Specialist	£128,573	£136,159	5.9%
Associate Commercial Specialist	£100,525	£94,664	-5.83%

347. Although pay benchmarking data is affected by which companies include data in the survey and, for most senior roles, the level of LTIPs[38] and share holdings, the Government believes that the data shows a trend of market movement. This data informed the decision to increase the maximum of the GCO pay bands by 1% to ensure that the offer keeps up with the market and mitigates the risk of losing talent.

348. PRP payments are determined against an individual's objectives, they're calibrated at the beginning of the year, with a mid-year and an end-year conversation to discuss progress and outcomes. Those on non-GCO terms are eligible for in-year and end-of-year non-consolidated bonuses within the same parameters as for all other SCS members.

349. All mandatory objectives (which include corporate contribution and leadership) must be met to become eligible for PRP regardless of the standard of performance against any other objectives. This ensures behaviours as well as deliverables are taken into account when performance is being assessed.

Table 24 - Average PRP payout by grade

Specialist Level	Individuals in scope	Average PRP payout
Associate Commercial Specialist	26	66.4%
Commercial Specialist	27	67.4%
Senior Commercial Specialist	15	55%
Overall	**68**	**64.7%**

350. For those who are not on GCO terms, the annual pay award agreed remains in line with the central SCS guidance.

351. Work is underway to understand the impact of the introduction of the GCO in relation to the issues it set out to address. The Government will report any findings in next year’s evidence.

[38] A long-term incentive plan (LTIP) is a term that is commonly used among listed companies to describe an executive share plan under which share based awards are made to senior employees with a vesting period of at least three years

ANNEX A - ASSESSMENT AGAINST SSRB PRIORITIES FOR 2019/20

SSRB priority	***Assessment of SCS in 2018***	***How the priority has been addressed in 2019 proposals***	***Activity planned in the long-term by Government for this SSRB priority***
Pay and workforce strategy: *Departments need to be clear about their long-term objectives, their future operating model and the pay and workforce strategy required to support them. Annual changes to pay need to be linked to longer-term strategy.*	Cabinet Office has conducted an initial review of the pay framework and its linked proposals for 2018 to its future Vision. However, considerable further progress is required.	Building on the vision, core principles, and plans for reform of SCS pay framework set out last year's evidence, the Government has provided further information and proposals. In addition the Government has begun to set out how the vision and proposals will interact with wider work underway on leadership, talent, success profiles, and career frameworks in the Civil Service.	The Government will continue to use the SCS workforce vision and core principles as it continues to develop the proposals set out in this year's evidence, as well as continuing to align and draw on wider leadership, diversity, and talent strategies.
Focus on outcomes: *There should be more focus on maximising outcomes for lowest cost and less fixation on limiting basic pay increases across the board.*	Some proposals to make savings from operating more consistent pay policies. However, detailed costings were not provided and there is concern about the ability to generate savings.	This year's proposals focus on using existing funding more effectively to make marginal productivity gains and maximise outcomes. In addition, the Government will continue to use flexibility from reinvesting savings (from operating more consistent pay policies and reductions to the maxima) to fund structural reform of the pay system.	The Government will consider during 2019/20 further productivity gains that can be made through a holistic review of the SCS workforce structure and capability to explore options to further improve outcomes at lowest cost - e.g. through work on capability based pay progression.
Action on poor performance: *Greater analysis is required of where value is being added and action taken where it is not.*	The proposals put more emphasis on rewarding high performers but there is little evidence on how poor performance is being identified or addressed.	The Government undertook a review of poor performance over the summer and work is underway to pilot new approaches to performance management which retain tackling poor performance as a priority.	The Government will be running pilots over the next two years to ensure any future performance system supports the tackling of poor performance.

Performance management and pay: *There needs to be demonstrable evidence that appraisal systems and performance management arrangements exist and are effective, and of a robust approach to reward structure and career development*	Established performance management system, but not trusted by staff. Increase in use of in-year awards. Commitment to review in 2018.	The Government has proposed to pilot new approaches to performance management over 2019/20 and 2020/21 to ensure the appraisal system and performance management arrangements are as effective as possible in future. This year's proposals aim to maximise the effectiveness of existing funding available within the boundaries of the current SCS performance management system.	SCS performance management policy and structures will be reviewed over the next two years, this will include a review of performance related reward.
Better data: *Better decision-making requires better data, particularly in respect of attrition, retention and recruitment. Emerging issues and pressures need to be identified promptly and accurately so that appropriate action can be taken.*	Good and improved workforce data. Better exit interview data is required.	Significant analysis has been undertaken to support the priority areas in this years evidence. Headlines are included throughout the various chapters, along with the usual workforce data the Government has provided to the SSRB in previous years. A number of changes were made to the exit interview process this year to improve data. As a transitional year the Government is pleased with the improved quality of the data but will continue to keep this in review.	The Government will continue to improve the quality of its data, including continued review of the exit interview process to maximise compliance. Recruitment and retention data will continue to be monitored for the SCS.
Feeder Groups: *The feeder groups that will supply the next generation of senior public sector leaders must be closely monitored. The data relating to them needs careful scrutiny for early warning signs of impending problems*	Some data on motivation and pay of feeder group provided. Further work required. No evidence of major concerns.	The Government will continue to run three main corporate talent schemes and ensure they are attracting and supporting the development of a diverse range of staff within feeder grades. Data in 2018 has not indicated any significant recruitment and retention concerns at this level, although satisfaction with pay, engagement and motivation scores are all lower than for SCS.	The Government is committed to growing its own Civil Service talent and identify future members of the SCS. Strengthening professional anchors in the Civil Service will support the development of stronger career pathways, developing talent pipelines into SCS roles with a more diverse range of skills and experience.

