



Cabinet Office

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

March 2020



MINISTERIAL FOREWORD

I am delighted to submit to the Senior Salaries Review Body this year's government evidence on Senior Civil Service (SCS) pay. This year's evidence is framed by the commitment of this Government to deliver the opportunities provided by leaving the European Union and its ambitious domestic agenda. As the Government has already indicated, delivering on this extensive new agenda will require reform of the capacity and capability of the Civil Service, including the Senior Civil Service.

We will need to build on reforms since 2010, equipping the Civil Service with the right skills, mentality, and values to deliver the Government's priorities. This will require assessing and training SCS to have appropriate and specialist skills; ensuring a diversity of thought; and creating an environment where SCS are actively encouraged to, and rewarded for, developing professional skills through experience and training. Civil servants will have to be collaborative, look naturally beyond the interests of their individual departments, and have the needs of citizens across the UK always at the front of their minds.

The work set out in this year's evidence on our progress towards developing a capability-based pay system is a key step on this journey to reform - rewarding those who build their professional and leadership capability and get things done.

This is just the start. The Civil Service will need to be more ambitious and go further than ever before to:

- Represent people from across the UK by moving more roles and work outside of London.

- Ensure it has a diverse workforce, both in terms of background and perspective, with a wide range of skills fit for the future, including data science and engineering.
- Support this with the development of effective structures, including professional capability frameworks, career pathways, and new ways of testing capability, to ensure the right balance of technical capability, experience, strengths, and behaviours are considered when recruiting.
- Tackle unnecessary departmental turnover by encouraging the development in post of expertise and leadership capability, regardless of profession, function or specialism.
- Strengthen the link between high performance and reward, to recognise those who deliver, while managing the performance, and ultimately the removal, of those who do not perform to the required standards.

I would like to thank the Senior Salary Review Body for their excellent work and urge them to consider their response to this year's evidence in this context.

A handwritten signature in black ink, appearing to read "Lord Agnew". The signature is written in a cursive style with a long, sweeping underline that extends to the right.

LORD AGNEW – MINISTER OF STATE

CHAPTER 1 - EXECUTIVE SUMMARY

Introduction

1. Last year the Government set out the progress it had made against the fundamental review of the SCS pay framework that was carried out in 2017. Last year's evidence set out the Government's initial progress against the review and the work planned for 2019.
2. The Government is committed to building on the successful reforms of the Civil Service since 2010 in order to deliver the opportunities provided by leaving the European Union and its ambitious domestic agenda. To achieve this the SCS must have the capability, culture and mindset to deliver the Government's priorities. This will require deep (relevant) professional skills, diverse and challenging mindsets, and where professional skills acquired and built through experience are encouraged and rewarded.
3. The Government is determined to build an SCS which reflects the nation it serves, with leaders from a diverse range of backgrounds, located in different areas of the country. We will need leaders with stronger professional anchors and specialist skills capability, within a Civil Service that is able to recruit and retain specialist skills while continuing to grow world class capability internally and our own functional expertise; and provides greater reward for higher performers and those who develop capability by remaining in post for longer, enabling greater depth of experience, confidence and leadership skills. The SSRB is invited to note that this is the context for further reform of SCS pay.
4. In this year's evidence, the Government provides further details on specific proposals related to the vision for the SCS pay framework and principles for implementation in 2020/21. In particular, the evidence focuses on the development of a pay framework that rewards capability, our approach to the right rate of pay for the SCS and our approach to pay for Directors General. 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 2020/21

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

Chapter 1 – Executive Summary

Chapter 2 – 2019 SSRB recommendations for the SCS

Chapter 3 – Workforce strategy

Chapter 4 – Affordability and proposals for 2020/21

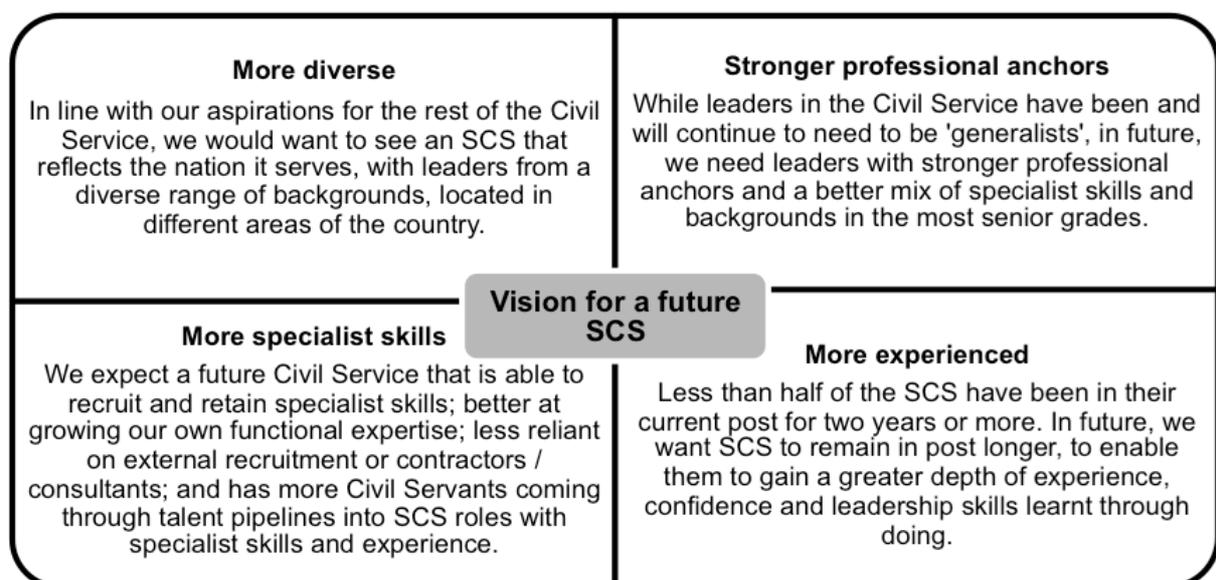
Chapter 5 – Wider reward

6. The following information is annexed to the main evidence:
 - Annex A – SCS Pay 2019/20: application of award by department
 - Annex B – Assessment against SSRB priorities for 2020/21
 - Annex C - SCS Pay Exceptions
7. The second part is the supporting statistical data requested by the SSRB. This includes the 2019 People Survey Results for the SCS and analysis from SCS exit interviews conducted from October 2018 to September 2019.
8. There will also be supplementary evidence to the SSRB on the economic context to this year's evidence.
9. As in previous years, the Cabinet Office will work with the SSRB secretariat to provide any additional information required.

Long-term vision for the future SCS pay framework

10. 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 the 2017 Government evidence and endorsed by SSRB. Going forward, this Government will further develop this vision to ensure that the future SCS are equipped to deliver the best possible results for the UK public, from developing appropriate specialist skills in areas like data science and project management to using pay to better incentivise high performance.

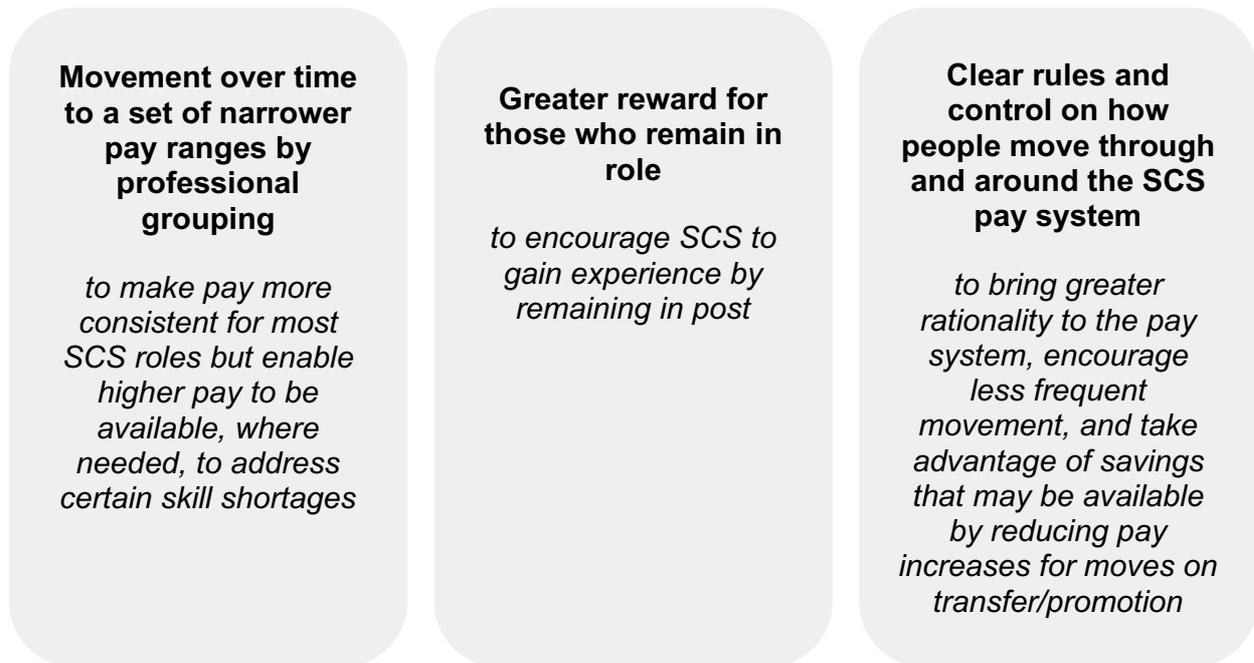
Figure 1. Vision for a future SCS



11. The proposed pay system is based around three core principles:

- a. To move to a set of consistent pay ranges by professional grouping over time.
- b. To provide greater reward for high performers and those who develop capability by remaining in role.
- c. To provide clearer rules and control on how people move through and around the SCS pay system.

Figure 2 - SCS pay core principles



12. Last year's evidence set our progress against the core principles, in particular around the first principle of narrower pay ranges by professional groupings. This year's evidence sets out the further progress the Government has made, particularly around the development of a capability-based pay framework to enable greater reward for those who remain in role.
13. In developing this year's evidence, the Government has taken particular note of the SSRB's priorities:
 - a. Pay and workforce strategy
 - b. Focus on outcomes
 - c. Action on poor performance
 - d. Performance management and pay
 - e. Better data
 - f. Feeder Groups
 - g. Targeting
 - h. Central versus devolved tensions
 - i. Diversity
14. Our commentary against each of these is set out throughout the evidence. Annex B 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 2020/21 awards

General approach

15. 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 capability-based pay progression, Directors General pay, and the right rate of pay for the SCS.
16. For 2020/21 pay awards, the Government proposes to continue reinvesting savings from operating more consistent policies on pay levels for movement around the system, and using these to fund structural reform (by raising the minima) and other targeted increases.
17. The Government believes that for this year (as in 2019/20), 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 delegated grades is currently being discussed and supplementary evidence will be provided when more information is available.
18. The Government also believes that the majority of any award to the SCS should be targeted to address current and future problems and priorities, such as high turnover rather than being set as a flat or average increase for all SCS. We are recommending a similar approach to 2019/20, where in addition to implementing raised minima and general awards of 1%, departments used a ring-fenced pot of 0.9% of the SCS pay bill to address pay progression and anomalies with awards that, in accordance with the SSRB's recommendation, were dependent on:
 - Demonstration of sustained high performance, increased effectiveness and deepened expertise.
 - Position in the pay range.
19. The 2019 Spending Review did not set a uniform public sector pay policy or the pay awards that workforces can expect. However, a crucial pillar of the Government's pay policy is that pay awards must be both affordable and sustainable, so we request that the SSRB considers affordability when making recommendations. Further information on this will be provided at oral evidence and through supplementary written evidence.

Capability Based Pay Progression

20. The introduction of a mechanism for capability-based pay for the SCS is one of the three key strands of the SCS pay framework, as set out in the 2017 reform of SCS pay. Last year's Government evidence set the intention for adopting a capability-based pay progression system for the SCS. For 2020 we are setting the direction of travel for capability-based pay progression ahead of full implementation in 2021/22.
21. We have been developing a capability-based pay proposal that will establish greater fairness and consistency within the system as part of the wider Civil Service reward strategy. Within the development process, emphasis has been placed on ensuring that a new system is simple, durable, and accessible, as recommended in the SSRB's report. A new system will provide greater reward and incentives for high performers and those who develop capability by remaining in role, creating a more experienced SCS and cost savings.
22. Over the summer a Task and Finish Group was formed, consisting of senior officials representing a range of professions, with a primary remit that consisted of making strategic recommendations to the SSRB for the future direction of pay progression for the Civil Service, and designing a model which could be adopted across all Civil Service professions and functions. The Group has been active in engaging across the Civil Service to gather a wide range of views and evidence from stakeholders to ensure that a credible system with appropriate longevity is developed.
23. The initial focus of the group was to agree on the principles that would underpin any proposed system. The principles stem from the challenges facing the SCS in the 2017 Government evidence, and by applying them to a pay progression system provides support to the type of SCS cadre that the Civil Service requires in the future to ensure effective delivery of government priorities. The agreed principles are:
 - a. Enabling greater diversity in the SCS.
 - b. Rewarding the development of professional skills and competence.
 - c. Rewarding experience and high performance.
 - d. Enabling and rewarding the development of leaders of whole systems.
24. This is key to the Government's vision of reform, with an SCS that is rewarded for developing professional and specialist skills while reflecting the increasing importance of leadership capability.
25. The Government's current approach is to develop a framework that would be used by departments as guidance for determining individuals' pay at key events throughout the year (including on appointment, annual pay committees, changes in role and lateral moves). The framework considers the dual dimensions of professional and leadership capability assessment set within the context of experience. Diversity and inclusion will act as an underpinning objective of all assessments conducted using the framework.

26. In the longer term, the guidance will be further developed to provide greater objectivity and a capability framework that, where appropriate, better reflects an individual's profession. The Government proposes setting each profession the challenge of developing their own initial frameworks in time for the 2021/22 pay round. As the Government reforms the Civil Service, it will consider how to ensure the guidance helps to deliver its priorities.
27. For the implementation of the full framework in 2021, further work is already underway to model the cost of implementing capability-based pay, under different approaches and conditions. Funding will be acquired through existing budgets, as settled through a forthcoming spending review. It may also be possible to fund meaningful pay progression through existing department recyclables and through productivity savings arising from potentially lower levels of departmental turnover¹.
28. The Government is also considering the wider cultural shifts and requirements that will need to be addressed within a new system. This is a move towards a more individual approach to remuneration and will also require increased involvement from managers as pay is discussed throughout the yearly cycle. Addressing diversity impacts and ensuring that managers are provided with the necessary support to conduct assessments are priorities during the development process.
29. The Government is committed to developing an approach for a capability-based pay progression system ready for implementation in 2021. To ensure that a fair and credible system is possible, further work will be undertaken to develop the framework, ensuring that it will be appropriately tested and supports delivery of Government priorities.
30. The interim period will allow for professions to understand their requirements and to develop their frameworks. For 2020/21, the Government proposes to provide additional guidance to departments when using the ring-fenced pot allocated to address pay progression and anomalies, to ensure that awards are also allocated to individuals who demonstrate high levels of capability.

The Government would like the SSRB to:

- a. **agree with the principles that would underpin a capability-based pay system.**
- b. **comment on the Government's current approach to capability-based pay progression.**

¹ The two definitions employed centrally are for 'Turnover' (staff leaving the Civil Service as a whole) and 'Departmental Turnover' (staff leaving the Civil Service or a particular department). These were recently published in Guidance on Turnover in the Civil Service.
https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/854929/Annex_A_-_Turnover_Definition_1_2_.pdf

Moving to consistent pay ranges

31. In the 2017 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 (i.e. by 2020/21).
32. These rates were achieved a year early in 2019. However, the Government believes that given the wider Public Sector comparisons, the minima are still too low and proposes to continue to raise the minima in 2020/21. The Government propose the following pay ranges for this year:

Table 1 - Proposed pay ranges for 2020/21

	Deputy Director	Director	Director General
Minimum	£71,000 (from £70,000)	£93,000 (from £92,000)	£120,000 (from £115,000)
Maximum	£117,800	£162,500	£208,000

33. In addition to this, over the next year, we intend to undertake further detailed analysis to better understand what the right rates of pay should be for the SCS group to help inform our capability-based pay plans and strengthen the link between capability and pay and any amendments we might want to make to the minima and maxima.
34. 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.

Directors General (DG) pay

35. This year, a Directors General pay committee was created to ensure the appropriate and fair implementation of the DG pay strategy. In addition to this, its focus is to:
 - a. Make strategic recommendations to the SSRB for the future direction of DG reward priorities.
 - b. Ensure a desired level of consistency of application of DG pay policy across departments, including exit arrangements.
 - c. Approve changes to DG pay policy.
 - d. Make decisions on issues that fall outside the agreed pay framework.
 - e. Provide challenge on departmental application of pay policy.
36. The Committee met twice in 2019 and discussed a number of subjects related to the DG workforce and ultimately agreeing the proposals to be included within this year's government evidence.

37. Our proposals, which are intended to be implemented for the 2020/21 pay year, are:
 - a. To uplift the Director General minima from £115,000 to £125,000 over two years, with the minima increasing to £120,000 in 2020/21.
 - b. To consider the longer term strategy for the DG group once the approach for capability-based pay has been developed further.

The Government would like the SSRB to:

- a. **comment on the proposed pay ranges and our commitment to carry out further research in this area**
- b. **agree with our proposal to increase the DG minimum over two years**

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 and that change is needed.
39. 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.
40. In addition to running pilots, the Government made a number of changes to the current SCS performance management system in 2019:
 - a. The removal of forced distribution for the SCS.
 - b. The removal of the 25% cap on the number of SCS who are eligible for an end of year non-consolidated performance-related payment (NCPRP).
41. To provide assurance that the Civil Service remains committed to identifying and rewarding high performance a number of controls and assurances continue to be in place:
 - a. Departments must continue to identify top, achieving and low performers, ensure that only those assessed as top are eligible for an end of year award and share this information with the Cabinet Office. Current stipulations in place to guide performance marking include:
 - i. An individual cannot be ranked higher than 'achieving' if they do not meet their finance/efficiency objective.

- ii. An individual can only be placed in the “top” performance group if they have exceeded on at least one finance/efficiency objective.
 - b. All in-year and end-of-year bonuses continue to be funded within 3.3% of the SCS pay bill;
 - c. All end of year awards, for those on standard SCS terms and conditions, must be below the £17,500 cap;
 - d. All SCS must have challenging objectives with Permanent Secretaries accountable for ensuring that appropriate departmental consistency checks take place.
42. We are also undertaking a review of the SCS performance management system with the intention of implementing a new policy, if the outcome of the review supports this, for the performance year 2021/22.
43. Our intention is to continue gathering feedback now before taking a series of policy recommendations through Civil Service governance mid-way through next year and including our recommended way forward in the 2021/22 evidence to the SSRB.