Targeting: *Where evidence supports it, pay increases should be targeted according to factors such as the level of responsibility, job performance, skill shortages and location.*	The new framework seeks to provide consistency across departments whilst retaining departmental flexibility to target. However, the current system limits scope for strategic targeting of awards.	The new pay framework as outlined in last year's Government evidence has been developed with the aim of targeting funding to where it will be of greatest benefit (e.g. to retain and motivate high performance and capability growth) or is most needed (address pay anomalies in the existing system and attract specialist skills in short supply).	The Government will continue to move to a new pay framework that tailors reward arrangements by professional grouping, to ensure funding is being targeted at the skills in short supply, and to retain the very best performers, while motivating the whole SCS cadre.
Central versus devolved tensions: *Tensions that exist in the system that hinder the development of a coherent workforce policy, such as between national and local control, need to be explicitly recognised and actively managed.*	Tension between central and departmental control not resolved by new proposals.	The Government has set out more clearly in this year's evidence the current SCS pay approach including the interactions between the centre, departments, and professions/ functions, and the proposed way forward including improvements to be put in place to drive consistency across the system.	The Government commits to keeping the current approach in review and regularly considering whether any changes may be appropriate. The Government also commits to further detailing how the various parts of this structure work together when final proposals are available for specialist pay and capability based pay progression
Diversity: *The senior workforces within our remit groups need to better reflect the society they serve and the broader workforce for which they are responsible.*	Relatively improved performance on gender but still not satisfactory. Despite increases in numbers, still poor on ethnicity, in particular in relation to Permanent Secretaries.	Progress against the Diversity and Inclusion strategy and further planned activity to improve representation at all levels in the Civil Service, including amongst the more senior grades, have been included in this year's evidence. This year's proposals on pay (and the long-term vision for a future pay framework) have also taken due regard to the impact these may have on different groups within the SCS	The Government will continue to push forward activity as outlined to improve representation at all levels in the Civil Service (particularly to improve performance on ethnicity and disability) and inclusivity in the workplace. The impact of proposals this year on different parts of the SCS workforce will continue to be monitored.

ANNEX B - SCS PAY 2018/19 - APPLICATION OF AWARD BY MAIN DEPARTMENTS

Department	Use of 1% consolidated base pay award, including action to target award	Use of discretionary 0.25% anomaly pot.	Use of pay on appointment exceptions process.	Use of non-consolidated performance pay pot.	End year non-consolidated performance related pay for 2017/18 performance.	In year contribution awards for 2017/18 performance (within the framework set by Cabinet Office). Includes:
Business, Energy and Industrial Strategy	Paid flat rate increases of £850, £950 and £1250 respectively. Opted to keep the awards to a round number and used the small amount left from the 1% to add to the anomalies pot.	Addressed the base salaries of seven individuals (two SCS1s, four SCS2s and one SCS3) who were all strong performers but whose salaries were felt to be out of line with comparators and misaligned to the job weight. None of those whose salaries were amended had benefited from the increase in the pay band minima. Paid two increases of £1,000 each to the SCS1s. Applied uplifts of £4,000, £8,000 (but reduced the PRA in payment by £8000), £8,082 and £10,958 for the Directors. The last two were effective from dates after 1 April to reflect the timing of the change in their responsibilities	None as yet.	Yes the full 3.3% pot will be used	SCS1 – £9,000 SCS2 - £10,000 SCS3 - £11,000	• 10.8% limit of 20% limit used to date • Awards made to 23 SCS. • Awards were £4,000 or £2,000 each. • Awards recognised strong performance over the year that fell short of the top 25% or work on a specific piece. Some individuals qualified for more than one award. Second award paid at the lower level. • Most awards made with the annual award given timing. Second round to be made in the New Year.

		and so the costs for this year are only £9,132 and £5,388. Finally a payment of £4,000 was made to one SCS3. A small amount is left in the pot for any further cases that are raised.				
Cabinet Office	Applied the full 1%. Operated a matrix that gave higher awards linked to position in pay range and performance. This meant that those above the top of the pay range did not get a pay increase.	Approved three cases to address an anomaly between a job share paring, and two cases to reposition salaries to a more appropriate level to reflect weight/challenge of role. Used half of the 0.25% anomaly pot.	To date there have been two cases where exceptions have been made. The first was an increase of 30% to an SCS2 on promotion. This was to ensure we could bring in a highly rated programme director. The second was an increase of 15% on promotion for an SCS2 to reflect weight/challenge of role.	Yes full 3.3% pot used	SCS1 – £5,500 SCS2 - £7,750 SCS3 - £10,000	● 15% limit of 20% limit used to date ● Awards made to 32 SCS. ● Awards were between £3,500 and £4,000 each. ● Awards recognised corporate contribution and going the extra mile and role modelling leadership behaviours ● Payments made quarterly. Next payments will be made in January 2019.
Department for Digital, Culture, Media & Sport	Applied 1% of the median salary of each grade. Therefore, there was a fixed award for each grade applied to all eligible SCS.	Used a combination of the remaining 1% and the additional 0.25% to: ● increase base salaries for 10 SCS1 to £70,000 who were predominantly women being paid significantly	Over the 2017/18 performance year there have been three cases where exceptions have been made.	Yes full 3.3% pot used	SCS1 – £8,000 SCS2 - £10,000 SCS3 - £14,500	● Awards made to one SCS to date ● One award of £5,000 applied (10 eligible individuals remaining of 20%). ● Awards applied to those

	The remainder of funds was used in addition to the 0.25% to address performance/weight of role and reduce risk of equal pay claims.	lower salaries than their male peers in an effort to address our gender pay gap ● give individual awards of £1,680 to two SCS3 who had been recognised as having heavily weighted roles and excelling throughout the year	All three exceptions detailed below were made as part of a benchmarking exercise as, in comparison to their peers, they were much lower in the relevant pay bands. This was also to reflect the job role that they were undertaking. The first was an increase of 5.5% above the SCS2 minimum on promotion from SCS1. The second and third were increases of 5.4% and 6.6% on level transfer at SCS1 to bring them both to the same salary, in line with their peers.			who narrowly missed an ‘exceeded’ end of year rating. ● Plan to make further payments following the mid-year consistency checking meeting
Department for Environment, Food and Rural Affairs	Used 0.85% of the 1% available. The award was paid as a matrix with higher awards linked	Addressed a further four base salaries for high performing staff, whose job weight had significantly stretched over the year or whose salaries were significantly anomalous in	No exceptions used to date.	Full 3.3% pot will be used over the year.	SCS1 – £10,000 SCS2 - £11,000 SCS3 - £11,000	17 awards ranging from £3,000 to £5,000. Awards recognised corporate contribution and going the extra mile. Awards made throughout the

	to performance and position in range. Used the remaining 0.15% (in addition to the anomaly pot) to reposition 2 low salaries relative to their peers.	relation to direct peers. 0.2% of paybill was used.				year.
Department for Exiting the European Union	Applied a flat award of 1% to all its SCS. Those below the new minimum were moved to this and then received a consolidated award of 1%.	To date have not yet used any of the discretionary anomaly pot	To date no exceptions cases have been made	Yes the full 3.3% pot was used	SCS1 – £11,250 SCS2 - £12,750 SCS3 - £13,750	Six Individuals were awarded a bonus of £5,000. These individuals were awarded for going over and above in challenging roles and were all end year near misses.
Department for International Development	Applied a 1% average award in the majority of cases. 1% of the pay bill was the overall cost. Those who were identified as the lowest 25% of performers (Box 3) did not receive any increase. We used some of the 1% to reposition three salaries to align salaries to other roles within DFID.	Did not use any of the additional 0.25% anomaly pot. All repositions were addressed using the 1% base pot.	Not used to date.	The intention is to use 60% of the 3.3% pot for End of Year awards and 40% for In-Year Awards.	SCS1 – £6,700 SCS2 - £8,000 SCS3 - £10,000	● 28 in year awards were made to staff; although higher than the 20% the decision was made to recognise with lower value amounts reflecting need to restrict end of year award category. A revised strategy to retain limit has been introduced in new FY. ● Awards were £3,250 for SCS1s and £4,000 for SCS2s. There were no in-year awards for SCS3s. ● Awards recognised:

						○ Sustained delivery ○ Delivering a medium-term project ○ Role modelling DFID values and behaviours ○ Managing a conference, event or visit ● Payments made after mid-year review.
Department for International Trade	Applied the full 1%. Operate a matrix that gave higher awards linked to position in pay range and performance. This meant that those near the top of the pay range received a smaller pay increase. Kept back part of the 1% (in addition to the 0.25% anomaly flexibility) to reposition 13 salaries to a more appropriate level to reflect weight/challenge of role.	Addressed base salaries for 13 individuals in priority business areas whose pay levels were below the median for the pay range, and lower relative to their immediate peers, where pay was misaligned to role challenge and weight of post. Spent the discretionary 0.25% and a further 17% of the 1% average award (or 0.17% of the total pay bill) to address anomalous salaries. This means that in total 0.42% of SCS paybill was spent on addressing anomalies (0.25% plus 0.17% taken from the average award).	To date there have been no cases where exceptions have been made.	Yes full 3.3% pot used	SCS1 – £8,250 SCS2 - £11,250 SCS3 - £0 (no top performers)	● 20% limit not yet used, but plan to by end of this financial year ● Awards made to 12 SCS. ● Awards were between £2,500 and £5,000 ● Awards recognised corporate contribution and going the extra mile. ● Payments made at mid-year point. Next payments will be made in February 2019.

Foreign and Commonwealth Office *Note: the detail includes SCS staff and the FCO's Senior Management Structure (SMS)*	Applied the full 1%. Operate a matrix that gave higher awards linked to position in pay range and performance. Staff in the low category did not receive a pay increase.	Addressed the salaries of four individuals in the SMS/SCS2 Pay Band where there was misalignment between job weight, the challenge of role and the current salary received. This was achieved through implementing a non-consolidated, non-pensionable allowance of £8,000.	N/A	Yes the full 3.3% pot is being used.	The end of year award was £11,400 for all pay bands.	None
Department of Health and Social Care	Applied higher awards for those lower in the pay range to continue to address pay equality issues. Larger consolidated increases were targeted to those lower in the pay range by applying 'breakpoints' in each Pay Band. The breakpoints were: SCS1: £80,000 SCS2: £110,000 SCS: £140,000	No targeted action to date as part of the SCS pay review.	No cases to date, though a mechanism and governance has been established.	Circa 2.6% was used for in year and end of year NCPRP awards	The top performing 25% of SCS received a non-consolidated award of £10,500. There was no differentiation by Pay Band	Awards were limited to 10% of the SCS population (for 2018/19 the 20% threshold will be applied) 13 awards ranging from £500 - £1,000 were made during 2017/18. Awards up to £1,000 for short term contribution for a period of up to three months e.g. an exceptional level of commitment, resolution and delivery to get a job done in challenging circumstances and exceptionally high standards of customer service/delivery,