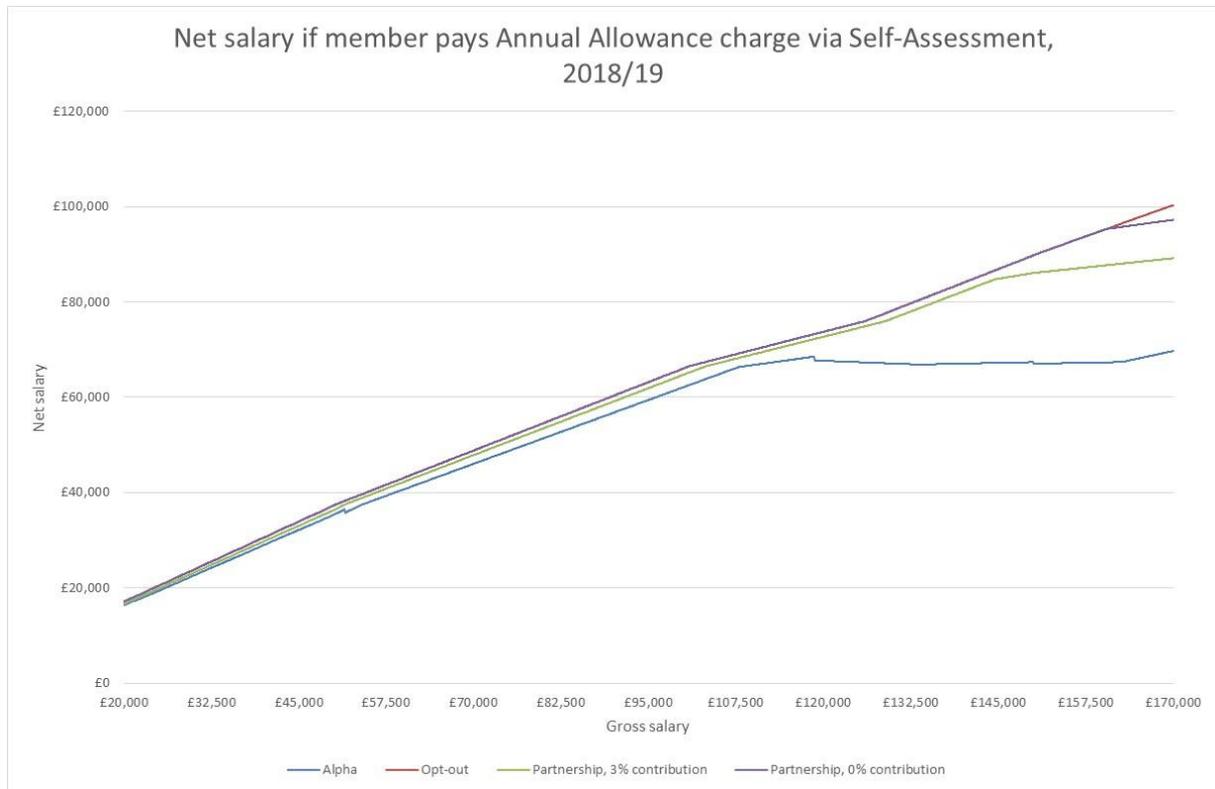
Pensions

44. Pensions form a key part of the Civil Service total reward package, with both Defined Benefit and Defined Contribution pensions arrangements available to members of the SCS
45. Following significant reductions to the annual allowance for pensions in 2014/15, and the introduction of the taper in 2016/17, there are tax implications as a result of enrolment into the alpha Civil Service Pension scheme for individuals earning over £108,000. Although most members are better off remaining in the main pension scheme, alpha, for higher earners switching to Partnership, the Defined Contribution scheme, is a serious consideration. In particular, those earning over £118,725 are affected by the tapered Annual Allowance and pay a high marginal tax rate on pension accrual and therefore Partnership represents a viable alternative to continued defined benefit pension accrual.
46. 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 £118,725. HM Treasury is currently looking at the impact of the tapered Annual Allowance on the delivery of public services.
47. The Government is keeping under review the impact of the interaction between Civil Service pensions and the current tax rules on recruitment and retention.

Pensions - Impact of Annual Allowance charges

48. The chart below shows the net salary of a Civil Servant in the alpha pension scheme who pays the Annual Allowance tax charge themselves via Self-Assessment (assuming no other pension contributions or taxable income).

Chart 1 - Net Salary of Civil Servant

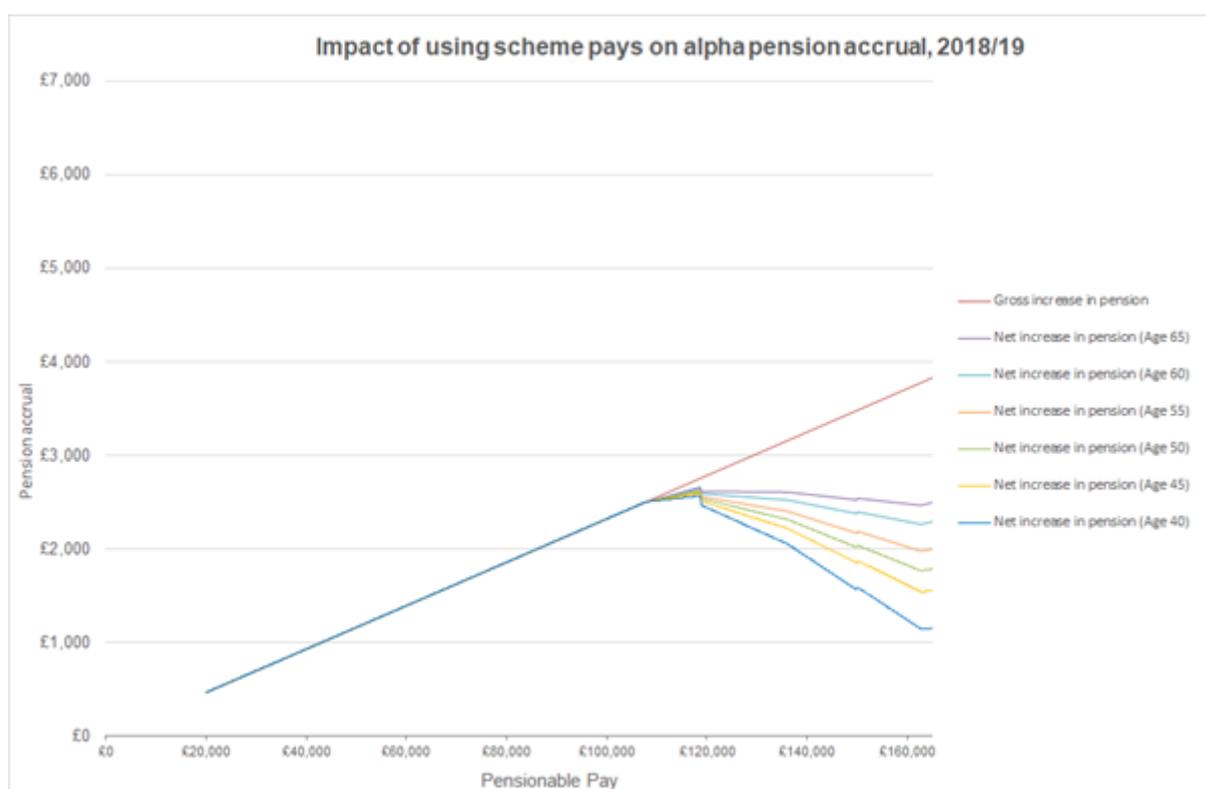


49. The chart shows that for salary levels above £118,700 there is no salary progression in terms of take-home pay (although more pension would be accrued by higher earners) for a member of the alpha pension scheme, and a Civil Servant in alpha earning £166,300 would have the same take-home pay as a Civil Servant earning £118,700.

50. The salary figures above assume that members pay the Annual Allowance charge themselves via Self-Assessment. In practice, most would be expected to pay via 'Scheme Pays' and reduce their pension. The chart below shows the impact of this decision on their Civil Service pension accrual.

51. The reduction to pensions for those using Scheme Pays is calculated actuarially, and so younger members face larger reductions, which reflects the longer time they have to Normal Pension age and the impact of discounting over that period.

Chart 2 - Alpha pension accrual after using Scheme Pays



52. The policy intent of the Annual Allowance is to limit the benefits of tax relief for higher earners. The chart above shows that the impact of the policy on the Civil Service pension scheme goes much further than this for alpha members, with not just pension tax relief being removed, but also more than the value of both the employee and employer pension contribution. This leaves members with less net pension than those who earn and contribute less to their pension.

53. The tapered Annual Allowance in particular impacts on Civil Servants due to the high alpha accrual rate, and especially relatively young higher earners (in their 40s) due to this group having a lower pension value to use for Scheme Pays when the value of their pension is calculated.

Permanent Secretaries

54. In the period of pay restraint, Permanent Secretary pay has been limited to 1% increases with more recent action to address anomalies and raise tier minima. In the future, it is proposed that that pay increases are applied in a more systematic way in line with the rest of the SCS. The Permanent Secretary Remuneration Committee's (PSRC) ambition is to address Permanent Secretary pay in line with the principles:
 - a. To appoint new Permanent Secretaries at, or close to, the minimum of the relevant pay tier;
 - b. After a qualifying period (in post for the duration of one PRSC cycle), to reward the development of skills, capability and experience through pay progression, moving people more quickly towards the mid-point of their tier, with a focus on those on the lower quartile of their pay tier; and

- c. To take opportunities to address anomalies should they arise; and
- d. To reward the strongest performance with non-consolidated awards.

The SSRB is asked to note the approach to Permanent Secretary pay that has been agreed by the PSRC.

CHAPTER 2 - 2019 SSRB RECOMMENDATIONS FOR THE SCS

55. In its 2019 report, the SSRB welcomed further discussion with the Cabinet Office on more developed proposals on the structure and reform of the SCS pay framework. The SSRB had found the engagement during the preparation of last year's evidence helpful to understand the Government's thinking and appreciated the effort and commitment that had gone into it. However, while the SSRB recognised the Government's intention to implement a long-term vision, its report stressed that some immediate steps were necessary to address the pay issues currently affecting the majority of the SCS.

Overview of SSRB recommendations in 2019 report

56. Against that background, the SSRB made the following recommendations for the SCS workforce:

1.	There should be a headline increase of 2.2% allocated in the following priority order: <ul style="list-style-type: none"> • Priority 1 - To address lack of pay progression and anomalies • Priority 2 - To increase the pay band minima • Priority 3 - To provide increase to those not benefitting from increase to the minima • Priority 4 - To help fund specialist pay
2.	(Priority 1) 0.9% of this should be ring-fenced for pay progression and anomalies, distributed dependent on: <ul style="list-style-type: none"> • Sustained high performance, increased effectiveness and deepened expertise • Individual position in the pay range
3.	The Cabinet Office should provide evidence to show how the recommendation of 0.9% has been applied against these criteria
4.	(Priority 2) 0.2% should be used to increase minima to the following levels: <ul style="list-style-type: none"> • Deputy Director - £70,000 (from £68,000) • Director - £92,000 (from £90,500) • DG - £115,000 (from £111,500)
5.	Maxima should be reduced as follows: <ul style="list-style-type: none"> • Deputy Director - £102,000 (from £117,800) • Director - £136,000 (from £162,500) • DG - £167,500 (from £208,000)
6.	(Priority 3) All eligible SCS members not benefitting from the increase to minima should receive a 1% award. Those SCS benefitting by less than 1% from the minima increase should receive an additional consolidated pay award to total 1% (this has an approximate cost of 0.9% of the salary bill).
7.	(Priority 4) 0.2% be allocated to specialist pay as long as there is strong central control and consistency in application. If not all needed it should be used in support of priority 1.
8.	The government should develop and invest in a credible robust and simple pay progression system as a priority for implementation in 2020-21

57. The Government accepted the SSRB's recommendations with the following exceptions:
- The overall figure should be limited to an average 2% increase in line with the figure contained in the pay remit guidance for delegated grades. The reduction of 0.2% would be taken from the money set aside for specialist pay which would not be implemented in 2019-20.
 - The Government accepted the recommendation to decrease the maxima for all pay bands, but to delay implementation whilst further work was undertaken on capability-based pay progression. This will ensure that the levels set are robust and there is a clear and positive narrative for reduction.
58. In addition to the above, the Government committed to:
- develop and evaluate a credible robust capability-based pay progression system;
 - continue to review the SCS performance management system as a priority; and
 - keep under review the impact of the interaction between Civil Service pensions and the current tax rules on recruitment and retention.
59. The Government would continue to engage closely with the SSRB to help develop its proposals further and invited the review body to contribute towards the further review of the SCS pay framework including the commitments made above.
60. In accordance with the Government response, departments were asked to implement the following key elements with effect from 1 April 2019:

I. Revised pay ranges

Apply the new minimum salaries for each Pay Band as set out below:

Table 2 - SCS Pay Ranges with effect from 1 April 2019

Pay Band	Minimum £	Maximum £
1	70,000	117,800
1A	70,000	128,900
2	92,000	162,500
3	115,000	208,100

Any staff subject to poor performance procedures should not be uplifted to the new minimum salaries until their performance improves to an acceptable level.

II. Implement general pay awards

Ensure that all eligible SCS members not benefitting from the increase to minima received a 1% award. Those SCS benefitting by less than 1% from the minima increase should receive an additional consolidated pay award to total 1%. Staff subject to poor performance procedures were not eligible to receive a pay increase.

III. Address pay progression and anomalies

In addition to raising staff to the new minima and applied general awards of 1%, departments had a ring-fenced pot of 0.9% of the SCS paybill to address pay progression and anomalies with awards that, in accordance with the SSRB's recommendation, were dependent on:

- 1) Demonstration of sustained high performance, increased effectiveness and deepened expertise.
- 2) Their position in the pay range.

IV. Award non-consolidated performance related pay (NCPRP)

Reflect individual performance with:

- 1) End-year NCPRP awards for SCS assessed as Top performance in 2018/19.
- 2) In-year NCPRP awards to up to 20% of staff to recognise outstanding in-year contribution in 2019-20.

61. Further information on how main departments implemented these elements is set out in [Annex A](#). This shows that departments applied the 1% award and 0.9% pay anomalies pot as intended by the SSRB and that departments are spending the full NCPRP pot available to them.

Assessment of 2019 Government evidence against SSRB strategic priorities

62. The SSRB also made the following assessment of the SCS proposals against its strategic priorities

Table 3 - Assessment of SCS proposals for 2019/20 against SSRB priorities²

SSRB priority	SSRB Assessment
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.	There has been some further articulation of a new SCS pay framework. However, limited proposals have been received and there is concern that the pace of reform remains too slow.
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.	The Cabinet Office has said it is continuing to reinvest savings from operating more consistent pay policies. However, no figures have been provided as to what savings have been made to date.
Action on poor performance: Greater analysis is required of where value is being added and action taken where it is not.	A review of poor performance has been conducted. The removal of forced rankings will enable clear differentiation between poor and low performers. However, there remain concerns that poor performance is not being properly 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.	There continues to be low staff confidence in the performance management system. The development of a robust approach to reward and career development is long overdue.
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	Good and improved workforce data. However, better data on internal staff turnover is required.

² SSRB Report 2019

and accurately so that appropriate action can be taken.	
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 the motivation and pay of the feeder group has been provided.
Targeting: Where evidence supports it, pay should be targeted according to factors such as the level of responsibility, job performance, skill shortages and location.	The evidence shows that most departments used the anomalies pot in 2018 to target awards. However, the size of the anomalies pot was reduced, thereby markedly diminishing its effect. The Cabinet Office has set out proposals and criteria for targeting 2019 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.	There has been some articulation of where control in the system lies. However, there is concern that some of the proposals may exacerbate these tensions between the centre and departments. The tension between a UK-wide SCS and the devolved administrations' pay policies is a cause for concern.
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.	We have seen an improved performance on gender but it is still not satisfactory. We look forward to receiving data on socio-economic backgrounds next year.

63. The Government agrees that these priority areas will support the move towards the longer term SCS reward vision that will help attract, retain and develop the best senior talent for government and ensure that the senior group is more diverse, experienced and professionalised, with a better mix of specialist and generalist leaders.
64. For 2020/21 the following areas are being prioritised as set out in Chapter 4 of the Government's evidence:
- capability-based pay progression;
 - Directors General (DG) pay; and
 - the 'right' rate of pay for the SCS.
65. Updates are provided on other SSRB priorities, including SCS performance management and pensions, in Chapter 5.

66. Annex B 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's priorities.

CHAPTER 3 - WORKFORCE STRATEGY

67. In last year's Government evidence, the Cabinet Office set out findings from the review of pay arrangements undertaken in 2017. This involved a significant data gathering exercise, including 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.
68. The Government set out the core issues and the supporting evidence that led to these conclusions in detail in last year's evidence. It was from this review that 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 that these trends may be getting worse over time.
69. The review of the pay framework did, however, find common concerns and frustrations across the SCS workforce regarding the rigidity of the SCS pay framework and the perverse incentives or outcomes that can result from it.

2019 Update

70. A review of the data this year has confirmed that there remains unclear evidence of immediate recruitment and retention issues:
 - a. SCS engagement levels have increased to their highest ever level in 2019, up from 2018 by 1 percentage point (79% in 2019, 78% in 2018).
 - b. The turnover rate for SCS rose to 12.8% in 2018/19 from 11.6% in 2017/18^{3,4}.
 - c. High performers in the SCS were less likely to resign than low performers. Low performers in March 2018 were more likely to have resigned by March 2019 (11.2%) than their top performing colleagues (3.1%).
71. And the Civil Service continued to attract talent in 2018/19:
 - a. Recruitment of Fast Streamers at a record high - 1,411 Fast Streamers recommended for appointment (excluding in-service candidates) in 2018 (from 44,926 total applications).
 - b. Of the 197 competitions that were chaired by Civil Service Commissioners, 187 SCS appointments were made.

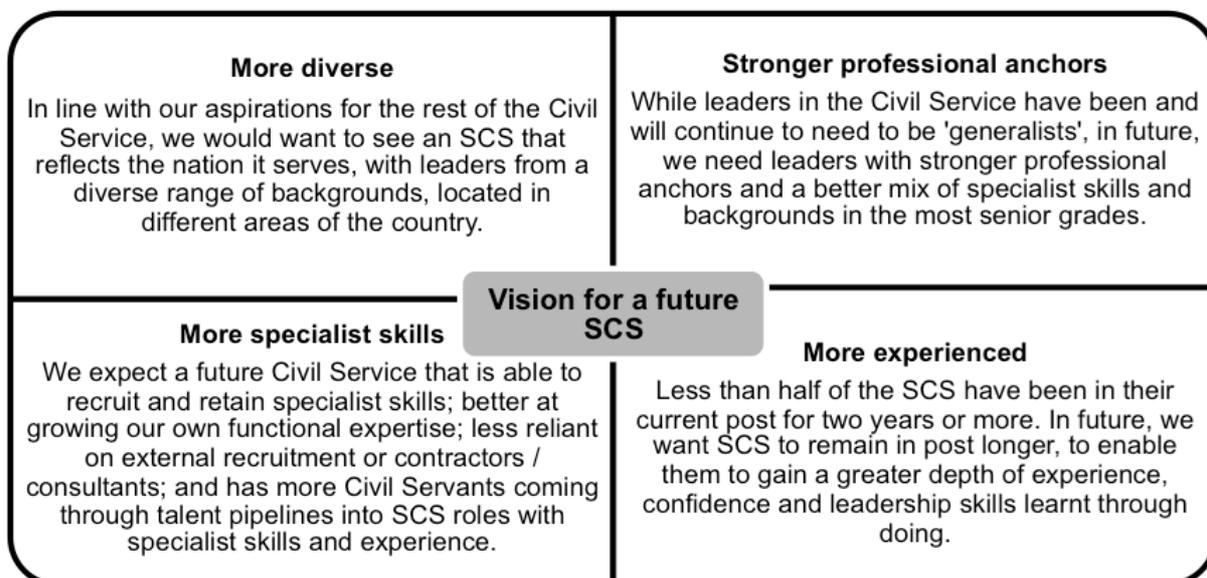
³The two definitions employed centrally are for 'Turnover' (staff leaving the Civil Service as a whole) and 'Departmental Turnover' (staff leaving the Civil Service or a particular department). These were recently published in Guidance on Turnover in the Civil Service. https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/854929/Annex_A_-_Turnover_Definition_1_2_.pdf

⁴ To align with published Civil Service turnover for delegated grades, the turnover rate in 2018/19 has been amended to include secondments to organisations outside the Civil Service. Under the previous methodology, SCS turnover would be slightly lower at 12.1%, rising from 11.1% in 2017/18 although still below the recent high of 14.5% in 2016/17. Note that recent figures may be updated subsequent to ongoing data revision.