	SCS below the breakpoint for their Pay Band received a consolidated award of £1,250; SCS above the breakpoint for their Pay Band received a consolidated award of £500.					either in a strategic or operational role. For sustained contribution over a period of more than three months, awards of up to £5,000 for exceptional delivery and contribution.
Department for Education	Applied the full 1%, using the 0-9% flexibility to uplift 'Top' performers to spot rates (PB1 - £70,000; PB1 - £92,000). Flat rate award of £925/lift to PB min to all others (except those in formal performance measures)	One individual case addressed for a PB2 Comms specialist. Received a £9,000 uplift.	To date there has been one exception case agreed, which was for a specialist G6 transferring to DfE from an OGD. The individual was in receipt of allowances which would not normally be taken into account on promotion – so applied the usual 10% promotion = £3,500 to give some recognition in salary on promotion.	Circa 3%	PB1 - £7,500 PB2 – £9,000 PB3 - £15,000	Awards to 22 'near misses'. All at £5,000. DfE is piloting a new Performance Management /reward approach for the remainder of 2018-19 and has permission to pay in-year awards to up to 45% of SCS.
Department for Transport (incl. Executive Agencies)	Continued with previous years' policy of dividing the range of salaries in each band into quartiles to give larger awards to	There have been no cases to date, but expect there to be some before 31 March 2019.	There have been no cases to date, but expect there to be some before 31 March 2019.	Yes, full 3.3% pot has been used.	PB1 - £13,750 PB2 - £14,750 PB3 - £15,750	● 20% used ● 33 awards made ● All awards were for £5,000 each. Awards were for end year 'Top' performance near misses.

	those lower in the pay range, from Q1 (lowest) to Q4 (highest): Quartile 1 – 1.6% Quartile 2 – 1.4% Quartile 3 – 1.1% Quartile 4 – 1.0% No awards for those in Low category.					
Department for Work and Pensions	Flat cash awards of £750 per person, excluding the bottom 10%. No differential made on Performance Rating or position on respective pay band matrix Awards made to a handful of SCS to recognise high performers towards the low end of the respective pay scales; and targeted repositioning to retain scarce skills and/ or address other pay anomalies	Awards were made to high performing individuals who are either relatively low in the pay range or are below the median for the profession. Examples include individuals with a significantly increased portfolios and consistently high performing low paid individuals Awards made to 13 individuals – between 3.23% and 9%	To date, one award has been made under this provision – to a Director in Digital. The application was made by GDS but agreed and implemented on return to DWP. The award, to consolidate a PRA of £22,000 into base pay. By removing a 23% pension element from the PRA the base pay uplift was £16,940.	Full 3.3% used: £80,000 allocated to In-Year awards for 24 individual SCS. The balance at End of Year. Recipients of both would receive a reduced End-Year award – reduced by the amount of the In-Year award	SCS1 - £9,500 SCS2 - £12,000 SCS3 - £14,500	• 24 awards made. • Individual awards between £2,000 and £5,000. Examples of actions being rewarded: • “Extraordinary contribution” • “Significant leadership and sustained personal contribution” • “a stand-out, exceptional contribution” • “strong performance” “her high profile leadership role” & “an exceptional corporate contribution” Awards made throughout the year (July to March)

Home Office	Used the full 1%. ● A higher value award was made to top performers. ● There was a 1% underpinning. Low performers did not receive an increase.	Anomaly awards were made to 18 people. These were high performers in priority business areas whose base pay was below comparators. Additionally one flight risk was also addressed. 0.25% of paybill was used on these payments.	None	Home Office has a non-con pot of 2.8% that is being fully used.	SCS1 - £7,500 SCS2 - £10,000 SCS3 - 13,000	11% of SCS received an in-year award. Awards were made to 25 SCS and varied in value from £1,500 to £5,000. Awards were made for corporate, delivery and crisis management reasons.
HM Revenue and Customs	The entire 1% was applied as a flat rate for each grade irrespective of performance: SCS1 - £800 SCS2 - £1000 SCS3 - £1500	So far, has applied critical pay uplifts for 25 people ranging £1,000 - £4,500. Reserving a small amount of the 0.25% to review a few more cases in January. The anomalies were defined by gender, performance, profession, pay and comparable peer.	None yet.	Aiming to utilise the entire 3.3%. This year has reduced the value of the Top year-end awards, and reserved more for in-year awards, with the intention of rewarding up to 20% of its SCS.	SCS1 – £9,000 SCS2 - £12,000 SCS3 - £15,000	In 2017/18 year: ● 38 awards ● Mean average £2,640 ● Median award £2,480
HM Treasury	Applied the full 1% to provide staff who received a Top or Achieving mark a 1.4% increase on their base salary.	Has not yet used any of this discretionary pot of money, but plan to do so before the end of the financial year. Planning to review cases alongside the upcoming talent review, but will	Not yet used this exceptions process since the new rules came into force.	Yes full 3.3% pot used	SCS1 – £10,750 SCS2 - £13,500 SCS3 - £16,750	● 90% of 20% limit used to date (18 of 20 awards) ● Awards made to 18 SCS. ● Awards were £5,000 each. ● Awards recognised those with strong performance

	Staff received either the 1.4% increase or the increase to the new minima, whichever was higher, but not both.	also consider performance and the position in pay range of employees.				throughout the year but just missed out on Top box • Payments made at same time as end year performance bonuses. • Two bonuses saved to be used for in-year performance, possibly EU exit related work.
Ministry of Defence	Operated a pay / performance curve that gave higher awards linked to position in pay range and performance marking. This meant that those near the top of the pay range got a smaller pay increase.	The 0.25% anomaly pot was not enough to address the MOD pay anomalies. As a result of which the 0.25% was included in the pay / performance curve to allow high performers at the bottom of the pay scale a bigger pay increase.	To date there have been no exceptions.	Yes the full 3.3% pot used	SCS1 – £8,350 SCS2 - £10,350 SCS3 - £13,350	• 15% used of 20% limit. • Awards made to 29 SCS. • Awards were £5,000 pro rata. • Awards recognised achievers who were near miss of the top performance group. • Payments made at the end of year point.
Ministry of Housing, Communities and Local Government	Pay awards were based on performance box marking and position in the pay range. Those above the new minima were granted a pay award of 1% if they were Box 2 Performers and 1.5% if they	One individual received an anomaly adjustment of 2.8%. The rest of the anomaly pot of 0.25% was used in full to fund the cost of increases to new minima, which cost 0.75% of the total available pot of 1.5%.	None	Yes, full 3.3% pot used	SCS1 - £7,000 SCS2 - £9,000 SCS3 - £11,000	• 88% of 20% limit used to date • Paid 15 of a possible 17 in year awards • The majority of awards were for £3,000. One award was for £5k • Eight awards were end-of-year near-misses, Seven were for a significant contribution.

	were Box 1 performers. Half of all Box 1 performers received the uplift to the new minima, without any additional pay award unless the uplift was less than 1.5% in which case they received the difference as a pay award (only one case)					
Ministry of Justice	Spent approx. 0.6% of pay-bill on performance awards – paid at a flat rate for all pay bands and to both Top and Achieving performers. In addition, spent c£21,000 to reposition salaries of two staff to reflect the weighting of their roles.	A £60,000 pot has been agreed. No approved business cases to date.	No approved business cases to date	The full amount of the 3.3% pot continues to be used.	SCS1: £8,500 SCS2: £11,000 SCS3: £13,000	● The in-year scheme for 2017-18 made payments approximately monthly from about mid-year. ● 25 individuals (10% of workforce) received in-year bonuses totalling c£56,000, with individual awards between £1,300 and £3,800. ● Awards under the scheme cover: exceptional performance and delivery throughout the year, mainly for leadership of transformational changes, driving performance improvements and business process reforms,

						leading on key projects, resolving major challenges and exemplary operational leadership. ● The in year scheme for 18/19 has just been announced. To date c£37,000 has been spent. The pot is c£170,000.

ANNEX C - PROPOSED EVIDENCE REQUIREMENTS FOR MARKET FACING AND NICHE ROLES

Market Facing Roles

1. Professional maturity in workforce management to demonstrate profession's ability to manage new system:
    a. Detailed overview of roles, current workforce composition, vacancies, forecast recruitment and talent pipelines. This analysis should also consider current salary distributions.
    b. Demonstration of consistent role definitions and professional standards across departments.
    c. Strong professional resourcing and capability strategy inc. progress to date and deliverables.
2. Evidence that profession has impacts across the majority of departments and across government.
3. Capacity and capability assessments from a sufficiently representative sample of departmental Heads of Profession, by role, demonstrating gaps.
4. Overview of the future of this profession within the Civil Service and in other sectors e.g. which roles are likely to remain or become most critical?
5. Overview of, and salary benchmarking data for, the external market. Evidence should also make reference to the wider Employee Offer (e.g. nature of the work, pension, flexibility in locations, that typically attract senior civil servants, and the limitations of it for this group) and the limitations of it for this group.
6. Evidence of widespread recruitment/retention issues - failure to fill advertised posts, low quality of appointable candidates, evidence that recruitment issues relate to pay, high resignation rates, evidence resignations relate to pay.
7. Specialist pay scales and allowances used for delegated grades due to evidenced market premia. Overlap between G6 and SCS1 due to specialist pay at delegated grades, and evidenced reluctance to seek promotion at this level due to pay.
8. Information about any pivotal role allowances and evidence used for them. If none are in use, clear evidence that this approach would not be more suitable.
9. Consideration of where a market-facing offer is likely to improve efficiency and generate savings, e.g. contractor savings.
10. Appointment salaries of SCS recruitment in the past 12 months and supporting narrative, inc. number of applicants and conversion rates, from departments and executive recruiters.
11. Consideration of how changes to pay for this group would impact upon others and proposed mitigations.

Niche/Departmental Specific Roles

Evidence to be part of this group should include the relevant requirements for market-facing. In addition:

1. Overview of and salary benchmarking data for the 'niche' external market. Evidence should also make reference to the wider Employee Offer, e.g. nature of the work, pension, flexibility in locations, that typically attract senior civil servants, and the limitations of it for this group.
2. Specific market insights confirming scarce skills and small talent pool.