- c. 60% of appointed candidates were existing civil servants
 - d. 61% of recommended candidates were rated outstanding or very good
 - e. The number of SCS roles unfilled after running a competition (from those overseen by Civil Service Commission) was 9⁵
72. Resignation data from 2018/19 suggests a mixed picture with potential pockets of issues:
- a. The resignation rate increased in 2018/19 to 5.2% from 3.7% in 2017/18, and since 2009 the proportion of SCS saying they want to leave their organisation within one year has continued to rise (a trend more pronounced in London than outside London).
 - b. Resignation rates remain varied amongst specialist professions. For example, Property (12.1%) and Communication (10.8%) SCS roles had resignation rates much higher than the overall rate (5.2%) in 2018/19, with Project Delivery and Policy roles having the lowest rate (both 3.6%).
 - c. 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. Further information is included in Chapter 5.

⁵ Further detailed information can be found in the Civil Service Commission -Annual Report and Accounts 2018-19 published 24th July 2019

SCS Vision



73. In response to the review, in 2017 the Government set out a future vision of the SCS in line with the Civil Service Workforce Plan (above) - which would help attract, retain and develop the very best senior talent for the government.

Core principles for change

74. 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.

75. These principles are:

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

76. In last year's evidence the focus was on developing the first principle, 'Specialist Pay', with a series of proposals for consideration. This was supported by summaries of three business cases as an example of evidence required by professions to introduce new pay ranges.
77. The Government acknowledges that specialist skills in the Civil Service remain a concern that needs addressing. At this stage in the development of the vision, the priority focus is on the principle of greater reward for those who remain in role, as it addresses issues that are experienced by the majority. The Government will continue to explore how the principle of specialist pay can be introduced into the SCS pay framework, drawing upon the work that has already taken place alongside the development and implementation of capability-based pay.
78. In the interim, professions and departments are working together to support recruitment challenges by sharing expertise, knowledge and information, as well as using the current pay flexibilities already in place such as pivotal role allowances, exception process for internal appointments and higher starting salaries for external appointments.
79. The Government priorities for this year are set out in more detail in Chapter 4 which include greater reward for those who remain in role through developing capability-based pay progression, the Right Rate for the Role and SCS Performance Management.

Capability-based pay

80. The introduction of a mechanism for capability based pay for the SCS is one of the three key strands of the SCS pay framework, as set out in the 2017 reform of SCS pay. Last year's Government evidence set the intention for adopting a capability-based pay progression system for the SCS. For 2020 we are setting the direction of travel for capability-based pay progression ahead of full implementation in 2021/22.
81. Under the current system, some SCS seek promotion or leave the Civil Service in order to achieve substantive pay increases. This creates risks for continuity and implementation where it occurs after only a short time in post, and can be demotivating to those who remain in role and develop expertise, particularly if they remain at or near the minimum of the pay range and are sustained high performers.
82. In order to achieve our vision for SCS we have been developing a capability-based pay proposal that will establish greater fairness and consistency within the system as part of the wider Civil Service reward strategy. A new system will provide greater reward and incentives for high performers and those who develop capability by remaining in role, creating a more experienced SCS and cost savings.

83. The Government believes that when implemented, a capability-based progression system may also have a positive impact on departmental turnover in the SCS and address many of the concerns related to high levels of turnover in the Civil Service. Ultimately, the Government's desire is to create a system that incentivises individuals to remain in post and develop subject matter expertise, in addition to rewarding the development of capabilities that are most valuable to the Civil Service at any given time.
84. To ensure that a fair and credible system is possible and ready for implementation by 2021, the interim period will be used to develop our capability-based pay progression framework and to ensure that it is appropriately tested to address the complexities involved in introducing a new system. We have engaged with the SSRB over recent months to provide updates on developments.

Right rate of pay

85. The Government remains committed to ensuring the SCS are properly rewarded and receive the right rate of pay for the level of responsibility they are expected to assume. Over the next year, we are intending to undertake further research on what the appropriate levels of pay should be for each level of the SCS, which is in part driven by a desire to ensure members of the SCS stay in their posts for longer and reduce the level of departmental turnover and internal movement. For the 2020/21 pay year the Government is proposing to uplift the SCS minimum for each group of the SCS as set out in Chapter 4.

SCS Performance Management

86. This year the Government will continue to review the performance management policy and process for the SCS with the intention of implementing any proposals endorsed for the performance year 2021/22. To address some of the issues highlighted by departments we have already undertaken a number of actions including the removal of forced distribution and cap on the percentage of SCS available for an end-of year award. We will look to build on these changes over the next year to support our vision for a more diverse SCS workforce, while enabling those in scope to be properly assessed for the work they are responsible for.

Wider progress relating to the SCS workforce

87. The SCS Pay framework outlined in the previous section has been developed to enable and support the wider progress of the SCS workforce. This section sets out the current priorities and progress for the SCS workforce.

Civil Service Workforce Plan and the Civil Service People Strategy

88. In July 2016, the Civil Service Workforce Plan (WFP) was launched and set out how the government will shape the future of the Civil Service workforce. The Workforce Plan provided a framework and set of objectives across five key

strands of work to build and embed capacity and capability in the Civil Service workforce. The high level aims of the five strands can be summarised as:

- I. **Attract and Retain:** Attracting and retaining people of talent and experience from a range of sectors and all walks of life.
 - II. **Career Pathways:** The Civil Service must build career paths that encourage a breadth of experience and a depth of expertise.
 - III. **World Class Leaders:** The Civil Service must develop world-class leaders who are inspiring, confident and empowering.
 - IV. **Most Inclusive Employer:** The Civil Service must be the most inclusive employer in the UK.
 - V. **Attractive Reward Structures:** The Civil Service must develop cost effective and flexible Reward Structures that enable us to attract, retain and develop the best talent.
89. A majority of the objectives outlined in the Workforce Plan have been launched and are now in deployment. This includes:
- A new Civil Service **Careers Website** (featuring 32 Departments and 14 Professions) and **Government Recruitment Platform** has improved the user experience across the whole recruitment journey.
 - **Success Profiles** have been used across the Civil Service since January, changing the way the Civil Service recruits, broadening selection to cover more direct experience, technical skills and strengths and opening recruitment up to more external applicants.
 - The **Fast Stream** received over 56,000 applications and won several awards, including No. 1 in the Times Top 100 Graduate Programmes this year.
 - Building on the publication of Dame Sue Owen's report into **Tackling Harassment and Misconduct**, Civil Service HR launched improved guidance to support departments, including **tackling sexual harassment and improving investigation arrangements**. This supports the wider work by departments to ensure inclusive and respectful workplace cultures.
 - The **Civil Service Leadership Academy (CSLA)** celebrated its second anniversary in October and continues building capability for SCS through provision of learning opportunities.
90. The changes driven by the Workforce Plan have started to transform the way in which people work across government and create 'A Brilliant Civil Service'. We are now looking at the next phase and Civil Service HR are developing a cross-government People (Workforce) Strategy. The Civil Service People Strategy will set out the Civil Service people priorities for the next five years and beyond.
91. The Civil Service People Strategy will cover people priorities for 2020 and beyond, and is currently being developed centered around five key themes:
- I. Where we work - the future of locations for the Civil Service
 - II. How we work - how we use technology and systems to improve the way we work
 - III. Who we are - diversity and inclusion, workplace culture
 - IV. Why we work - pay, pensions and the employee offer

V. What we do - skills, capability and continuously learning

Attraction and recruitment

Success Profiles

92. In last year's evidence, we set out the approach to the implementation of Success Profile Framework across government. The Government has now completed the introduction of the Success Profiles for recruitment and these are now being deployed across departments. Success Profiles enable the Civil Service 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.

93. Success Profiles introduce a more flexible framework which assesses candidates against a range of elements using a variety of selection methods relevant to role and the desired candidate profile. Thus giving the best possible chance of finding the right person for the job, driving up performance and improving diversity and inclusivity.



94. 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.

95. 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.⁶

96. Success Profiles have been integrated into talent and resource management projects and by Civil Service professions through their career frameworks.

⁶ An example of how Success Profiles are being used for specific SCS roles:
https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/844602/Guidance-Application_of_Success_Profiles_during_HR_Director_recruitment_v0b.pdf

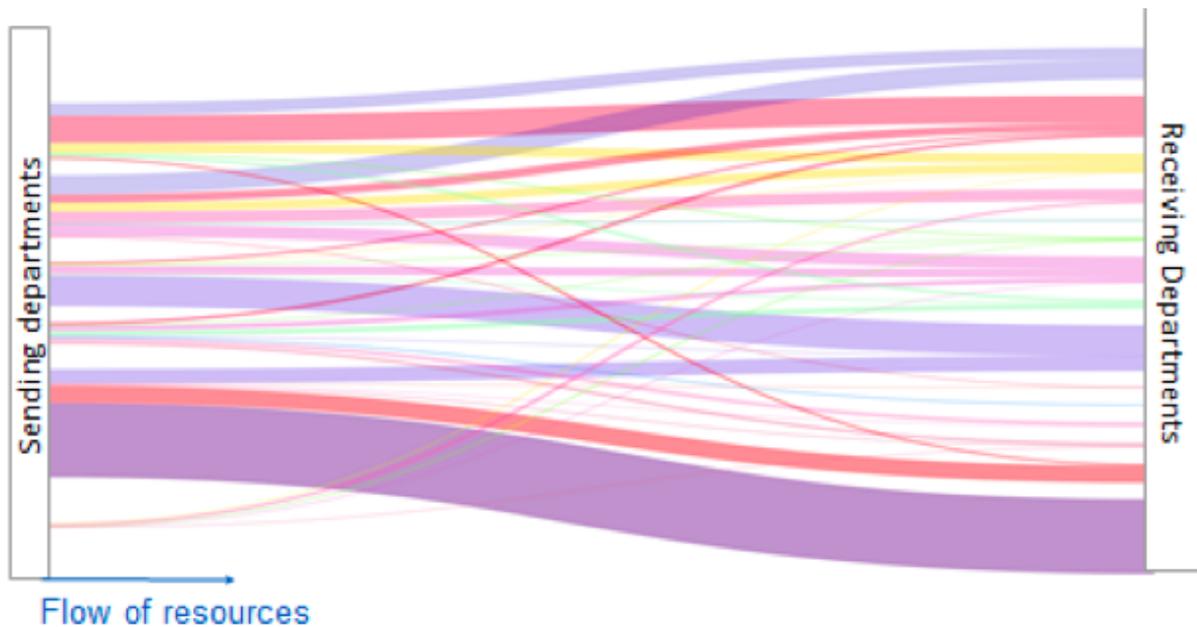
Centre of Recruitment Expertise

97. In order to support the Civil Service in its aim to attract and retain people with talent and experience from a range of sectors and all walks of life, the Centre of Recruitment Expertise (CoRE) has been set up to act as subject matter experts on all aspects of recruitment for the SCS.
98. To build capability and greater insight as well as gather and share best practice CoRE has set up a Cross Government Community of Practice for senior recruitment including recruiters, professions, commissioners and specialist teams such as Diversity & Inclusion (D&I). This will enable the sharing of best practice and lead to a set of standards to drive continuous improvement in senior recruitment.
99. CoRE is using the Community of Practice and joining up with a Government Recruitment Service led Data Warehouse project to build a more comprehensive data set for SCS recruitment by early 2020. This will enable the Civil Service to make better, evidence-based decisions to ensure future research and development is focused on the areas of highest impact to improve both the quality of talent acquisition and D&I outcomes.
100. Taking an evidence based approach CoRE will develop user focused best practice guidance and standards as well as acting as a change mechanism to support and evaluate new initiatives and pilots going forward.

Support for delivering EU Exit and through the Transition Period

101. As part of the preparations for the UK's exit from the European Union on 31 January 2020, Civil Service HR supported departments in filling high priority EU exit roles through recruitment and redeployment.
102. The EU Exit Clearing Hub was established to facilitate the redeployment of civil servants and delivered an unprecedented system for the sharing of resources across departmental boundaries to the areas where they were most needed, in the run up to 31 January 2020. Building upon the success of this model, a new Government Resourcing Hub has been established to provide a flexible, holistic approach to identifying the most appropriate solution or supply source for urgent resourcing requirements, which can include recruitment, redeployment and the provision of private sector capability via external support. This will ensure departments have the right resources to effectively deliver through the Transition Period and beyond.

Chart 3 Supply to Demand Mapping Analysis: Clearing Hub demand as at 29 October 2019



Demand for 1,659 roles was met by the Clearing Hub as at 29 October 2019, including demand for 699 roles met by Operational Delivery surge and Fast Stream not shown on this diagram

Leadership and development

Civil Service Leadership Expectations

103. The Civil Service Leadership Expectations framework, which is under development, aims to:

- provide a common frame of reference for individuals across the Civil Service who are at different points in their leadership journey in the Civil Service;
- provide a framework for central leadership delivery - for example, the Civil Service Leadership Academy (CSLA) should use this common understanding of leadership development as a basis for their offer at all levels of the SCS;
- provide a framework for departments and functions to consider when they are developing their own leadership offers.

104. Having a common understanding and way of talking about leadership will support the aim of the Civil Service being recognised as the most inclusive UK employer.

The Leadership Expectations Framework sets out:

- **The values leaders hold.** Leaders establish and continually reflect on the values that drive them in their role in the Civil Service and prioritise integrity, honesty, objectivity and impartiality in all that they do - values
- **The behaviours leaders demonstrate.**

Leaders help create inclusive, inspiring environments in which they and everyone in their team can thrive - individual leadership behaviours

Leaders commit to working collaboratively with others within and beyond the Civil Service to deliver the best for citizens - collective leadership behaviours

- **The experiences that leaders build.** Leaders work to develop a breadth and depth of leadership experiences, which they draw on when facing complex challenges to develop a vision, set a direction to achieve it and empower others to collectively solve problems - leadership experiences

Indicators of Potential

105. Indicators of Potential (for Permanent Secretaries, Heads of Function and Directors General) were developed and designed to support the identification and development of individuals who can progress to the most senior roles in the Civil Service.
106. As well as being used to inform selection and curriculum content for the Civil Service accelerated development schemes, for example, they are also informing the Civil Service Leadership Expectations, noted above. In particular, the experiences section of the Indicators of Potential are being drawn on in the Leadership Expectations to set out the leadership experiences that an individual might be expected to have gained before moving to more senior roles. The Career Pathways project, described below, also draws on the Indicators of Potential and translates these experiences for others at different points in their leadership journey. For example, a Director General might be expected to have a breadth of experience, gained from experience in developing critical relationships, public scrutiny, leading large scale programmes or operations, leading functions, financial and commercial leadership, organisational design, inclusive leadership, collaboration and systems leadership.
107. The Indicators of Potential, and the experiences they set out, are not designed to be exhaustive and it is not expected that individuals should have extensive experience in all areas to show their potential for a role. They are useful for considering an individual's career journey and when and how to gain depth and breadth. They can also support discussions about an individual's potential to fill a range of future senior roles across government.

Civil Service Leadership Academy

108. The Civil Service Leadership Academy (CSLA) was created in 2017 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 but will be extended to the whole civil service over time.
109. 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. Since November 2017, around 4,000 delegates have attended a CSLA event and the Academy has offered thousands of hours of learning through its teaching and learning programme.

110. Since January 2019, the CSLA has developed and is delivering three new programmes on a pilot basis. The Director General Leadership Programme has been in existence since early 2019, but there are two additions to the programmes since September: Deputy Directors and Directors Leadership Programmes.
111. The interim offer is a significant advance on the first phase of the inductions and basecamps that were being run until August 2019 and allow the CSLA to build its reputation, test ideas, provide good leadership development to a growing number of SCS and to get buy-in from departments and professions. The participant feedback from these initial cohorts has so far been excellent.
112. The Government is working to establish a CSLA Design Council in 2020 which will include representatives from departments and professions, and selected experts, in order to co-design our leadership programmes to agreed learning objectives and design principles.

Corporate Accelerated Development Schemes

113. Civil Service Talent works to ensure that the Civil Service attracts, develops and retains talented people from a diverse range of backgrounds, to create a brilliant Civil Service now and for the future.
114. The Government's aim is to develop a strong and diverse pipeline of inspiring, confident and empowering leaders to shape the future of the Civil Service. There are four cross-Civil Service centrally managed accelerated development schemes which aim to create a strong, diverse and robust pipeline through to the most senior roles in government.
115. **Individual Development Programme (IDP)** is the cross-Civil Service scheme aimed at accelerating the development of Directors General to prepare them for future Permanent Secretary roles or wider leadership roles. The one year programme includes targeted learning and development opportunities.
116. **High Potential Development Scheme (HPDS)** is an accelerated development scheme aimed at accelerating the development of high potential Directors with the potential to progress to Permanent Secretary, Head of Function and Chief Executive level.
117. The first HPDS cohort was launched in 2004 and to date there have been 13 cohorts, consisting of 438 participants and alumni. The 2019 intake consists of 48 Directors from across the Civil Service and includes:
 - 60.4 % female participants (above Director average of 40.8%)
 - 6.3 % participants from an ethnic minority background (above Director average of 4.6%)

- 6.3% participants declared LGBO (above Director average of 5.9%)
 - 12.5% participants with a recorded disability (above Director average of 3.5%)
118. There are currently 294 individuals who have been through HPDS and are still working in the Civil Service. 84 individuals (29%) are now Directors General and 15 (5.4%) are Permanent Secretaries.
119. **Senior Leaders Scheme (SLS)** is an accelerated development scheme aimed at the top 3% of Deputy Directors across the Civil Service who have the potential to progress to Director and Director General roles.
120. The SLS was launched in 2012 with 47 participants. The number of participants has increased year on year, and in 2019 110 participants secured a place on the programme, meeting our aim of 2-3% of the Deputy Director population. This includes:
- 59% female participants (compared to 46.7% across all Deputy Directors)
 - 13.3% participants from an ethnic minority background (compared to an average at grade of 6.6%).
 - 9.9% participants recording a disability (compared to an average at grade of 5.6%).
 - Resignation rates of Deputy Directors on SLS is 5.4% since 2012, compared to 4.1% for all Deputy Directors since 2016.
 - Promotion rate for Deputy Directors on SLS is 8.5% since 2012, compared to 3.4% for all Deputy Directors.
121. **Future Leaders Scheme (FLS)** is an accelerated development scheme aimed at the top 1% of G6/G7 across the Civil Service who have the potential to reach SCS.
122. FLS was launched in 2013 with 86 participants. There are 67 cohorts to date across six annual intakes. The number of participants has increased year on year, and in 2019 417 participants secured a place on the scheme. This is slightly over 1% of the G6/7 population and includes:
- 60.2% female participants (compared to an average at grade of 46.9%)
 - 15.8% participants from an ethnic minority (compared to an average at grade of 10.3%)
 - 15.5% participants recording a disability (compared to 8.7%).
123. The META (Minority Ethnic Talent Association) programme for participants from an ethnic minority background, is integrated with the FLS and in 2019 has 57 participants, making it the largest intake to date.
124. Launched this year, DELTA is offered as a bespoke programme for participants with a disability or long-term health condition who successfully gain a place on the FLS. DELTA has 32 participants from 18 different departments and 13 different professions.

Career Pathways

125. Career Pathways form a key part of the Government's strategy to open up our talent pipelines, ensuring all civil servants, including those who aspire to be future senior leaders, can identify when and how they will gather the leadership experience they need to fulfil their potential.
126. A cross-Civil Service Career Pathways product has been developed that aligns to the direction of the Civil Service Leadership Expectations framework and draws on the Success Profiles model and Indicators of Potential. It links to the Professional Career Frameworks that set out the paths through to SCS functional leadership roles.
127. The Career Pathways product will articulate the expectations of experience at all levels to support individuals in their own leadership journey, including where this is ultimately into the most senior organisational leadership roles.
128. The information in the Career Pathways product will shape departmental and professional/functional talent approaches and support the building of leadership capability alongside building of depth of professional/functional expertise across the Civil Service. It will be launched in early 2020.

Professions and professional maturity

129. Professions bring together people with common professional skills, experience and expertise, often linked to external professional bodies. There are approximately 30 cross-government professions, with many more in departments. There are significant differences between professions in the Civil Service data on retention, grade distribution, diversity, location and employee engagement. Led by Heads of Profession, they vary in the way they operate, size and resources. They support functions and departments by ensuring people are developed to meet the needs of government, providing advice on people issues (including pay), and increasing employee engagement. They support people, offering learning, nurturing talent and representing members' interests.
130. Functions often correspond to the professions, but these bring multiple professions together in a grouping embedded in departments and arm's length bodies to deliver a service to the government. For example, within the HR Function, there are multiple professions working together (analysts, project managers, digital experts and HR professionals) to deliver HR services. Whereas professions work to increase individual professionalisation and staff engagement, the functions seek to achieve improved outcomes across government by setting cross-government strategies, setting and assures standards, developing capability, giving expert advice, driving continuous improvement, and developing and delivering commonly required services. Heads of Functions are often also Heads of Professions.
131. At least 17 professions have published Career Frameworks that articulate the

skills, experience and capabilities needed for each role and at each grade⁷. These are versatile documents and support recruitment, performance management, career planning, capability assessment and pay.

132. At present, the Government is reviewing the demand for consistency across professions, to ensure that departments and functions are receiving the support they require to grow their professional capability.

Diversity and Inclusion

133. Every day, civil servants do brilliant work to develop and deliver policies and services that affect the lives of people across the country and beyond. To do this effectively and fairly, the Civil Service must represent modern Britain in all its diversity. Evidence shows that diversity – of background, of life experience etc. – brings different insights, creates challenge and encourages change and innovation. This in turn produces more accountable and trusted public services and better decisions – better because they are more attuned to the needs and interests of all our communities. That is why the Civil Service Diversity & Inclusion Strategy, published in October 2017, sets out our ambition to be the most inclusive UK employer by 2020.
134. The Civil Service is more diverse now than at any time in its history. The proportion of civil servants who declare a disability (11.7%) and those who are from an ethnic minority background (12.7%) are at record highs.
135. Women currently make up 45.2% (up from 43.1% in 2018) of the SCS which is greater than the representation of female executives and Board Directors in FTSE 100 companies (26%).
136. The Government acknowledges, however, that the Civil Service still needs to go further on improving representation, especially at our more senior grades. The Civil Service published targets in June 2018 in response to the persistently low representation of ethnic minority and disabled staff at these senior grades.
137. By 2025, we are aiming for 13.2% of new recruits to the SCS to be from an ethnic minority background, and for 11.3% to have shared with us that they have a disability (compared to 5.6% and 3.3% at the beginning of the measurement period). We estimate that hitting these targets will see our SCS representation rates roughly doubling between 2018 and 2025, to 10% for ethnic minorities and 8% with a disability.
138. Since the publication of the Strategy, the Government has:

⁷ Project Delivery example can be found here:
https://www.google.com/url?q=https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/755783/PDCF.pdf&sa=D&ust=1578931974055000&usg=AFQjCNEXXmhmrufvLKDdesjSd9CoTzcBhCg

- Established the Civil Service Ethnic Diversity Programme (EDP) in 2018 to drive delivery of our ambitious SCS flow targets on ethnicity. 18 months on, we can see that progress is being made, and interventions by the EDP and its partners - including departments/functions, staff network groups, Race Champions and other key stakeholders - are beginning to land. (Latest figures from March 2019 show that 6.1% of our SCS are from an ethnic minority background. Between 2010 and 2017 representation only grew from 4.2% to 4.7%). Specific areas of focus/activity are:
 - a. increasing internal progression of our G6/7 ethnic minority talent pipeline;
 - b. developing a career progression offer for ethnic minority SCS;
 - c. developing and strengthening a pool of external ethnic minority SCS candidates and experts; and
 - d. role modeling visible leadership on ethnicity to staff at all grades.

- Refocused the Disability Inclusion Programme so it drives effort towards increasing flow of disabled people entering the SCS. Specific areas of focus/activity include:
 - a. the launch of the FLS DELTA learning programme, offering additional tailored learning for FLS disabled participants;
 - b. Aspire mentoring programme for FLS near miss disabled applicants; and
 - c. REACH mentoring Scheme developed in partnership with Saxton Bampfylde, Global Executive Search Consultants which matches talented Grade 6/7 (Band A) and Deputy Director disabled staff with an executive level leader mentor from outside the Civil Service.

139. Alongside this we continue to progress five other key disability priorities: improving the provision of workplace adjustments; building disability confident leadership at all levels; improving support on mental health; improving the talent pipeline of disabled colleagues; a target to halve the gap in engagement scores, and the gap in bullying and harassment scores, between our disabled and non-disabled colleagues, by 2020.

140. We are working with our delivery partners to ensure action is taken consistently across the Civil Service, including

- Focusing on inclusion, improving insight into inclusion across departments through an innovative Inclusion Diagnostic tool - providing key insight and driving change. Pioneering a set of D&I Requirements with the aim of improving consistency of D&I delivery across departments as well as industrialising best practice.

- Appointing a Civil Service D&I Champion who is driving change via their established priorities: improved data collection and use, understanding cultures and listening to the lived experience of colleagues.

141. The median gender pay gap for the SCS in 2019 was 5.7% (compared to 5.2% in 2018). Reasons for the gender pay gap are complex and can reflect a number of factors including seniority, profession, and tenure. 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 SCS;
- 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.

CHAPTER 4 - AFFORDABILITY AND PROPOSALS FOR 2020/21

142. The Government believes that for this year (as in 2019/20) 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 delegated grades is currently being discussed and supplementary evidence will be provided when more information is available and decisions have been taken.
143. 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. We are recommending a similar approach to 2019/20, where in addition to implementing raised minima and general awards of 1%, departments used a ring-fenced pot of 0.9% of the SCS paybill to address pay progression and anomalies with awards that, in accordance with the SSRB's recommendation, were dependent on:
- Demonstration of sustained high performance, increased effectiveness and deepened expertise.
 - Position in the pay range.

SCS pay approach (central versus delegated)

144. The current SCS system combines centralised rules with implementation by separate employing departments.
145. Each department deals with many different complex issues and has their distinct 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.
146. 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.
147. Furthermore, a number of improvements to departmental application of the central pay guidance and rules have been 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.

Capability Based Pay Progression

148. In the 2017 evidence, we set the intention for adopting a capability-based pay progression system for the SCS. This was reconfirmed in the 2018 evidence. This year's SSRB report also stated that the 'development of, and investment in,

a credible, robust and simple pay progression system should be a priority for 2019-20 for implementation in 2020-21'. This is also one of the three key strands of the SCS pay framework, as set out in the 2017 reform of SCS pay.

149. Under the current system, some SCS seek promotion or leave the Civil Service in order to achieve substantive pay increases. This creates risks for continuity and implementation where it occurs after only a short time in post, and can be demotivating to those who remain in role and develop expertise, particularly if they remain at or near the minimum of the pay range and are sustained high performers.
150. Evidence has also shown that the median time in current post for SCS was around two years. Just under half of SCS believed that their pay adequately reflected their performance, although they have the highest satisfaction with pay of all Civil Service grades and in 2019 reported the highest satisfaction with pay since 2012. Alongside this evidence, there was a growing concern over the need to address the disparity between the pay of those internally and externally recruited. External hires frequently join the Civil Service higher up the pay range and there is no consistent mechanism for existing Civil Servants to move towards this rate of pay.
151. There has been increasing scrutiny on the rate of departmental turnover in the Civil Service as part of wider discussions on pay progression and recruitment. The Government's evidence last year outlined some of the key issues underpinning departmental turnover within the SCS, notably stemming from the lack of substantial pay progression. These include promotion (or level transfer) being seen as the only way to obtain a substantial pay increase, which in turn drives some 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. In addition, last year's evidence noted that the acquisition of expertise and depth of experience was not being rewarded (or seen to be rewarded).
152. To address the current issues, and in order to achieve our vision for SCS pay, for this year's evidence we have been developing a capability-based pay proposal for the SCS to establish greater fairness and consistency within the system as part of the wider Civil Service reward strategy. Within the development process, emphasis has been applied on ensuring that a new system is simple, durable, and accessible, as recommended in the SSRB's report.
153. Over the summer a Task and Finish Group was formed, with membership of senior officials representing a range of professions, with a primary remit that consisted of making strategic recommendations to the SSRB for the future direction of pay progression for the Civil Service, and designing a model which could be adopted across all Civil Service professions and functions. The Group has been active in engaging across the Civil Service to gather a wide range of views and evidence from stakeholders to ensure that a credible system with appropriate longevity is developed.

154. The initial focus of the group was to agree on the principles that would underpin any proposed system. The principles stem from the challenges facing the SCS in the 2017 Government evidence, and by applying them to a pay progression system provides support to the type of SCS cadre that the Civil Service requires in the future to ensure effective delivery of government priorities. The agreed principles are:
- a. Enabling greater diversity in the SCS.
 - b. Rewarding the development of professional skills and competence.
 - c. Rewarding experience and high performance.
 - d. Enabling and rewarding the development of leaders of whole systems.
155. Extensive research was conducted to ensure that any capability-based pay system would act to improve each of the principles, and therefore address the challenges facing the SCS. The emphasis when conducting this research was on understanding the current situation of how pay looks like by each principle, and how pay progression would address any notable challenges. A summary of the research is found below.

Enabling greater diversity in the SCS

156. Based on the proposed 2019 minima, data for the Equality Impact assessment for the 2019 proposals to the SSRB, female, white and disabled SCS were more likely to be among those paid at the bottom of the pay range, and therefore benefit more from the increase to the pay band minima. Younger SCS (those below 40) were also more likely to be paid at the bottom of the range. In comparison to peers, fewer disabled and ethnic minority SCS were rated as 'Top' performers, more ethnic minority and disabled SCS were rated as 'Low' performers, and more LGBO and female SCS were rated as 'Top' performers.
157. Variations in starting pay for internal/external candidates also hold a potential risk of disparate impact *if* a disproportionate number of staff with a protected characteristic fall in to a disadvantaged group (e.g. where internal applicants are predominantly female), or an advantaged group is predominantly made up of a group that shared a particular characteristic (e.g. where external applicants are predominantly male).
158. The Government's ambition is for there to be equal representation throughout the pay range within a pay band, and pay progression would provide an opportunity for individuals to move through the pay range, closing the gap and offering motivation to remain in the pay band.

Rewarding the development of professional skills and competence

159. In some professions, external recruits are on average higher paid than internal recruits within the same profession. As some professions have a much higher proportion of external recruits, this can result in some professions paying more on average. The Government's ambition is for the gap to be closed between internal and external recruits within professions, as over time individuals

recruited internally will be greater rewarded for having the same professional experience as those who are appointed externally.

160. Any proposal for capability-based progression would therefore reward the development of specific skills. It would also enable movement to close the gap between those who are already 'capable' at a specific level, and those who are in the process of acquiring capability.

Rewarding experience and high performance

161. Our analysis identified that pay is not strongly correlated to performance in the same year or time in post, although further work is required to look at pay for long term high performers. Currently, performance by time in pay band data shows that performance peaks at around 3-5 years, suggesting that represents the length of time to become fully capable in a given role. Analysing performance ratings by pay data shows that top performers are not necessarily paid more than average or poor performers, although the impact over time may differ. Pay by time in pay band data also shows that a greater proportion of people are paid at the lower end of the pay band regardless of time in post.
162. The Government's ambition is for high performers with increased skills and a track record of delivery to have higher levels of pay. Within a pay progression model there could be some movement through the pay range over a period of time, which would result in progression for capable/expert people who go on to sustain high performance. Consistent high performers should also progress through the pay range.

Enabling the development of leaders of whole systems

163. Any capability-based pay system should enable and reward the development of leaders of whole systems. Data on the breadth of SCS experience linked to pay is not actively recorded to provide extensive analysis. However, the Government's ambition is for there to be greater breadth of leadership experience, including private sector and functional experience, resulting in a higher level of pay as well as the potential organisational benefits such as increased productivity that can arise from having better leaders. The Government will further explore areas where analysis can be undertaken on leadership as part of the development of the wider approach.
164. Within a pay progression model, leadership will be addressed within a specific criteria in assessments to reward people with greater leadership experience. Assessments will also align to the vision set out in the Civil Service Leadership Expectations framework, including the values, behaviours, and experiences that leaders build. The simultaneous development of a capability-based pay system and the Civil Service Leadership Expectations framework should ensure that there is alignment of the vision and a common understanding of leadership within the Civil Service.

Do the SSRB agree with the principles that should underpin a capability-based pay progression system?

Proposed Approach

165. A framework will be developed that will be used by departments as guidance for determining individuals' pay 'key events' throughout the year (including on appointment, annual pay committee decisions, changes in role, and lateral moves).
166. The framework would contain the dual dimensions of professional and leadership capability assessment set within the context of experience, which are based on the agreed principles. Diversity and inclusion will act as an underpinning requirement and objective of all assessments conducted using the framework.
167. Each dimension would also contain three levels of assessment, with specified criteria for what 'good' looks like. Sustained performance should be an entry requirement to the developing, competent, and expert framework. An increase in capability would move an individual further up the pay band, with those in the lower pay band who can demonstrate increased capability receiving a greater proportionate award.
168. A key proposal is to set a target pay for each range, as the end point to which any individual could realistically expect their pay to progress to. This could be set within a range of professional bands for each SCS grade and could also reflect the market rates for the role. An individual's progress towards that target salary would be determined by their line manager's assessment against the dimensions of professional and leadership, set in the context of experience, as well as the overall funding available for capability-based pay progression within the given year. This would then be moderated by departmental pay committees.
169. In the longer term, the guidance will be further developed to provide greater objectivity and a capability framework that, where appropriate, better reflects an individual's profession. The Government recommends commissioning each profession to deliver a measurable capability-based framework that expands on the central guidance. We propose setting each profession the challenge of developing initial frameworks in time for the 2021/22 pay round. Work has commenced to test the proposed framework with various professions to gauge how a measurable professions-based framework would look in practice.
170. The Government proposes that implementing a capability-based pay approach requires consideration for a shift from professional to leadership capability as one moves higher up the SCS ladder. In particular for Deputy Director, there will be a greater emphasis on professional and technical capability, whereas for Director and above, a shift towards a more subjective leadership criteria is more apparent. The guidance will also provide departments with the flexibility to factor shifts from professional to leadership capability within assessments as one moves higher up the SCS ladder.
171. For the implementation of the full framework in 2021, further work will be undertaken to establish the cost of implementing capability-based pay. It is

important to note that although implementing capability-based pay progression is possible under existing budgets and pay awards, to create the necessary systemic change, a re-prioritisation of funding for SCS pay will be required as the system is rolled out. Funding will be acquired through existing budgets, and addressed through a cross-government business case aligned to a forthcoming spending review. It may also be possible to fund meaningful pay progression through existing department recyclables and through productivity savings arising from potentially lower levels of departmental turnover.

172. SCS pay is considered separate from delegated pay and has different requirements given the SCS is a cross Civil Service cadre. The Government's current position is that a headline figure for the SCS should not exceed, on average, the number agreed for delegated grades. In application, the short-term amount required for capability-based pay progression may be required to diverge from the headline figure set out in the delegated remit guidance to ensure meaningful effect. The impact on delegated pay will therefore need to be considered when setting future SCS headline figures. We will continue to explore options as the approach is further developed, including creating more flexibility in existing department budgets to allow for growth in SCS pay.
173. This is a move towards a more individual approach to remuneration, based on understanding an individual's current capability levels and what the right rate of pay for the role or group of roles is if someone was operating at an expert level for all three dimensions of the pay framework. Underpinning all pay decisions is the diversity impact of the decision and an equality impact assessment would need to be conducted before any pay increase is agreed.
174. The Government recognises that the introduction of a capability-based pay system will necessitate wider cultural shifts and behavioural requirements that will need to be considered. A significant change stemming from the individual approach to remuneration will be the increased involvement from managers as pay is discussed throughout the yearly cycle. Ensuring that managers have the necessary support to be contributing to pay decisions is highly important within the wider context of delivering capability-based pay. The production of assessment guidance for managers will therefore be a short-term priority for the Government.
175. The Government is committed to continue to develop the approach for a capability-based pay progression system ready for implementation in 2021. To ensure that a fair and credible system is possible, further work will be undertaken to develop the framework as outlined, and ensuring that is appropriately tested.
176. The interim period will allow for professions to understand their requirements and to develop their frameworks. For 2020/21 the Government proposes to provide additional guidance to departments when using the ring-fenced pot allocated to address anomalies. This will allow for awards to be allocated to individuals who demonstrate high levels of sustained increase in capability through this pot.

Further details on capability-based pay progression will be provided in the next iteration of Government evidence, including clarity on funding.

177. The Government believes that when implemented, a capability-based progression system will have a positive impact on departmental turnover in the SCS and address many of the current concerns. Ultimately, the Government's desire is create a system that incentivises individuals to remain in post and develop subject matter expertise, in addition to rewarding the development of capabilities that are most valuable to the Civil Service at any given time.

SSRB is asked to comment on the Government's current approach to capability-based pay progression.