ANNEX D - MARKET FACING PAY BUSINESS CASE SUMMARIES

Digital, Data and Technology (DDaT) Profession

- The DDaT Profession Directorate have developed a business case for a defined set of market facing SCS roles, based on market data as well as information gathered relating to the resourcing challenges departments are facing for SCS within the DDaT profession. Successfully moving to a market facing pay framework would allow for a greater level of consistency in SCS DDaT roles across government. It will also provide a narrower and more appropriate salary range, which is believed will help attract and retain the required calibre of senior leaders.

- Strong leadership across the DDaT profession is essential for the effective delivery of the government transformation strategy by 2020. The profession's ambition is to have one of the most digitally skilled populations of civil servants in the world, delivering the Civil Service vision to be 'A Brilliant Civil Service'.

- Identifying and aligning market facing SCS roles that are difficult to recruit to and require significant breadth and depth of expertise, will underpin the wider work underway to improve consistency and capability amongst the SCS DDaT function. This work includes an expansion of the DDaT capability framework[39] to include SCS roles, as well as an improved talent management and development offering.

- The DDaT Profession Directorate have previously designed a pay and capability framework for delegated grades, which departments across the Civil Service are in the process of implementing. The profession would like any SCS framework to follow this approach and build on the lessons learnt from work at delegated grades.

- The market for DDaT skills is highly competitive, particularly at senior levels. Attracting and retaining candidates with the breadth and depth of experience required for SCS roles is difficult, even when the current pay scale maximum is applied.

- Departments have been required to apply higher starting salaries and/or pivotal role allowances in order to recruit into some of their roles, with around 10% of DDaT leaders currently being in receipt of an additional pay allowance. Because of these higher salaries and inconsistent application of allowances, there is now significant pay disparity amongst the DDaT SCS population.

- Additionally, the disparity between the entry level of the existing Civil Service salary range and pay in the wider tech sector is driving our internal talent to leave the Civil Service to receive higher salaries in the external market. The average attrition rates for SCS in the DDaT Profession for some of the bigger government departments is 18%[40].

[39] https://www.gov.uk/government/collections/digital-data-and-technology-profession-capability-framework

[40] *Data reflects 2016-2018 but does not contain all the departmental SCS data, which is sourced from the DDaT SCS Recruitment team and only covers instances where they have been involved in the recruitment process.*

- In addition to lower salaries driving premature turnover, qualitative feedback from executive recruitment agencies shows a deterrence of high calibre external candidates from applying for DDaT SCS roles in government.

- Consultation with a market leading salary survey company to gather external pay benchmarking data, revealed a significant disparity between the lower end of the market pay range and what is currently being paid across the DDaT SCS community. This is particularly detrimental for our internal talent who tend to receive lower salaries than external recruits, although even the maximum of our current SCS pay ranges are below the market average for similar leadership roles outside of government.

- It is vital that consistency is improved in departments' approaches to attraction and retention of SCS DDaT talent to address these issues as a profession. There is a steady volume of SCS roles advertised across government organisations but there is a significant lack of consistency in the role grading, scope and pay. The DDaT Profession Directorate's SCS capability framework will help to improve consistency in terms of role profiles, and access to appropriate market facing pay for defined leadership roles will also be key for attraction.

- At present, the DDaT Profession Directorate provides some guidance to departments on the setting of salaries or grading of DDaT SCS roles in addition to existing broader SCS guidance. Moving to more consistent pay scales, alongside the new pay approval requirements for internal moves and promotions, would allow for this to be provided more formally across government.

- A more consistent approach across government will also help to reduce the 'internal market' competition that currently exists between departments. DDaT skills are scarce and departments have therefore been competing for the talent currently available in the Civil Service. This exacerbates unnecessary or premature movement of SCS in the profession, reducing the benefit of longevity of expertise in-post, which ultimately can impact effective delivery.

- If action is not taken to address these issues, the ability to attract and retain high calibre DDaT leaders will remain a significant challenge. DDaT SCS roles are substantial in both scope and responsibility, meaning talented individuals with both depth and breadth of experience are essential. Ultimately, if the right talent is not in place in these leadership roles, the ability to successfully deliver the digital transformation across government departments will be at risk.

Finance Profession

- The Government Finance Function has a number of challenges to overcome in order to both retain high performing finance SCS and attract new finance leaders to the Function.

- The Government Finance Function works across government to ensure public money is spent efficiently and effectively. The function is responsible for managing over £800 billion public expenditure a year, as well as over £1,900 billion of assets and £4,300 billion of liabilities. Finance plays a critical role in the effective running of every government department, where finance professionals play a key role in supporting the Accounting Officer, and help departments to address the significant challenges faced including exiting the EU and Spending Review planning. The Function's vision is to *'put finance at the heart of decision making, driving the agenda not just keeping the score'*. To continue to deliver this significant agenda, strong financial leadership is crucial, and to ensure this there is a clear need to recruit and retain highly capable senior finance leaders.

- A functional approach is taken to senior talent and resourcing through the Finance Leadership Group (FLG). Despite successes in supporting talented leaders to progress their careers across government, and attracting excellent leaders for the future, the need to strengthen the talent pipeline to senior roles is significant.