Pay band minima

178. We are continuing to consider whether the SCS remuneration package and the current level of pay are appropriate levels of reward for the increase in responsibility associated with moving into the SCS.
179. Since 2014, we have focused on increasing the minima for all SCS grades as this has been one of the most effective ways to fund structural reform while achieving our ambition of shortening the ranges. The changes for each grade have been outlined below:

Table 4 - changes to SCS pay band minima

Deputy Director

Year	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20
Minimum	£62,000	£63,000	£64,000	£65,000	£68,000	£70,000

Director

Year	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20
Minimum	£85,000	£86,000	£87,000	£88,000	£90,500	£92,000

Director General

Year	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20
Minimum	£104,000	£105,000	£106,000	£107,000	£111,500	£115,000

180. The median pay rate for each level of the SCS has increased as can be seen below:

Table 5 - changes to SCS pay band median

Deputy Director

Year	2014	2015	2016	2017	2018	2019
Median	£74,000	£74,800	£75,500	£75,800	£76,200	£76,700

Director Director

Year	2014	2015	2016	2017	2018	2019
Median	£96,000	£96,000	£98,800	£99,900	£99,800	£102,500

Director General

Year	2014	2015	2016	2017	2018	2019
Median	£133,500	£132,600	£135,900	£134,200	£134,500	£137,300

181. In its 2018 report the SSRB recommended that we reduce the maximas for the three SCS pay bands from £117,800 to £102,000 for pay band 1, £162,500 to £136,000 for pay band 2 and £208,100 to £167,500 for pay band 3. As the SSRB will be aware, the Government decided to pause the implementation of these recommendations while further work is taken forward on capability-based pay to ensure the levels set are robust and there is a clear and positive narrative for reduction.

Pay Exceptions

182. In April 2018, a new pay on appointment policy for the SCS was introduced to help control departmental turnover:

- a. That no increase is given for moves on level transfer; and
- b. On promotion, SCS receive no more than 10% increase or the minimum of the new grade.

183. An exceptions process is, however, available in cases where internal candidates are moving to roles with greater scale or responsibility for increases to be offered, with the agreement of the Permanent Secretary and the relevant Head of Profession. We are not aware of any disagreements between Permanent Secretaries and Heads of Profession. For Directors General the approval of the recently introduced DG Pay Committee, chaired by the head of the Senior Leadership Committee, is required.

184. There have been ten Director General exceptions since the controls were introduced: six pay on promotion exceptions and four level transfer exceptions. During this period there have been 55 new Director General appointments, of which 45 were internal moves. At the Director and Deputy Director level, departments have reported 70 exceptions cases. The table below shows the average agreed salary for each SCS grade:

Table 6 - Pay exceptions by pay band

Grade	Deputy Director	Director	Director General
No of Exceptions	37	33	10
Average salary agreed	£80,666	£108,123	£135,675

185. More information on these cases can be found in [Annex C](#).

Pay band 1A

186. At a time when many organisations are delaying their workforces, recruitment into Pay Band 1A (PB1A) 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.

187. The below table outlines the number of PB1A in post since 2003:

Table 7 - numbers of PB1A in post

Year (as at April)	Number
2003	198
2005	212
2007	202
2010	183
2011	206
2012	113
2013	121
2014	105
2015	106
2016 ⁸	126
2017	114

⁸ The slight increase in numbers is due to improved data.

2018	87
2019	48

188. Reported numbers have come down significantly from an all time high of 212 in 2005 to the current level of 48, a reduction of nearly three quarters. This will continue to reduce as departments recategorize their PB1 as PB1s as new appointees are placed into these roles.
189. Departments have confirmed that they are following the longstanding policy of not recruiting into PB1A. This will not affect staff covered by legacy arrangements and the PB1A minimum will be increased in line with that for Deputy Director. 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.

Wider Public Sector Comparisons

190. The minima for the Deputy Director and Director grades are lower than the minima for their comparable public sector equivalents in most instances. In addition to this, the median for most public sector equivalent grades is higher.
191. For Directors General, the minimum is lower than other comparable grades across the wider public sector. In addition to this, the pay range for the DG grade is longer in most instances.
192. Korn Ferry carried out their own benchmarking analysis comparing public sector and private sector base salaries for this year and found that the Deputy Director and Director bands were behind the wider public sector and private sector on all measures. Using the data available to them, they found the Deputy Director median to be £76,200 which was lower than the equivalent median in the national public sector (£90,905) and the private sector (£118,699). At Director, their median sat at £99,800, below the national public sector (£143,107) and private sector (£212,195)⁹.

Finding the right rate of pay and next steps

193. The evidence we have gathered so far, suggests that we are moving our pay ranges in the right direction towards alignment with the wider public sector, but that progression within the ranges is still one of the main difficulties we face. In the short term we are proposing the following changes to the SCS minima:

⁹ Reward benchmarking report 2019, page 35

Table 8 - Proposed pay ranges for 2020/21

	Deputy Director	Director	Director General
Minimum	£71,000 (from £70,000)	£93,000 (from £92,000)	£120,000 (from £115,000)
Maximum	£117,800	£162,500	£208,000

194. Uplifting the Deputy Director minimum from £70,000 to £71,000 would cost an estimated £328,500, increasing the Deputy Director salary bill by around 0.1%. For the Director grade, increasing the minimum from £92,000 to £93,000 would cost an estimated £86,500 increasing the Director salary bill by around 0.1%. Further detail on the Director General pay proposals can be found below.

195. In addition to this, over the next year, we intend to undertake further detailed analysis to better understand what the right rates of pay should be for the SCS group to help inform our capability-based pay plans and any amendments we might want to make to the minima and maxima.

SSRB is asked to comment on the proposed pay ranges and our commitment to carry out further research in this area

Director General Pay Proposals

196. In 2019, the Civil Service Board (CSB) recommended to the Minister of the Cabinet Office the creation of the Director General (DG) Pay Committee to ensure the appropriate and fair implementation of the DG pay strategy. In addition to this, its focus is to:

- a. Make strategic recommendations to the SSRB for the future direction of Director General reward priorities.
- b. Ensure a desired level of consistency of application of Director General pay policy across departments, including exit arrangements.
- c. Approve changes to Director General pay policy.
- d. Make decisions on issues that fall outside the agreed pay framework.
- e. Provide challenge on departmental application of pay policy.

197. The DG Pay Committee met twice in 2019 and discussed a number of subjects related to Director General pay ultimately agreeing the proposals to be included within this year's government evidence.

198. Our proposals, which are intended to be implemented for the 2020/21 pay year, are:

- a. To uplift the Director General minimum from £115,000 to £125,000 over two years with the minimum increasing to £120,000 in 2020/21.
- b. To consider the longer term strategy for the Director General group once the approach for capability-based pay has been developed further.

199. There are a number of current challenges facing the Director General group:

Inconsistency across the system

200. Previous proposals for Director General pay have been targeted at improving consistency across the group, however, there remains variation in Director General pay levels between professions and departments. Furthermore, the new exceptions process has highlighted a potential lack of consistency for benchmarking salaries and applying the exception policy across different departments and types of roles. For example, in some cases, an exception that allows movement toward the median of the profession has been agreed whereas in others it is towards the overall Director General median or another more departmental based rate.

Pensions

201. Following significant reductions to the Annual Allowance for pensions in 2014/15, and the introduction of the taper in 2016/17, there are tax implications as a result of enrolment into the alpha a Civil Service Pension scheme for individuals earning over £108,000. Although most members are better off remaining in the main pension scheme, alpha, for higher earners switching to Partnership, the Defined Contribution scheme, is a serious consideration. In particular, those earning over £118,725 are affected by the tapered Annual Allowance and pay a high marginal tax rate on pension accrual and therefore Partnership represents a viable alternative to continued defined benefit pension accrual.

Recruitment

202. While Director General competitions continue to attract a higher percentage of external applicants than internal applicants, the proportion of external candidates falls significantly between application and shortlist. The possible causes of this are being explored as part of the wider Director General talent strategy. Internally recruited individuals are more likely to be amongst the lowest paid Directors General, reflecting challenges similar to those seen at Deputy Director and Director level.

203. External applicants are often sought using a search firm, through whom there is an opportunity to proactively promote the benefits of working in the Civil Service, outside of pay. In conversations with potential applicants, it is identified early on that the pay is likely to be much lower than in their current positions, but that the intrinsic value of the role may be much higher.

204. Civil Service Talent have also identified that particular roles, for example digital, project delivery and large operational delivery roles can be harder to recruit into due to the shortage of specific skills or experience needed for those particular functions, both within the Civil Service and in the wider market.

Retention

205. Turnover for Directors General in 2018/19 was 17.0% (this covers those who leave the Civil Service as a whole, including resignations and retirement), while

the resignation rate alone was 11.3% in the same period. This compares to 12.8% turnover and 5.2% resignation rate for the SCS as a whole in the same period and is higher than turnover (11.6%) and resignation (6.8%) rates for Directors General in 2017/18. For externally recruited Directors General turnover is higher at 19.0% compared to 15.8% for internally recruited Directors General.

206. There is limited evidence that the current reward retention arrangements are ineffective. PRAs currently are rarely sought within the Director General cadre (there has only been one in use in the last year and this will expire shortly), and so remain an option to utilise if Directors General pose detrimental flight risks on the basis of pay. The DG Talent team have proposed that the support offered to Directors General when starting out in the Civil Service may play a significant role in successfully retaining external recruits. Alongside launching the Director General development programme in July 2018, they now provide additional tailored inductions for externally recruited Directors General.

Uplifting the Director General minimum from £115,000 to £125,000 over two years

207. Relatively few Directors General enter the Director General pay band at the current minimum, but for those who do, the length of the Director General pay scale and the restraints on moving within it, often result in them remaining at the bottom of the scale with limited scope to progress. Since the exceptions process was agreed in April 2018, there have been 10 Director General exceptions cases brought forward by departments, of which five were for starting pay on promotion. Most of these requests proposed a starting salary closer to the Director General median ranging from around a 26%-35% increase in pay.
208. Our proposal would mean that those at the current minimum would receive a 4.3% uplift to £120,000 for the 20/21 pay year followed by a 4.2% uplift the year after bringing the minimum to £125,000.

Wider Public Sector Comparisons

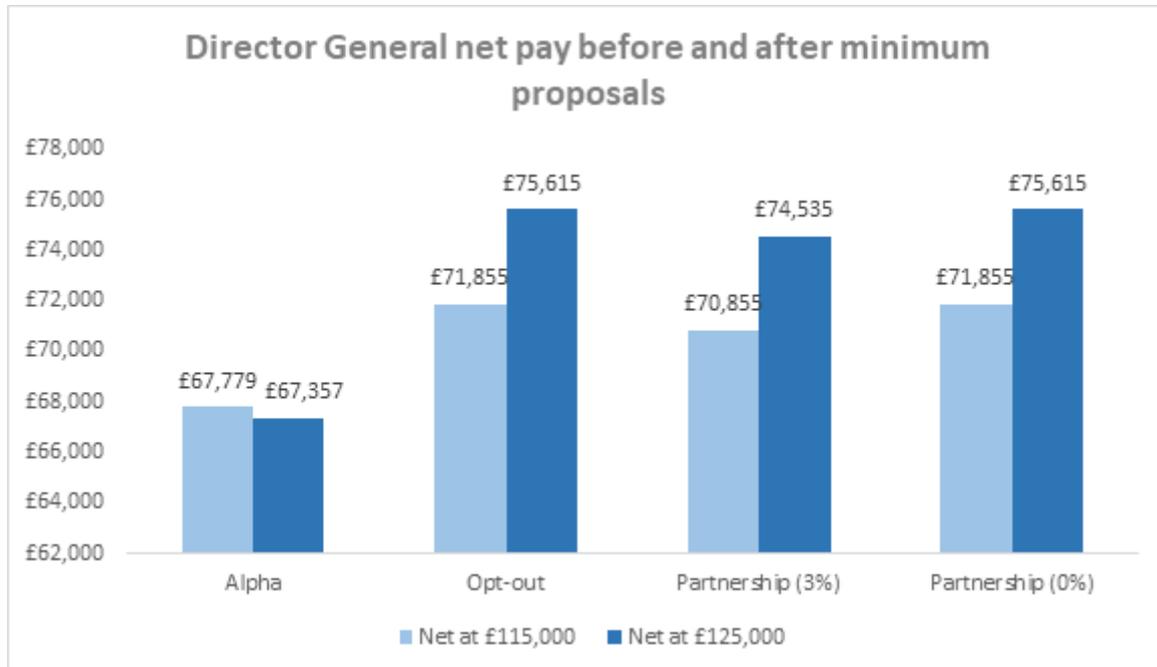
209. Outside the Civil Service, the minima of the salary ranges across the wider public sector for comparable Director General roles vary although most are above the minimum for Directors General in the Civil Service. Even in those organisations with lower minimums than the Civil Service for the Director General grade, the median is higher, suggesting they have a more effective way to move individuals through their pay range.

Pension Impact

210. Increasing the minimum to £125,000 will mean that Directors General who come in at the new minimum are likely to be impacted by the tapered Annual Allowance. However, those in the Partnership pension scheme will not be impacted by pension tax at the new minimum rate unless they are making other pension contributions or have other taxable income. The below outlines the impact on Director General net salary with the proposed changes. These figures

assume the individuals are not paying into any other pension schemes or receiving any other form of pensionable income at the same time and do not account for the impact pay increases have on an individuals pension.

Chart 4 - Director General net pay before and after minimum proposals



211. It is also worth noting that all members of the Alpha scheme earning over £100,000 per annum are provided with access to free group and one-to-one pension tax support, so should be aware of the impact increases in salary may have on their net pay.

Shortening the pay range

212. The Director General pay range is already the longest pay range of any grade within the Civil Service. Increasing the minimum by £10,000 continues to shorten the overall range.

Cost of implementation

213. There are currently approximately 36 Directors General under the proposed £125,000 minimum, some of whom work in the Scottish Government and are therefore subject to the Scottish Government restrictions on higher earners (which places a £1,600 cap on pay increases for those earning over £80,000) . Bringing the salaries of all 36 Directors General up to the new minimum would cost an additional £55,500 (total) increasing the Director General salary bill by 0.2%.

Do SSRB agree with our proposal to increase the DG minimum over two years?

Longer term strategy for the Director General group

214. For our longer term approach, once more of the details of our capability-based pay policy have been established we will consider how best these can be implemented for the Director General group. Our intention is to return to the SSRB within our 2021/22 evidence with clarity on our approach.

CHAPTER 5 - Wider reward

6.1. Performance Management

215. The current SCS performance management system is set centrally by the Cabinet Office. The performance management process runs from 1 April to 30 March each year.
216. Following approval from the Civil Service Board in January 2019, Ministers endorsed a number of changes to the Performance Management Policy including:
 - a. The removal of forced distribution for the SCS.
 - b. The removal of the 25% cap on the number of SCS who are eligible for an end of year non-consolidated performance-related payment (NCPRP).
217. Prior to these changes, departments were required to meet a forced distribution curve to ensure there were a maximum of 25% of SCS in the top box and a minimum of 10% in the low box.
218. The Civil Service Management Code outlines arrangements for managing performance in the SCS. It provides;
 - a. a common framework for the SCS to facilitate cascade of objectives, and create alignment through the SCS encouraging a wider corporate contribution than delivering in the individual's own business area;
 - b. links business and personal objectives;
 - c. emphasis on the importance of leadership and seeking feedback from stakeholders to inform performance assessment;
 - d. clear and transparent implications for reward; and
 - e. advice on dealing with dips in performance and gaining improvements in those identified as 'low' performers.
219. To provide assurance that the Civil Service remains committed to identifying and rewarding high performance a number of controls and assurances continue to be in place:
 - a. Departments must continue to identify top, achieving and low performers, ensure that only those assessed as top are eligible for an end of year award and share this information with the Cabinet Office. Current stipulations in place to guide performance marking include:
 - i. An individual cannot be ranked higher than 'achieving' if they do not meet their finance/efficiency objective.
 - ii. An individual can only be placed in the "top" performance group if they have exceeded on at least one finance/efficiency objective.
 - b. All in-year and end-of-year bonuses continue to be funded within 3.3% of the SCS pay bill;
 - c. All end of year awards, for those on standard SCS terms and conditions, must be below the £17,500 cap;

- d. All SCS must have challenging objectives. Permanent Secretaries are accountable for ensuring that appropriate departmental consistency checks take place.
220. The Department for Education (DfE) was given approval to conduct a pilot, trialling an alternative approach to performance management (see paragraphs 176 to 180). Following this, departments were given the opportunity to submit pilot proposals for alternative approaches to performance management. The proposals all flagged the intention to remove forced distribution and the cap on end-of-year rewards. It was agreed that these would be integrated into the policy changes, with only DfE continuing to run a trial.

Performance Management Review

221. We are undertaking a review of the SCS performance management system with the intention of implementing a new policy, if the outcome of the review supports this, for the performance year 2021/22.
222. Our intention is to continue gathering feedback now before taking a series of policy recommendations through Civil Service governance mid way through next year and including our recommended way forward in the 2021/22 evidence to the SSRB.
223. So far, anecdotal feedback gathered through surveys to departmental SCS performance management policy leads, suggests that the changes to the existing policy have had minimal impact on performance distribution and use of end of year bonuses across the Civil Service. While some departments have maintained their previous distributions, others have reported a smaller percentage of 'low' performance ratings. Departments have reported that the changes had caused an increased focus on support which can be offered to those consistently receiving a low box marking.
224. In addition to feedback from performance management leads, we have collected views from departmental HR Directors, held a number of focus groups with the SCS and included questions within the annual FDA survey to their members on performance management. Data gathered will be shared with the SSRB as part of the 2021/22 evidence.
225. To ensure closer relationships with SCS performance management leads across the Civil Service, we have developed a quarterly network forum for discussion. This gives us the opportunity to gather feedback on a regular basis, share best practice and ensure greater consistency in the application of policy across government.
226. Finally, we are also planning meetings with a number of external organisations on their approach to performance management from both the wider public sector and the private sector.

227. In addition to the above sources of data, we will also continue to consider the findings from the deep dive into poor performance as conducted with departments who have SCS with multiple consecutive low performance markings. As a reminder, the review found:
- a. a perception that forced distribution did not support the identification of genuine poor performance and subsequent support often required;
 - b. 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 did not believe any of the SCS in this box were really underperforming; and
 - c. 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.

360 degree feedback tool

228. Part of the wider performance management review includes looking at the use of 360 degree feedback as part of the performance management process.
229. Members of the SCS are required to collect feedback as part of the end of year appraisal process through the use of the 360 degree feedback tool. This service is currently offered to departments through a third party provider, however the existing contract for this service is coming to an end. This gives us the opportunity to review the current offer and tailor 360 degree feedback service to meet our collective means.
230. We are collecting evidence on the 360 degree feedback service in conjunction with our evidence collection process for the wider performance management review. So far, early anecdotal feedback gathered through surveys to departmental SCS performance management policy leads and focus groups with individuals, highlight a number of concerns with the existing 360 degree feedback process, including:
- a. selection process to identify respondents;
 - b. impact of aligning 360 feedback with performance markings and;
 - c. relevance of questions.
231. Our intention is to make a recommendation on the future of the 360 degree feedback tool in line with the timelines set for the wider performance management review.

Monitoring the Department for Education pilot

232. Following the move to a framework-based performance management policy for the delegated grades, DfE found that the way they managed performance and pay below the SCS was having significant positive impact on the quality of performance management and staff engagement. This change in policy meant that there was now a disconnect between the process for the SCS and delegated

grades which only increased the dissatisfaction their SCS had with the current policy.

233. Approval was given for the DfE to run a SCS performance management and reward pilot in September 2018. The core elements of the pilot include:

Performance conversations	A focus on monthly coaching conversations between the jobholders and the line manager with outcomes recorded on a central database. This mirrors the approach taken for delegated staff. The SCS still use the central form developed by the Cabinet Office for capturing objectives.
Objectives	In addition to personal work objectives, central objectives and leadership objectives/standards set by DfE Leadership Team and Cabinet Office are assessed.
Reward	<p>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. Around half of SCS are anticipated to be considered 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.</p> <p>The decisions on who receives in-year awards has been delegated to Directors General, but anyone can nominate a member of the SCS for an in-year award. Awards for Directors General are considered by the Permanent Secretary and Nominations Committee members. Performance data is reviewed monthly by senior leadership teams to ensure consistent outcomes.</p>
Data	The DfE performance management database is used to record outcomes of performance conversations and line managers will be asked to identify those exceeding, underperforming, and talent grid positions. The database is easily accessed by all authorised users. This is a bespoke piece of software developed internally and focuses on making it as easy as possible to capture the information required. This information is then regularly shared with the DfE Leadership Team and Cabinet Office.

234. After reviewing some of the feedback they were getting from the SCS on the pilot, the DfE project team implemented more formal, longer, quarterly conversations to make sure that as well as the previous month's performance, the SCS were still having longer term strategic discussions to ensure this remained a core part of the performance approach.

235. Evidence received from DfE so far suggests the pilot is going well, with a similar number of SCS being rated as having exceeded their objectives as previously would have been expected under the standard performance management policy (around 20%).

Monitoring the Department for Education pilot - Completion rate and performance markings

236. There has been an increase in completion rates of the database since the pilot started, with the completion rate for December 2019 at 97%. This indicates conversations are taking place monthly and concurs with some of the evidence received. There has been fluctuation in numbers of SCS being assessed as 'exceeding' and 'under-performing' which also demonstrates that performance differentiation is being challenged. The pilot system is different in that we are now identifying SCS as under-performing whereas under the previous system we were required to rank our SCS, resulting in the bottom 10% being rated as 'Low'. Individuals identified as 'Low' were done so relative to peers, and were not necessarily under-performing. Under the pilot, those identified – around 3% in 2019 – were genuine cases where performance wasn't at the expected level for some or all of the year. In these cases individuals were, or still are, being managed appropriately.

Monitoring the Department for Education pilot - Other feedback

Evaluation	Findings
Performance management equality overview	<ul style="list-style-type: none"> ● Due to underperformance data being so low it was not possible to extract equality information. ● As the pilot has progressed there are close comparative percentages in exceeded for males/females which shows a positive picture.
Reward	<ul style="list-style-type: none"> ● For the 18/19 performance year half of SCS received a financial reward for excellent performance ● 47% received an in-year award and a proportion of those received a top up award to recognise sustained excellent performance throughout the year.
Phase 2 evaluation	<ul style="list-style-type: none"> ● Individual calls took place with 140 members of the SCS to analyse any progress or changes in views since January 2019. ● 92.6% reported a positive/neutral experience of the pilot and 90.3% reported a positive/neutral experience of the amended end-of-year process.

Next steps

237. Over the next year we will continue to build our evidence base for the review as set out in the earlier paragraphs within this chapter. We will continue to interpret the quantitative data gathered from departments to understand the impact of the recent changes to performance management policy on key metrics such as performance differentiation. This data, in conjunction with other research e.g: the results from DfE pilot and performance management policies in external

organisations, will be used to put forward recommendations in 2020 for the future SCS performance management policy.

238. Following the initial recommendations, we intend to go through the sign off process, including HR Executive, People Board and the Civil Service Board by June 2020. We then plan to submit this agreed position to the SSRB in June of next year (in advance of the usual evidence timeline) before the new performance year (April 2021) which is where any changes to the policy will come into effect.

Pensions

239. 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.
240. 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.
241. From 30 July 2007 a career average pension scheme, nuvos, was introduced for new joiners with a normal pension age of 65.
242. 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 56 has moved to alpha for future pension accrual.
243. In December 2018, the Court of Appeal ruled that the 'transitional protection' offered to some members of the judges' and firefighters' schemes, as part of the reforms, gave rise to unlawful discrimination. On 15 July 2019 the Government announced that they accept that the judgement applies to all of the main public service pension schemes, including the Civil Service Pension schemes which has around 3,000 claimants going through the Employment Tribunal process. The Tribunal will require steps to be taken to provide a remedy to claimants who suffered discrimination. The Government intends to extend the same treatment to all members of the public service pension schemes (whether claimants or not) who are in the same legal and factual position as the claimants.
244. 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

245. The pension contribution rate a member pays is determined by their actual earnings (i.e. 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 9 - Civil Service pension scheme contribution rates, 2019/20

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%

246. Table 10 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 10 - 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%

247. Table 11 sets out the employer contribution rates for the main pension schemes. The overall average employer contribution rate is 27.3%. This rate increased from 21.1% following the 2016 Valuation. The main reasons for the increase was the change in the SCAPE discount rate used for public service pension schemes.

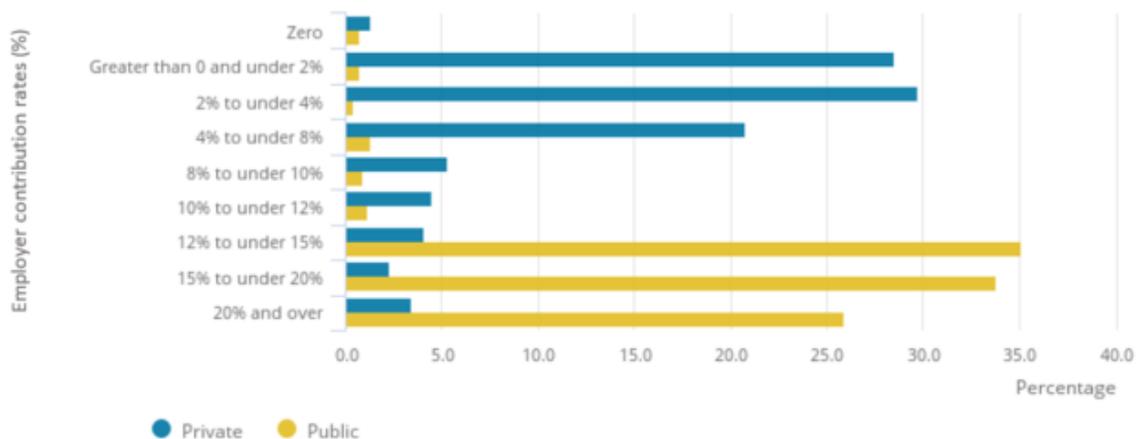
Table 11 - Employer contribution rate to Defined Benefit schemes

Salary (£)	Contribution rate
23,000 and under	26.6%
23,001 to 45,500	27.1%
45,501 to 77,000	27.9%
77,001 and over	30.3%

248. 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.

249. 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 career average annual pensionable earnings. This is particularly generous when compared to much of the private sector, as are the contribution rates as shown by Table 11 and Chart 5.

Chart 5 - Employees with workplace pensions: percentages by banded rate of employer contribution and sector, UK, 2018¹⁰



Annual Allowance

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

¹⁰ Office for National Statistics, Annual Survey of Hours and Earnings, 2018

251. 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 of unused Annual Allowance from the last three years¹¹, less the pension input arising from their final-salary linked service.

Table 12 - Number of Pension Saving Statements (PSSs) issued, by salary

Salary	Number	% of total
Earning under £60,000	3,951	57%
Earning £60,000 to £70,000	824	12%
Earning £70,000 to £80,000	513	7%
Earning over £80,000	1623	24%
Total	6,911	100%

252. For 2018/19 there were 1173 Pension Savings Statements (PSS) issued to members who breached the Annual Allowance and 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 three years.

253. 5,288 Pension Savings Statements have been issued to members earning under £70,000 which is 69% of all Pension Savings Statements issued.

254. 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

255. 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.

¹¹ 3 * (£40,000 - £24,000)

256. 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.
257. The use of a flat factor of 16 to value pension income as a capital sum values pension payable at age 60 as being of the same value as pension payable at age 67. With the change to Normal Pension age of many members' pensions in 2015, from 60 to State Pension age, this creates a particular issue for members of post 2015 public service pension schemes. In the post-2015 schemes, members have a higher accrual rate to reflect that their pension will be paid unreduced from a much later age than the pre 2015 schemes.
258. Although the post 2015 benefits may be worth less than a pre-2015 pension with a lower accrual rate but paid from age 60, HMRC only look at the annual pension accrued when assessing the value of the pension, not when it is payable from. This creates large pension inputs in the post 2015 schemes compared to the pre 2015 schemes, which may not reflect the actual value of pension being accrued.
259. Only alpha members aged over 60 have Scheme Pays factors in excess of 16 (as these are calculated actuarially), whilst members in their 40s commonly have Scheme Pays factors around 10 or 11 - demonstrating the extent to which the use of factor 16 can overvalue pension accrual.
260. As a result, despite there not having been any policy changes to the Annual Allowance since 2016/17, the number of Civil Servants paying Annual Allowance charges is continuing to increase rapidly, possibly as a combination of members having higher pension inputs in the career average scheme and being affected by the pension taper, both leading to members having much lower levels of carry-forward available to mitigate Annual Allowance breaches. There were 66 members using Scheme Pays, to pay their Annual Allowance charge, in 2015/16 and 297 in 2017/18.

Table 13 - Total value of Scheme Pays pension debits applied

Year	Amount of Tax
2014/15	£892,528.12
2015/16	£1,813,649.35
2016/17	£4,491,464.06
2017/18	£6,481,635.18
Total	£13,679,276.71

*The 2018/19 scheme pays tax has not yet been paid. This will be paid in January 2020.

Table 14 - Number of Scheme Pays pension debits applied each year

Salary	Year				Total
	2014/15	2015/16	2016/17	2017/18	
Earning under £60,000	0	2	0	7	9
£60,000 - £110,000	7	11	60	96	174
£110,000 - £170,000	27	46	133	187	393
Earning over £170,000	6	12	26	26	70
Total	40	71	219	316	646

Key Annual Allowance thresholds

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

262. 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 £118,725. HM Treasury is currently looking at the impact of the tapered annual allowance on the delivery of public services.

Individual impact

263. Between April 2015 and September 2019, 136 employees earning over £100,000 per annum 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.

264. Between March 2016 and July 2016 (inclusive), when the Lifetime Allowance was revised to £1m and the tapered Annual Allowance was introduced, 28 members earning over £100,000 opted-out of the main Civil Service Pension Scheme (these 28 are included in the 136 figure above). This includes those choosing to switch to Partnership.

265. 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 salary¹² between about £118,000 and £135,000 are affected by:
- a. Standard income tax (40%) and employee National Insurance contributions (2%)
 - b. Withdrawal of the personal income tax allowance (leading to an effective additional income tax rate of 20%, for a total marginal income tax rate of 60%)
 - c. Standard pension scheme contribution rate (7.35%)
 - d. Tapering of the personal Annual Allowance accelerating the rate at which the Annual Allowance tax charge builds-up
266. Members with final salary linked service who are promoted commonly have large pension inputs of around £100,000 or more as a result of the large increase in their pension benefits. If such a member's earnings exceed the Threshold Income of £110,000 in the same year, their Annual Allowance drops from £40,000 to a fully tapered level of £10,000 due to their large pension input.
267. 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

268. The lifetime allowance (£1,055,000) is a limit on the value of pension which can be accrued without triggering an extra tax charge.
269. The result of the Lifetime Allowance for members is as follows:
- a. For those who have already exceeded the Lifetime Allowance, the pension being accrued is worth less due to the tax charge it will attract
 - b. For those who have not yet exceeded the Lifetime Allowance but expect to do so in the future, behaviours may be affected.

¹² Assuming no other pension contributions or taxable income aside from salary

Table 15 - Civil Service Pension Scheme membership, as at November 2019¹³

Scheme	2018 (No)	2019 (No)
Partnership	6130	6668
Classic	69562	57752
Non-Member	3175	4467
Alpha	383388	419270
Premium	20368	17200
Classic Plus	2471	2013
Nuvos	4908	4006
Total	490002	511376

SCS Exit Interviews

270. 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. A process for interviewing SCS who resign has been established across government comprising three parts: background information on the individual leaving, a short survey with multi-choice responses (based largely on Civil Service People Survey questions) and a structured interview questionnaire.

271. Each year we have been taking action to increase the take-up of exit interviews and to improve the quality of data collected. This year a more consistent approach was taken in commissioning departments and auditing responses. This has resulted in data being collated from 48 ministerial, non-ministerial and executive agencies increasing from 25 in the previous year. As well as collecting the data for all 'unplanned leavers', the Government has requested that a proportion of data is still submitted by departments for those who have resigned but have turned down the offer of interview such as their talent marking, their profession, their length of time in SCS. This data is important as it helps to identify trends and patterns in those that are leaving.

272. This year it has also been possible to pool datasets over the last two years to provide a larger number of SCS to be able to explore differences in motivations for leaving by protected characteristics such as ethnicity, sexual orientation,

¹³ Taken from scheme member data, as of November 2019.

disability, caring responsibilities, etc. In addition, for the first time, it has been possible to compare the views of leavers with the SCS as a whole through the Civil Service People Survey (CSPS).

273. Departments recorded 185 SCS resignations between October 2018 and the end of September 2019 in their exit interview trackers. Of these, usable exit information for 107 SCS was received – more than last year. This represents over half (58%) of the 185 SCS resignations. This year we also collected background data on SCS who were not interviewed – so in total we have background information on 144 out of the 185 SCS (78%) of all leavers. Not all SCS are interviewed for a variety of reasons – around 2 in 5 (36%) of those not interviewed declined the offer and around 1 in 5 (19%) were not offered interviews due to the circumstances of departure. A further 15% were interviewed but the forms were not provided in time or the interview was pending. 1 in 10 were not interviewed due to process reasons which are being addressed.
274. The analysis of data from these interviews shows the following headlines.
- a. Like last year there was a considerably higher proportion of male exits recorded this year than female (57% vs 42%).
 - b. Of those who told us about their next steps 26% of exits went to the wider public sector and 23% to the private sector¹⁴;
 - c. 44% of the exits were defined as regrettable losses¹⁵ this year compared to 50% last year.
 - d. Opportunities for career development within another organisation was the most cited reason for resignations (70%) - like last year (60%) - and more frequently cited than pay (44%). This year 55% of leavers cited fair treatment, respect and feeling valued as being a factor in their exit, an increase from 34% in 2016/17.
 - e. Regrettable losses are more likely to cite career development opportunities (86% vs 48%), and less likely to cite fair treatment (36% vs 61%). They are no more likely to cite pay as a factor than non-regrettable losses.
 - f. Around a third of leavers (27%) indicate that they may come back in the future – similar to previous years. 82% rate their overall experience in the Civil Service as Good or Very Good compared to 86% last year.
 - g. 76% 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.
 - h. While not the most cited reason - pay remains an important factor in 61% of all exits (58% last year) if we examine interviews as well as survey responses, and it is even more so for specific exits;

¹⁴ Of the remaining leavers: 17% went to the Charity/Non Governmental sector; 12% to Consultancy; 9% to Local Government; 1% to NED roles; 12% were undecided..

¹⁵ We define regrettable losses as SCS placed in the top 3 boxes of the 9 box talent grid or the middle right box (Strong).

- i. If we look at salaries we find that pay is an important factor for 65% of those leaving who were earning less than £90k, compared to those on higher salaries (56%).
 - ii. Around 27% of the SCS exits over 2018/19 had participated in a talent scheme such as FLS. These were significantly more likely to have raised pay as being a motivating factor in their exit compared to those who had not participated in a scheme (80% vs 58%).
 - iii. In last year's analysis for 2017/18 we found that pay was a particularly strong driver of exits to the private sector. In 2018/19 pay was not as strong a driver for exits to different sectors. It was a motivating factor in 73% of exits to the wider public sector compared to 57% of exits to charities and those moving to NED roles.
 - iv. In the previous two years we found that pay was a more significant driver in the exits of female SCS. We find no such differences for 2018/19.
275. In addition to providing importance ratings against key factors that motivated their exit, SCS were also invited to answer some questions aligned to those asked in the Civil Service People Survey; while not precisely the same, as often phrased in the past tense, they allow for broad comparisons:
- a. Those exiting tended to answer more negatively (i.e. agree less) across a range of subjects compared to the SCS as a whole in the 2018 Civil Service People Survey.
 - b. There was particularly low agreement around the competitiveness of pay; across the wide range of questions asked, three specific questions on pay attracted the lowest levels of agreement. So while pay is not always a key motivating factor for leaving – those exiting in many cases don't feel positive about it. However this is consistent with People Survey responses - in other words, those staying are often not positive about pay either.
 - c. Those exiting also appear less positive about change management and organisational vision. Less than half (48%) felt they had good opportunities to develop their career in the Civil Service.
 - d. Nevertheless, those leaving were clearly interested in the work they did (98%), felt a sense of personal accomplishment about it (82%) and were sufficiently challenged (81%). 71% still felt a strong personal attachment to their organisation on leaving.
276. This year we have been able to build a 2-year data set to boost the sample size and explore the differences in exit motivation by protected characteristics. The numbers are still relatively small across the two years so it is important not to over interpret the results. Despite this we still see some significant variation in exit motivations between SCS with different background characteristics. For example over the two years of data we find that female SCS leavers were more likely to cite fairness of treatment, respect and feeling valued as an important factor in their decision to leave than men (60% compared to 41%). They were

also more likely to cite work life balance (38% compared to 26%) and say they would recommend the Civil Service as a place to work (83% vs 72%). The table presents these results.

Table 16 - Exit motivations between SCS with different background characteristics

Characteristic	% of SCS who provided details	Factors influencing resignation relative to comparison group	Other differences (e.g. likelihood of returning to civil service etc.)
Gender	37% female...	More likely than men to leave because of fairness of treatment, respect and feeling valued**, because of opportunities to develop their career outside the CS*, for work-life balance* and also ability to fit into culture*.	More likely than men to say they will recommend the Civil Service to others**. Less likely to think they will return to the Civil Service*.
Religion	50% declared a religion...	Less likely than non-religious to cite opportunities to develop their career outside the CS* and pay comparisons with people in other organisations*.	No other significant differences.
Caring	44% carers...	More likely than non-carers to leave because of pay comparisons with people in other organisations* and opportunities to develop*.	More likely than non-carers to think they will return to the Civil Service*.
Age	48% under 50yrs...	More likely to leave than over-50s because of pay comparisons with people in other organisations**, and because of opportunities to develop their career outside the CS**.	More likely to think they will return in future**.
Salary	57% on less than £90k...	More likely than those earning over £90k to leave because of pay factors** and work-life balance*.	More likely to think they will return in future*.
Working Pattern	9% part time or job share...	Less likely to leave than those working full-time because of opportunities to develop their career inside or outside the CS**, because of fairness of treatment, respect and feeling valued*.	No other significant differences.
Time in Role	30% in role 3 to 5 years...	More likely than those in their role for longer or shorter to cite opportunities to develop their career inside or outside the CS**, fairness of treatment, respect and feeling valued* and pay*.	More likely to feel a strong sense of attachment to the organisation they are leaving**.

Table Notes:

- This table focuses on relative differences between groups not on whether factors are of high or low importance. Only statistically significant differences are shown in the table (** to 95% confidence and * to 90% confidence).

- Results are suppressed if less than 10 SCS with the characteristic answered the relevant question; this is the case for disability (6% exits declared themselves disabled), ethnicity (5% non-white) and sexuality (7% Gay/ lesbian or other).

277. The Government acknowledges that improvements could still be made to increase engagement with departments and, in turn, the level of exit interview returns; some departments still have higher proportions of interview declines than others which suggests there are still opportunities to increase the take-up of interviews and to drive up data quality further still.