- At senior levels there is a requirement for professional qualified accountants who also have strong leadership capability. The FLG strategy for addressing this challenge has two main elements. First, to grow an internal talent pipeline of future senior leaders through cross-government talent forums and functional development opportunities. Second, by attracting people into the function from the external market and wider Civil Service. Over the past 12 months, significant churn at the DG level has led to a number of promotions from the available pool of high potential directors. While this is positive, it has also meant that the already thin pipeline is now extremely stretched.

- Additionally, the function has increasing retention issues amongst high performing finance SCS. In 2016/17 the turnover rate for SCS in Finance was 20.1% compared with 14.7% for the overall SCS population. The data suggests leavers are talented finance leaders (those on the top line of the talent grid), that the function needs to retain.

- The Finance Function have used Pivotal Role Allowances (PRA) as a short term fix to address this retention issue, submitting two bulk PRA applications, which were approved in March and August 2017, respectively. In each of the bulk cases approval was gained to pay a pivotal role allowance to five members of Finance SCS working in key roles. In 2018 approval for one additional PRA was gained.

- Finance is the only function to date to have had bulk applications approved, evidencing a recognition of the urgent requirement to address pay challenges. While this approach appears to have helped manage some immediate retention issues, it will not be sufficient to manage the overarching recruitment and retention risks across the function in the longer term. Three of the SCS who were receiving a PRA have now been promoted with a further one on temporary promotion, leaving further gaps to be filled.

- In terms of recruitment, the Finance Leadership Group has observed difficulties in recruiting externally through recent campaigns. The centrally coordinated SCS1 campaigns run over the past two years have suggested that it is challenging to compete with the wider labour market for highly qualified finance leaders. Government Finance is not yet seen as the employer of choice and the current pay offer presents challenges in attracting strong finance leaders and retaining them once recruited. The skills required typically attract a premium allowance in other sectors, and in the 2017 campaign, 77% of the appointments were internal, with 70% in the 2018 campaign.

- Having tested the market it has been found that to attract the right calibre of external applicants at the right level there is a need to advertise with a salary of up to £100k for SCS1 roles and 120-130k at SCS2 level. Paying at these “target” levels is possible within existing SCS salary scales. However, finance teams within departments often find it challenging to get agreement within departments, to pay at this level due to wider pressures and current pay constraints, without understanding of the wider Functional context.

- Even when offering salaries at this level, it is often challenging to attract the right calibre of external candidate, meaning appointments often come from the internal market. This is a positive story in some respects, but makes it difficult to build the breadth and diversity of our already stretched pipeline by attracting new talent.

- External benchmarking highlights a growing gap between salaries for senior finance professionals in the Civil Service and those in both the private sector and wider public sector organisations. The majority of SCS1 and SCS2 finance leaders are paid below the lower quartile benchmark for equivalent roles. The median internal SCS1 finance salary was £79,000 compared with its externally benchmarked equivalent at £115,444. For SCS2, the internal median was £105,800 and the externally benchmarked equivalent was £213,385.

- This data illustrates the discrepancy between Civil Service and other sector pay in finance, and contributes towards external recruitment and retention challenges. A further significant challenge to retention are those posed by other areas of the public sector, specifically in the NHS and High Education, where the public sector ethos remains yet salaries are significantly higher than the rates available in the Civil Service. While it is recognised that matching the wider market position is unrealistic, some movement is needed to narrow the gap as well as continuing to develop the wider non-pay offer within the Civil Service.

Office for Standards in Education, Children's Services and Skills (Ofsted)

- Ofsted is an independent, non-ministerial government department, which supports Her Majesty’s Chief Inspector in the exercise of her functions. Ofsted reports directly to Parliament.

- Ofsted is the Office for Standards in Education, Children's Services and Skills. The organisation inspects and regulates services that care for children and young people, and services providing education and skills for learners of all ages. It is responsible for:

- inspecting **maintained schools and academies**, some **independent schools**, further education providers, and many other educational institutions and programmes outside of higher education;
- inspecting **childcare, adoption and fostering agencies** and **initial teacher education;**
- **publishing reports** of findings so they can be used to improve the overall quality of education and training;
- regulating a range of **early years and children's social care services**, making sure they're suitable for children and potentially vulnerable young people; and
- **reporting to policymakers** on the effectiveness of these services.

- Every week, Ofsted carry out hundreds of inspections and regulatory visits throughout England and publish the results online. It is an influential organisation with its impact founded on the strength of its inspections. In 2017-18 inspectors completed around 35,000 inspections.

- To deliver this Ofsted have a workforce of c.1,750 employees, 46% of whom are inspectors. All inspectors are required to have significant leadership experience working in the sectors they inspect before joining Ofsted. The department also contracts with c.2,000 Ofsted Inspectors, 70% of whom are serving practitioners (for example, they are currently a head teacher of a school). Demonstrable credible sector experience is key to Ofsted's workforce model (the success profile for inspectors).

- The department's SCS is made up of 30 post holders. As members of the Inspector of Education, Children's Services and Skills profession, 16 of these post holders are required to have significant experience of senior leadership in either Children's Social Care, Education or Further Education. The remaining 14 belong to corporate professions, for example, Finance. The Inspector of Education, Children's Services and Skills profession roles are:
    - Chief Operating Officer/Deputy Chief Inspector (SCS 3)
    - Regional Director (SCS 2 - 8 post holders)
    - National Director Social Care (SCS 2)
    - National Director Education (SCS 2)
    - Deputy Director, inspection policy roles (SCS 1)

- Ofsted are looking to put in place 'niche' remuneration arrangements for these roles, and is the only department in England employing Inspectors of Education, Children's Services and Skills.