SCS Corporate Recognition Scheme

278. The 2017 Government evidence to the SSRB set out a proposal to introduce a corporate recognition scheme for the SCS with awards of up to £1,000. At a high level, the key criteria for such a scheme would be that nominations should demonstrate that the contribution benefited the Civil Service in some way, exemplified its ideals, by going above and beyond the normal requirements of the role. In addition to a monetary award, personal recognition would be given by the Senior Leaders of the Civil Service.

279. The nominations can be based on any of the listed criteria below and it is not expected that all three requirements are met before a nomination can be submitted.

- A significant contribution that an individual makes to a cross-departmental initiative; or
- A significant contribution that an individual makes to the development of a function or profession; or
- A significant contribution that an individual makes outside the Civil Service, which enhances the reputation of the Civil Service.

280. The scheme was set up to be open for nominations to be submitted to the Cabinet Office on a quarterly basis after securing internal sign off by Line Managers, HR Directors and the Permanent Secretary.

281. Departmental guidance was created to support the nominations process, including a standard nominations form. Departments would be expected to ensure that their nominations are representative of the SCS population, which includes the agencies, whilst covering a diverse population and have a good regional spread.

282. Departments are responsible for funding the awards and are given the flexibility to set the amount within the £1,000 threshold. Departments are only allowed to nominate individuals once within each financial year, to help encourage nominations from a wider set of individuals.

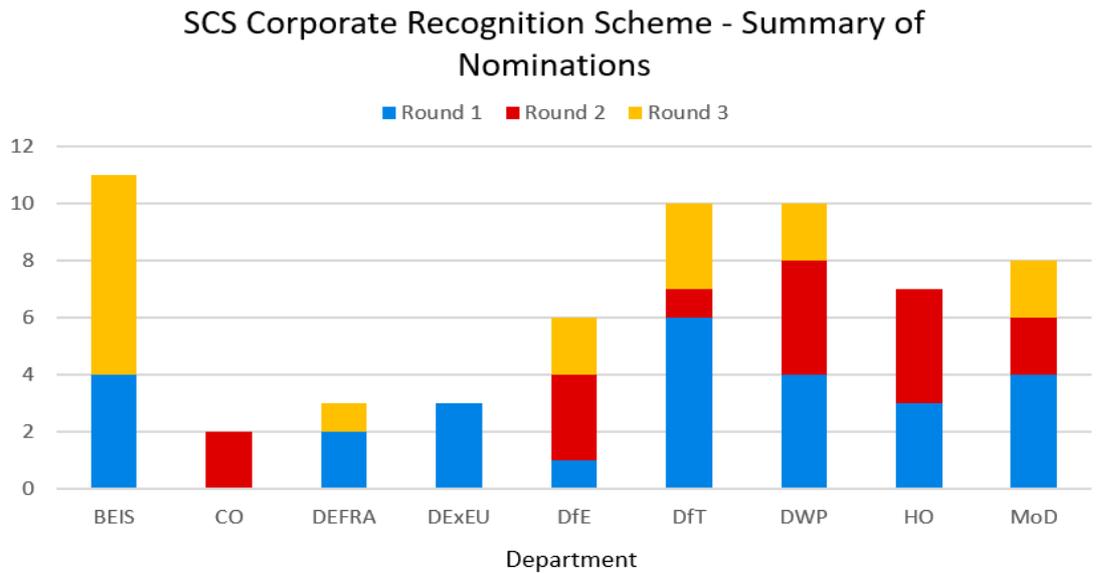
283. Originally nominations were reviewed by a committee, and once agreed successful nominees would be notified with a personalised letter of recognition signed by the Chief Executive of the Civil Service.

284. Of the first set of nominations, 27 nominations were received from eight departments of which 24 were successful. The type of activities that members were nominated for included supporting cross government and departmental networks, raising the profile of professional expertise, supporting health and wellbeing initiatives, collaborating and supporting external initiatives.
285. A review was carried out after the first round of nominations and departments were invited to submit initial feedback. The main concerns raised were: not allowing sufficient time for the nominations to be gathered, the communications and timing of the awards to departments, and the overall length of the process. Departments noted that those nominated were appreciative of the personalised letters recognising their contribution.
286. The feedback was considered and changes were made to better support the process. This included removal of the committee sign-off process, with final decisions made by the Chief Executive of the Civil Service only. The frequency was revised to three times a year, with departments having prior notice of future dates in advance to help support them in gathering nominations.
287. Since the changes were made two further rounds have been held. The scheme received a further 33 nominations, bringing the total to 60 with a total spend of £54,000 across nine departments. The table below sets out the breakdown of the nominations and total amounts awarded.

Table 17 - Breakdown of nominations and total amounts awarded

Round	Nominations Received	Nominations Successful	Total Amount Awarded
One	28	25	£25,000
Two	16	16	£13,500
Three	17	17	£15,500
Total	60	57	£54,000

Chart 6 - SCS corporate recognition scheme of nominations



288. The scheme will be reviewed further with a view to improve the process with the aim of increasing the uptake of nominations from across the Civil Service. This will include working with key stakeholders to identify potential areas of further streamlining, varying the award amount and ways to share the good news stories.

289. The scheme will continue with one further round within this financial year and more planned for the following year.

Flexibility to recognise outstanding in-year contribution

290. In 2018/19, departments were given increased discretion to make in-year non-consolidated award payments to recognise outstanding contribution for up to 20% (increased from 10%) of SCS staff within the following framework:
- i. Awards should be exceptional and paid only to individuals with proven evidence based delivery e.g. against stretching project milestones or for an exceptional corporate contribution within the organisation.
 - ii. Must be financed within the current NCPRP pot cost limit i.e. 3.3% (with no case for additional funding).
 - iii. Departmentally managed nomination process with Permanent Secretary sign off for all individual cases.
 - iv. Available to all SCS staff apart from those assessed in the bottom performance group at the point of the award (so for example top performers could receive an in-year award as well as an end-year award).
 - v. A cap on total awards to 20% of a department's eligible SCS.
 - vi. A maximum individual payment of £5,000.

291. The majority of main Whitehall departments are intending to use this additional flexibility to make in-year awards to 20% of staff, with individual payments ranging from £1,000 - £5,000.
292. Please see the EU Exit section for more information on greater flexibility for use of in-year non consolidated award payments in 2019/20 for those working in EU Exit roles.

Turnover

293. The turnover rate (all moves outside the SCS) has increased to 12.8% in 2018/19, from 11.6% in 2017/18. To align with published Civil Service turnover for delegated grades, turnover figures at SCS level have been amended to include secondments to organisations outside the Civil Service. Using the previous methodology, the turnover rate has increased from 11.1% to 12.1% across the same period. The departmental turnover rate (staff leaving the SCS or a particular department) increased to 19.5% in 2018/19 from 18.6% in 2017/18.
294. The Government has recently published guidance to departments which provides the necessary definitions of turnover and outlines steps for departments to use when reporting leavers¹⁶. The two definitions employed centrally are for 'Turnover' (staff leaving the Civil Service as a whole) and 'Departmental Turnover' (staff leaving the Civil Service or a particular department).
295. There has been increasing coverage on the rate of departmental turnover in the Civil Service as part of wider discussions on progression and recruitment. The Government's evidence last year outlined some of the key issues underpinning departmental turnover within the SCS, notably stemming from the lack of substantial pay progression. These are outlined in paragraph 95 of this year's evidence.
296. These issues were raised in the IfG report *Moving on: the costs of high staff turnover in the civil service*¹⁷, which echoes the concerns that the SSRB have raised in previous reports. The Government has noted the research undertaken by the IfG to highlight the impact of departmental turnover, including estimates of the cost of excessive and uncontrolled departmental turnover in terms of recruitment, training and lost productivity within departments¹⁸. In the Government's response to the IfG's findings, it was stated that measures were being developed to address departmental turnover when it is higher than expected, including introducing pay and career development incentives.

¹⁶Cabinet Office. (2019, December 24). Turnover in the Civil Service. Retrieved from <https://www.gov.uk/government/publications/turnover-in-the-civil-service>

¹⁷ 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

¹⁸ *ibid*

297. Last year's Government evidence proposed to use capability-based reward to address unnecessary departmental turnover and encourage the development of expertise and leadership capability for all members of the SCS regardless of profession, function or specialism. These proposals have been set out in Chapter 5 which outlines an approach for capability-based pay progression, and are now being developed with full implementation anticipated in 2021/22 .
298. The Government believes that when implemented, a capability-based progression system will have a positive impact on departmental turnover in the SCS and address many of the current concerns. Ultimately, the Government's desire is create a system that incentivises individuals to remain in post and develop subject matter expertise, in addition to rewarding the development of capabilities that are most valuable to the Civil Service.
299. In addition, the Government believes there to be significant opportunities as a result of the introduction of a capability-based pay progression system for long term efficiency savings in the reduction of unnecessary departmental turnover 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.
300. Since the last Government evidence, departments are also now required to publish their own statistics on turnover as part of their annual reports and accounts. These are expected shortly after the publication of this year's evidence.

Pivotal Role Allowance

301. The Pivotal Role Allowance (PRA) is a retention tool to help departments retain SCS in highly specialised roles and those delivering the riskiest major projects across government.
302. Since its introduction in April 2013, 123 PRAs 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.
303. Of the 123 PRAs agreed since April 2013, 62 PRAs have expired and 61 remain in payment. 37 PRAs have been agreed in the last year compared to 22 in the previous year. Individual PRAs range from £5,000 to £30,000 and the average level is currently £12,300. PRAs in payment are spread across a wide range of professions, but are being used mainly by Project Delivery (26%), Policy (21%) and Finance (11%).
304. Both the SSRB and the Public Administration and Constitutional Affairs Committee (PACAC) have shown an interest in PRAs. As part of its 2018 report

on *Civil Service Effectiveness*, PACAC asked how PRAs could be used to address departmental turnover and internal movement. 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'*. A review of the PRA policy and process was undertaken in October 2018 and the analysis and recommendations were included in last year's evidence. Pending substantive reform of the SCS pay system, PRA remains a useful tactical solution to flight risk.

305. The SSRB has suggested that there should be a more streamlined process for PRA approval and a recommendation to delegate some decisions from Ministers to the Permanent Secretary Sub Group was considered. Following further consideration it has been decided that Cabinet Office Ministers will continue to approve all cases, but that the Chief Secretary to the Treasury will only see cases with an annual value in excess of £15,000.

EU Exit

306. In November 2019 there were around 20,000 people working on EU Exit, about 4% of the whole Civil Service. An EU Exit role was defined as any post primarily dedicated to EU Exit work, including any existing posts that were re-prioritised to focus on EU Exit.
307. The vast majority of civil servants were therefore not engaged directly on EU Exit work and continued to deliver important public services with dedication and skill. For those who were affected, planning and managing the UK's successful exit from the EU was a significant task and placed pressure on resources. The Civil Service increased its capacity and capability to meet the challenge of delivering a successful exit on 31 January and continues to do so to ensure the UK can successfully create effective relationships and agreements with the EU and the Rest of the World, 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, to ensure that we are able to retain and motivate key senior staff, the Government has introduced three new flexibilities:

I. Retention payments for those engaged in EU and RoW negotiations

308. These retention allowances are an adapted version of Pivotal Role Allowance designed specifically for critical roles where flight risk needs to be mitigated to safeguard delivery. They were introduced originally for critical EU exit roles in preparation for the UK's exit on 31 January. Payments are generally between £10,000 - £15,000 with an average of £11,000, paid against milestones within a maximum of 12 months. A Permanent Secretary Sub Group approved 33 cases

since they were introduced in February 2019. Unlike PRAs, Ministerial approval is not required for individual cases.

309. For short term transitional work over the next 12 months, including extending existing payments, this payment process will continue to apply (with the same criteria, time limit, payment ceiling etc). For longer term work, particularly on trade negotiations, where departments want to lock people in for a longer term, we will revert to Pivotal Role Allowances.

II. Compensation for night working

310. EU Exit presented the Civil Service with unique and unprecedented challenges. Its scale required high volume working outputs across government, potentially on a 24-hour basis for a sustained period of time. To support successful implementation, the Government agreed that a shift policy for the SCS was required to ensure that 24-hour coverage, if needed, was achievable and that financial recognition was available to secure agreement from SCS to take on night working patterns for EU Exit.
311. Flexibility was therefore introduced that allowed departments to compensate SCS who were required to work at night in preparation for EU Exit, particularly in the event of a 'no deal' scenario. Departments were able to make payments at a fixed rate across the SCS of normal pay + 15% for hours actually worked between 8pm and 6am. This flexibility remains available, if needed, in the transition period up to 31 December 2020.

III. Relax the cap on in-year non-consolidated awards

312. Departments raised concerns with the current cap on the number of individuals able to receive an in-year non-consolidated award which were an effective way to recognise the additional work members their SCS had to undertake as a result of EU Exit pressures in the run up to 31 January. We increased flexibility in this area by relaxing the 20% cap on in year non-consolidated payments to 40% of the SCS in each department for the performance year 2019/20. This ensured we continue to maintain control over the number of individuals eligible for an in year non-consolidated bonus payment while providing departments with additional flexibility on who they were able to reward.
313. As the increase to the cap was in response to EU Exit pressures, we are reviewing the position for the next financial year. However in the longer term, the use of performance bonuses will form part of the ongoing SCS performance management review.
314. We will continue to monitor the impact of work through the Transition Period on members of the SCS and explore if necessary further flexibilities for providing additional compensation.

Permanent Secretaries

315. 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
316. Pay and performance is assessed by the Permanent Secretary Remuneration Committee (PSRC) comprised of an independent chair, external members (including the Chair of SSRB) as well as the Cabinet Secretary, the Chief Executive of the Civil Service and the Permanent Secretary to HM Treasury. PSRC's remit is to provide an annual independent assessment of the performance of individual permanent secretaries, and to make recommendations to the Prime Minister on the consolidated and non-consolidated pay awards for individuals. As for other members of the SCS, the highest performing (those assessed 'Top') Permanent Secretaries are eligible for a non-consolidated performance related payment.
317. 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.

SSRB recommendations

318. The PSRC considered the SSRB's four priority areas for SCS consolidated pay for 2019/20 within the recommended 2.2% cost envelope:
 - a. Priority 1 (0.9%) to address pay progression and anomalies, based on increased effectiveness and deepened expertise;
 - b. Priority 2 (0.2%) to increase pay band minima;
 - c. Priority 3 (0.9%) a 1% increase to all, including those not benefitting from an increase to the minima; and
 - d. Priority 4 (0.2%) to fund specialist pay.
319. As in previous years, SSRB recommended that 3.3% of the SCS pay bill is used to make non-consolidated awards for the strongest performers.
320. In the absence of specific recommendations about Permanent Secretary pay, it was agreed to mirror the wider SCS recommendations wherever possible.

The Government response

321. The Government accepted Priorities 1 to 3 but did not accept Priority 4, recommending that the SCS consolidated increase should be limited to 2% in line with delegated grades. The Government accepted the recommendation to make non-consolidated awards to the strongest performers.

PSRC consideration

322. The PSRC considered the approaches to apply SSRB Priority 1 to progress the salaries of all permanent secretaries except those outside the pay tiers and those already above the maximum of their tier, and to use SSRB Priority 3 to award a 1% pay increase to all.
323. Although the Government accepted SSRB Priority 2 (to increase SCS pay band minima), PSRC did not see a strong case for applying this in the case of Permanent Secretaries.
324. The Permanent Secretary pay band is £150,000 to £200,000. Roles are assigned to tiers within the pay band: tier 3 includes second permanent secretaries and a handful of other smaller roles; tier 2 where most roles sit; and tier 1 which typically includes roles in the biggest departments.
325. The minimum of tier 2 was increased from £160,000 to £162,500 in 2018/19 and the tier 3 minimum from £142,500 to £150,000 the year before. PSRC did not see a case for increasing the minimum of tier 1: at present no tier 2 Permanent Secretaries' salaries fall into the top two quartiles of the pay tier so there was not a need to further increase the gap between tiers 2 and 1.
326. There are only a handful of specialist Permanent Secretary roles (SSRB Priority 4) - DG National Crime Agency, Chief Medical Officer, Government Chief Trade Negotiation Adviser, First Parliamentary Counsel, and Government Chief Scientific Adviser – whose pay sits outside the tiers and attract a pay premium.
327. The pay ranges for Permanent Secretaries and where each role sits is set out in the table below:

Table 18 - Permanent Secretary pay structure from 1 April 2019

Tier	Minimum £	Maximum £	Roles within tiers	Roles outside tiers
1	£180,000	£200,000	MoJ, MoD, FCO, HO, DWP, HMT, HMRC, DExEU	Cabinet Secretary and Chief Executive.
2	£162,500	£180,000	BEIS, MHCLG, SG, GCHQ, HMRC 2PS, GLD, DfT, WG, SS, EU Adviser, DIT, DfID, DfE, DHSC, SIS, DCMS, DEFRA	A small number of specialist role (individuals who receive market premium pay) also sit outside the tiers: CE DE&S, CMO, GCTNA, FPC, DPP, GCSA, NCA
3	£150,000	£160,000	HO 2PS, UKSA, HMT 2PS, NIO, JIC Chair	

Application of 2019/20 pay award

328. Against that background, the PSRC agreed the following key elements:

- a. **To apply a differentiated consolidated % increase to individuals:** this gave all Permanent Secretaries (excluding those outside the tiers, and those already at or above their pay band maximum) some pay progression - see table below. As SSRB Priority 2 was not used to uplift tier minima, it was possible to use some of the available funds (0.2% of the total paybill) to increase the sum available under Priority 1 to deliver pay progression for Permanent Secretaries. Using 0.1% of this, and adding it to the 0.9% available for pay progression, would make 2% of the paybill available for distribution (in line with the rest of the SCS).

Table 19 - Permanent Secretary pay increase by tier 2019/20

Tier quartile	Increase applied (%)
Q4 (top of range)	1.0
Q3	1.2
Q2	1.4
Q1 (bottom of range)	1.6

- b. **To apply a 0.9% increase to progress the salaries of all permanent secretaries:** having reviewed the spread of salaries across the pay tiers PSRC considered this to be an accurate reflection of people's skills and experience, relative to one another. This enabled PSRC to progress the salaries of all permanent secretaries after the 1% pay uplift is applied by an average increase of 1.9%.
- c. **Non-consolidated awards for top performers:** the 3.3% pot recommended by the SSRB was used to make payments of £17,500. The table below shows the distribution of performance ratings for 2018/19 performance and the three previous performance years. As for the SCS the Government has agreed the removal of forced distribution from the 2018/19 performance year which means that non-consolidated awards may be made to more than 25% of eligible permanent secretaries.

Table 20 - Permanent Secretary performance ratings: 2015-16 to 2018-19

Performance Rating	2015-16 distribution	2016-17 distribution	2017-18 distribution	2018-19 distribution
Top	25.8%	25.7%	28.6%	34.3%
Achieving	74.2%	68.5%	65.7%	65.7%
Low	0%	5.7%	5.7%	0%

Future Approach to Permanent Secretary Pay

329. In the recent past opportunities to raise Permanent Secretary pay have been limited to a 1% increase and, more recently, addressing anomalies and raising tier minima. In the future, increases should be applied in a more systematic way - in line with the rest of the SCS. The PSRC’s ambition is to address Permanent Secretary pay in line with the principles set out below.