- Senior inspectors are highly sought for leadership positions in multi-academy trusts and local authorities. If Ofsted is to ensure it can retain its most experienced talent from educational and social care leaders within Ofsted, it must be able to offer an attractive packages relative to these other public sector organisations in terms of remuneration. The NAO and PAC have already highlighted the challenges of recruitment and retention to Ofsted given opportunities available in local authorities and multi-academy trusts. Multi-academy trusts often pay in excess of £150k for their Chief Executives, with some of these roles being filled by ex-Ofsted employees who would have otherwise been potential SCS for Ofsted. The DfE headteacher pay ranges themselves are far in excess of the new SCS Pay Band 2 minimum (£90,500), with £111,007 nationally and £118,490 in London.

- Ofsted's target starting salaries for these specialist roles are: £90,00 (SCS1), £121,200 (SCS2) plus all travel paid for from their home (currently worth up to £11,000), and £142,412 (SCS 3). The salary rates have always been applicable to both external and internal candidates for the Inspector roles, but with the recent rules introduced limiting pay increases on level transfer and promotion for internal candidates, this has become problematic.

- Ofsted have also had to offer an additional labour market supplement for exceptional external appointees. The labour market supplement is a non-consolidated, non-pensionable, temporary payment that can only be awarded to those that join Ofsted from outside of the Civil Service. It can only be awarded as part of the appointment process. It is paid in addition to their starting salary. Despite these salary packages, potential supplements and the use of executive search, Ofsted struggles to recruit externally to these roles.

- The current salary packages have enabled the department to attract internal candidates on promotion, but Ofsted are concerned that restrictions to pay increases on promotion to the minima of the grade or 10%, internal candidates will go elsewhere. As highlighted, these employees are regularly approached with offers of roles back in their sectors with significantly higher salary packages. For all other SCS roles Ofsted will continue to follow the standard SCS pay guidance.

ANNEX E - FINDINGS FROM INTERNAL AND EXTERNAL RESEARCH INTO CAPABILITY BASED REWARD

- Over the last six months the Government has undertaken significant engagement with subject matter experts within the field of senior remuneration to understand best practice in regard to capability based pay progression within the wider private and public sector, as well as existing approaches already existing in the Civil Service at delegated grades.

- In the Autumn the Government commissioned a case study led report into capability based pay progression in the private sector and wider public sector. The final report featured 14 private sector companies across a range of sectors alongside four (non-Civil Service) public sector organisations such as the NHS.

- Varied practice in the private sector was found, with companies making use of both leadership and technical skills in reward decision making. However the primary focus for annual pay increases was found to be focussed on individual performance based on results,taking into account positioning in pay range and market rates.

- Some organisations emphasised ‘impact’ in broader terms than purely performance, to include individual skills and competency growth and/or potential. Where linked to pay, this tended to be awarded on the basis of managerial discretion within the delegated budget.

- One company flagged that efforts to provide guidelines on where an individual should sit in a pay range based on skill/competence had become unaffordable because of lack of sufficient controls.

- It was more common in the private sector for operational roles to have career paths that attracted clear pay progression steps. For functional or generalist roles there was less clarity and it was acknowledged roles could be quite individual.

- Finally, some organisations split their pay bands into zones - e.g. lowest zone for recently promoted, highest zone for scarce skills. However, application of where an individual was placed remained down to line managers’ discretion within the budget allocated, rather than through central rules.

- In the Civil Service there are a small number of staff at delegated grades affected by capability based reward approaches either through a particular departmental scheme or as part of their profession.

- Where mechanisms exist they tend to target specific roles with assessment being made in reference to skills and accreditations linked to those roles.

Internal (Civil Service) mechanisms for capability based reward

Mechanism	Overview
Digital Data and Technology (DDaT) Capability Framework & Pay Approach	A mechanism for Capability Based Reward in the DDaT Profession from HEO-Grade 6 is available for departments via the “DDaT Pay Guidance” which outlines recommended pay maxima’s for “developing” “proficient” and “accomplished” skill levels for each grade. Departments are responsible for financing any changes that implementation brings. Alongside this, for the most “critical” DDaT roles grade SEO-Grade 6 departments have a route to write business cases to treasury for enhanced pay ranges linked to skill levels,“proficient” “accomplished” and “expert for each of the grades mentioned, pay range enhancement being funded with a linked reduction in spending of contingent labour.
National Crime Agency (NCA)	The NCA have a spot rate pay structure whereby intelligence and investigations officers in NCA grades 5 and 4 (Civil Service equivalent of EO-HEO) in eligible roles are allocated a spot rate based on their skills, accreditation and knowledge using internal assessment. The spot rates are set at three levels for each grade; developing, proficient and expert. The NCA have reported significant increases in staff safiasation in the people survey this year after the implementation of the spot rate pay structure.
Qualification Based Mechanisms	A number of departments have assigned ***spot increases*** linked to external qualification or inner skills assessments at delegated levels. External mechanisms are tied to professional qualifications such as HR(CIPD) or Accountancy (ACCA,CIPFA), this is particularly prevalent at lower grades in which someone might be promoted or laterally move into a professional role and undertake qualification alongside their role. Internal assessment tends to be based around particular role linked skills i.e Foreign Language skills .