- To appoint new Permanent Secretaries at, or close to, the minimum of the relevant pay tier;
- After a qualifying period (in post for the duration of one PRSC cycle), to reward the development of skills, capability and experience through pay progression, moving people more quickly towards the mid-point of their tier, with a focus on those on the lower quartile of their pay tier; and
- To take opportunities to address anomalies should they arise; and
- To reward the strongest performance with non-consolidated awards.

The SSRB is asked to note the approach to Permanent Secretary pay that has been agreed by the PSRC.

Devolved Administrations

330. 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 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.

331. 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.
332. 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.

Issues affecting the Devolved Administrations

333. Last year's evidence included a detailed overview of the issues affecting senior reward arrangements for the Devolved Administrations: their political context, local priorities and the impact of their delegated pay and grading arrangements, in particular that the public sector pay policies of Scottish and Welsh Ministers have had a clear presumption against non-consolidated performance awards for a number of years.
334. This year both Devolved Administrations have jointly raised particular issues including:
- Loss of senior staff in Scotland to the wider public sector where pay levels are higher and have better pay progression.
 - "Leapfrogging" and overlap issues at the low end of the Deputy Director range since the lifting of pay restraint in delegated pay policy. Scottish and Welsh delegated grades attract progression with Grades 6 and 7 receiving an average total pay increase of 5.5% in Scotland this year. It has had a static SCS pay position clustered at the low end of each band because it has been very disciplined about limiting pay on promotion and appointment. With unions seeking pay restoration for future years, these issues are likely to continue.
 - The need to keep new SCS pay progression arrangements simple. While pay progression for SCS staff is welcome and compatible with Scottish Ministers pay policy in Scotland, non-consolidated 'bonuses' are not. There needs to be clarity on any interplay there would be between pay progression and non-consolidated performance bonuses.

- Moreover, there are concerns about the complexity of proposals for functional pay given significant movement across professions in Scotland.
335. The Government will work closely with the Devolved Administrations on the introduction of capability based pay progression for the SCS to ensure that it meets their particular needs. In terms of simplicity, this will need to be thoroughly tested with departments.
336. The UK Government continues to endorse the model of a UK-wide SCS. Nevertheless, it recognises the particular issues faced by the Devolved Administrations and will work closely with them to ensure that their contexts are fully considered as pay reform is progressed.

Government Commercial Organisation

337. The Government Commercial Organisation (GCO) was established in 2017 to address capability issues within the senior commercial population in central government and enable government departments to deliver their aims at the best value for the taxpayer.
338. Serving as a single employer of all commercial specialists in central government, the GCO is able to offer unique market aligned terms and conditions. This has enabled the successful attraction and retention of experienced and expert commercial specialists through a coordinated recruitment approach, compelling development and pay offer, enhanced talent plan and career path.
339. Originally composed of Senior Commercial Specialists, Commercial Specialists, Associate Commercial Specialists the GCO now encompasses Commercial Leads as well. It has grown from 341 employees in October 2018 to 858 in September 2019. 26% of the GCO population are in SCS equivalent roles, as Senior Commercial Specialists or Commercial Specialists.

Capability

340. Candidates join the GCO by either transferring in from other government departments or through external recruitment campaigns. In order to take on GCO terms and conditions candidates must score an A at the rigorous GCO Assessment Development Centre (ADC) which tests candidate commercial skills and knowledge.
341. The ADC pass rate currently sits at 31% and this limits access to GCO terms and conditions to accredited commercial specialist who are then able to deliver improved commercial outcomes for departments.
342. Over 50% of all candidates who have sat the ADC to date scored a B (including the external candidates that have sat the ADC for recruitment purposes). These individuals can be employed by the GCO on a fixed term contract without access

to performance related pay. They are given 22 months (if they are external recruitment candidates) or 24 months (if they are existing civil servant candidates) to re-sit the ADC and obtain an A.

343. During this time, they undertake a tailored commercial programme to support development, typically focusing on business acumen & judgement, leadership & capability. They can also tap into the wealth of learning available in the GCO through peers, mentors, and networking events and gain experience and new perspectives through talent moves and placements organised by the GCO talent team.
344. The ADC therefore serves not only to enable the GCO to select the best candidates but supports existing employees to identify development needs or opportunities and better utilise the L&D and talent offer to upskill.
345. In November 2018 the GCO launched a contract management capability programme providing learning at Foundation, Practitioner and Expert level. This training is open to all civil servants and is currently undertaken by over 30,000 employees.
346. By ensuring that even employees managing simpler 'foundation level' contracts are aware of and able to apply best practice and creating one government way of managing contracts, the GCO is improving commercial capability across the civil service.

Commercial outcomes and feedback

347. In a survey conducted in October 2018, Finance DGs in 10 large departments reported that Commercial Specialists employed by the GCO made a material and satisfactory contribution to the departmental business and objectives scoring them an average of 4.6/5. They also reported that senior specialists employed by the GCO and deployed in their departments demonstrated the capabilities they currently required, scoring them 4.4/5 on average.
348. The oversight afforded by the GCO's centralised model allows for a more flexible and timely response to resourcing needs across government. For example, a department was in urgent need of senior resource to support its transformation journey and the new category management structure put in place. The GCO was able to identify a resource at CS level that was coming to an end of its current placement and successfully deploy them into the role within 4 weeks. This approach is also better suited to supporting critical central government objectives, most recently demonstrated via the successful and prompt deployment of some GCO employees into EU Exit roles which would have been more challenging for departments to coordinate independently.
349. The GCO is also increasingly seconding specialists to wider government bodies such as e.g. UK Space Agency, the MET Police Service, East West Railway,

Government of Jersey, DE&S and Commonwealth Games, extending its reach and supporting the capability building agenda.

350. Skilled commercial specialists in the GCO have supported central government to deliver over 2 billion in commercial benefits in each of the last 3 years as audited by Government Internal Audit Agency (GIAA). The GCO is therefore delivering quality commercial specialists who are supporting the achievement of high commercial outcomes.

Recruitment

351. Since 2017, the GCO has recruited a total of 268 employees at Senior Commercial Specialist and Commercial Specialist levels. The GCO is successfully filling its roles at SCS level with campaigns running for 8-10 weeks on average and 80% of SCS roles were filled in the first round.
352. The GCO is less reliant on third party recruitment providers such as agencies and 65% of those filling SCS roles were direct applicants, candidates from merit lists or existing civil servants through talent moves or internal managed moves. There are also very low levels of contractor usage at Senior Commercial Specialist and Commercial Specialist level.
353. IT procurement has been noted as a more challenging area to recruit to due to the relatively low supply of these skills in comparison to labour market demand. However, the GCO has not experienced a high level of failed campaigns and has only had to rerun 3 Senior Commercial Specialist level recruitment exercises which were filled thereafter.
354. The internal (existing civil servant) to external candidate split currently stands at 57% to 43% and external candidates can only be recruited onto GCO terms and conditions. When the GCO was created the reward strategy was targeted at external recruitment by weighting the offer towards higher salary, greater at risk pay and reduced pension benefit.
355. Employees who have transferred from other government departments have the option of taking GCO terms and conditions or retaining existing equivalent (EE) terms. EE terms mirror Cabinet Office terms and are designed to closely align with terms and conditions the civil servant is already in receipt of. EE pay ranges are lower than GCO pay ranges however those on EE terms can access a different set of benefits to those on GCO terms.
356. Existing civil servants are subject to Civil Service pay principles and have limited scope for salary increments outside of the annual pay award. They retain their existing salary on level transfer and receive a 10% salary increase or the grade band minima on promotion.
357. Conversion has been marginal and in August 2019, 64% of GCO employees were on EE terms and 36% were on GCO terms. The highest uptake of GCO

terms is at Senior Commercial Specialist level and the lowest is at Commercial Lead level.

Pay

358. Prior to establishing the GCO a pay assessment of government commercial pay levels showed them to be below the 10th percentile of the market rate. Insights from the pay benchmarking exercise carried out in 2019 showed that under GCO terms and conditions, the GCO Senior Commercial Specialist lower quartile was 6% lower than the market lower quartile. However the Commercial Specialist lower quartile was 7% higher than the market lower quartile.
359. In order to remain competitive, the 2019/2020 pay award was used to raise pay band minimas at Senior Commercial Specialist, Associate Commercial Specialist and Commercial Lead grades to 95% of the market lower quartile.

Table 21 - 2019/20 changes to GCO terms minimas, bringing them to 95th percentile of benchmarking data.

Grade	Min	Max
SCS	£132,000	£193,819
CS	£90,000	£131,300
ACS	£68,800	£96,909
CL	£60,500	£74,000

360. However in order to achieve the GCO aims of harmonising pay discrepancies and targeting the gender pay gap which went up from 7.4% in 2017 to 13.41% in 2018, pay band maximas were kept the same. This approach had the added effect of shortening pay ranges which aligns with SSRB objectives for this year.
361. As in previous years, the GCO took a quartiled approach to the pay award, awarding a greater percentage increase to employees in the 1st and 2nd quartile of each pay range than those in the 3rd and 4th quartile (Table 22).

Table 22 - 2019/2020 GCO pay award percentage uplifts for each quartile

Quartile	1st (Lowest)	2nd	3rd	4th (Highest)
2019 Proposal	2.8%	2.2%	1.7%	1.0%

362. Again this aligns with SSRB objectives of focusing the pay award on those who are relatively low in the pay range and will support the GCO to narrow the gender pay gap as there are more female than male employees in the lower quartiles.

363. The pay award approach outlined above was only affordable following a Treasury exception which allowed the GCO to combine SCS and delegated pay pots. The pay guidance requires any funding for the additional 1% of the 2% remit to be sourced from savings however our operating model, which sees GCO employees embedded in 18 different departments, makes it difficult to distinguish savings generated by GCO employees from those generated by host department.

364. Applying the pay award and the SSRB guides as they currently stand would afford SCS employees a generous pay award but limit the amount available for employees in delegated grades. This will further increase pay discrepancies by increasing the gap between the two groups and also increase the gender pay gap as the proportion of females at delegated grades is higher (48.3% female for delegated grades as opposed to 34.6% female for SCS).

Performance

365. Overall 2018/2019 was a higher performing year than 2017/2018. Although more employees received a stretch/exceptional marking in 2017/2018 there were more people marked as exceeded this year and a lower proportion of underperformers (Table 23).

Table 23 - GCO Performance Statistics

GCO 2017-2018 Performance Statistics		GCO 2018-2019 Performance Statistics	
Performance marking	% of GCO population	Performance marking	% of GCO population
Stretch	33.6%	Exceptional	20.2%
Strong	45.7%	Exceeded	57.1%

Threshold	18.4%	Achieved	19.9%
		Partly Achieved	2.2%
Underperforming	2.2%	Underperforming	0.5%

366. The GCO changed the descriptors it used for performance in the 2017/2018 performance year and also split threshold into achieved and partly achieved following feedback from departments to distinguish the two groups and allow line managers to assign markings more accurately.

367. For those on GCO terms, 90% of eligible employees received a performance related pay (PRP) payment this year. The average PRP percentage pay out 2017/18 was 62.8% and this year we saw an increase to 73.6%. Only 10% of eligible employees qualified for a 100% PRP pay out.

Diversity and the talent pipeline

368. Declaration rates within GCO are relatively low and we are currently using the readily available commercial profession data to obtain insights on diversity levels within the profession. Based on this data, commercial is highly representative in terms of disability, ranked at number 6 out of 29 but is less representative on gender, ranked at number 18. It is lagging substantially behind other Civil Service professions on sexual orientation and race, coming in at number 22 and 24 respectively. Further diversity analysis can be found in Table 24

Table 24 - Diversity characteristics by grade

Characteristic	Grade	Commercial Profession	Civil Service Grade Average
Disability	SCS	9.7%	5.1%
	Grades 6/7	9.0%	8.7%
Gender	SCS	35.8%	45.0%
	Grade 6/7	43.9%	46.9%
Sexual Orientation	SCS	Suppressed	5.6%

	Grades 6/7	3.1%	5.6%
BAME	SCS	11.0%	6.1%
	Grades 6/7	8.3%	10.3%

369. 44 fast streamers have been successfully promoted into the GCO since 2017. This route may therefore improve diversity in the long term particularly on the gender front as female Commercial Fast Stream candidates have a 2.9% success rate in comparison to a 1.6% rate for males. However when it comes to race, BAME candidates have a 1.2% success rate whilst white candidates have a rate of 3%.

Turnover and retention

370. Until recently, SCS employees were encouraged to gain generalist skills and change roles every two years. There has been a shift towards developing specialist skills with the SCS team encouraging employees to stay in role for longer periods of time. However, we are still expecting a spike in departmental turnover as more of our SCS approach two years in role.

371. As of April 2019, 24 individuals had exited the GCO, the majority of whom were Commercial Specialists 42% and Commercial Leads 29% (Table 25).

Table 25 - Turnover by grade

Grade	CL	ACS	CS	SCS
COUNT	7	5	10	2

372. The highest level of turnover observed was for candidates on EE terms and conditions (15 individuals) compared to those on GCO terms and conditions (nine individuals). The majority of these leavers were voluntary resignations, 83% and the rest were retirements, 17%.

Forward look

373. The evidence presented above indicates that the GCO pay and grading model is achieving its objectives to attract and retain the desired talent from the external market and increase commercial capability in the civil service. However, it is having limited success in the internal Civil Service labour market particularly when it comes to employees in feeder grades. The conversions exercise as it stands is not as attractive to existing civil servants creating an increasing threat

of employees in feeder grades moving to non-commercial roles in departments with higher band minimas in order to increase their base pay.

374. We could therefore continue to address this disparity on a case by case basis using the anomalies pay pot however, because salaries based on the market rate tend to reflect market conditions at that point in time they create a complex system with little relation to job evaluation points or grading structures. This can lead to an upward pay drift with other employees demanding pay comparability. This means that this approach is not affordable in the long term and wouldn't necessarily resolve the issue.
375. We have explored the option of sourcing talent directly from the market to fill any gaps that result however, although the GCO compares favourably with the market at the minima it cannot compete at the maxima as this would be unaffordable with the current pay pot. Budgetary constraints mean that we will not be able to keep up with market pay rates in the long term and this would be a costly and unsustainable exercise. 'Pricing to the external market also carries the danger of importing into pay structures any gender and other discriminations that exist in the wider labour market,' therefore we need to develop a strategy specifically addressing the challenges faced by GCO.
376. In order to remain competitive, an holistic approach is required that is likely to involve increasing some minima again next year. As the majority of employees sitting on the band minima are in delegated grades, combining the pots would allow GCO to uplift these individuals without detracting from the delegated grades' consolidated uplift. GCO is exploring this possibility with Cabinet Office colleagues.
377. We understand that this approach proposed here may not be sustainable for future years, and have begun working on a strategic approach to address pay disparities in GCO but in the short term this is the best solution to offer a competitive and equitable pay award in 2020.
378. Ultimately, the GCO is looking to develop pay practices that are 'internally equitable and externally competitive'. We are working closely with Civil Service Employee Policy colleagues to explore the prospect of setting affordable reference points or zones for each grade and applying pay practices and policies that bring individuals in each zone towards that point for the 2020/2021 pay remit year onwards. This would effectively enable the GCO to set its own market rate in the long term but still allow for flexibility to be applied when required. This is in its early stages and we update the SSRB of our progress.

ANNEX A - SCS PAY 2019/20 – APPLICATION OF AWARD BY DEPARTMENTS

Department	- 1% consolidated base pay award	Use of 0.9% to address pay progression and anomalies	Use of non-consolidated performance pay pot.	<u>End year non-consolidated performance related pay for 2018/19 performance</u>	<u>In year contribution awards for 2018/19 performance (within the framework set by Cabinet Office)</u>
Cabinet Office	Those SCS benefiting by less than 1% from the minima increase received an additional consolidated pay award to total 1%. All eligible SCS members not benefitting from the increase to minima received a 1.1% award.	CO used the full 0.9% pot. It operated a matrix that gave higher awards linked to position in pay range and performance/high potential. This applied to DGs also.	Yes full 3.3% pot used	SCS1 – £5,000 SCS2 - £7,250 SCS3 - £9,500 29% received an award	<ul style="list-style-type: none"> • 15% limit used. • Awards made to 39 SCS. • Awards ranged from £2,500 to £4,500 each. • Awards recognised contribution to projects, going the extra mile on specific pieces of work and those that just missed out on a top 25% performance for 2017/18. • Payments quarterly (Apr, Jul, Oct, Jan 19)

<p>Department for Digital, Culture, Media and Sport</p>	<p>All eligible SCS members not benefitting from the increase to minima received a 1% award. Those SCS benefitting by less than 1% from the minima increase received an additional consolidated pay award to total 1%.</p>	<p>DCMS used the full 0.9% pot. Operated a matrix that set new minima at SCS1 and SCS2 to address both position in pay range and performance.</p> <ul style="list-style-type: none"> • New minimum for Achieving SCS1: £72,000 • New minimum for Top SCS1: £73,000 • New minimum for Achieving SCS2: £94,000 • New minimum for Top SCS2: £97,100 <p>DGs in DCMS were not affected by increases to the minima and so were given a 1% award.</p>	<p>Yes full 3.3% pot used</p>	<p>SCS1 – £7,500 SCS2 - £10,000 SCS3 - £14,500</p> <p>Paid to 30% of staff</p>	<ul style="list-style-type: none"> • Full 20% limit not yet used but other awards will be given during the year. • 17 SCS are eligible; 8 awards have been paid to date. • Awards to date have ranged from £1,000 to £2,000 each. • To date, awards have been given to those who just missed out on a top 30% performance for 2018/19. • Payments to date made at mid-year (October 2019). Further awards to utilise full 20% will be made later in the 19/20 performance year.
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<p>Department for Business, Energy and Industrial Strategy</p>	<p>All eligible SCS members not benefitting from the increase to minima received a 1% award. Those SCS benefiting by less than 1% from the minima increase received an additional consolidated pay award to total 1%.</p>	<p>Will use the full 0.9% pot. Not all of these funds have been allocated at present as BEIS intends to focus remaining spend where anomalies have been identified i.e. where employees who are top performers and/or have deep expertise are positioned relatively low on the pay range.</p> <p>For DGs, BEIS was able to move one SCS3 closer to the overall median. For those lower in the pay range that did not benefit from the increase to the minimum, BEIS ensured that they progressed sufficiently up the pay range to ensure that they were not caught up by people with less expertise and experience</p>	<p>Yes full 3.3% pot used</p>	<p>SCS1 – £8,000 SCS2 - £9,000 SCS3 - £10,000</p> <p>Paid to 32% of staff</p>	<ul style="list-style-type: none"> • Full 20% limit will be used. • Awards made to 27 SCS. • Anticipate awards to be £3,000 • Awards recognised contribution to projects, going the extra mile on specific pieces of work and those that just missed out on a top 25% performance for 2018/19. • Payments made when the main award was implemented. Other payment dates to be decided.
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<p>Department for Education</p>	<p>All eligible SCS members received a 1% award.</p>	<p>DfE used the full 0.9% pot, focussing on adjusting the pay of three individuals to reposition their salary to a more appropriate level reflecting their continued performance and the weight/challenge of their role. Additionally, higher spot rates for existing SCS1 (£71,750) and SCS2 (£93,500) were implemented to reduce the gap further between those on the lowest of the pay band with the highest.</p> <p>No anomalies were addressed at DG level with all receiving a 1% increase due to no DG being near the pay band minimum.</p>	<p>The full 3.3% pot was utilised.</p>	<p>No end year payments were made as the department is piloting the SCS ABLE performance management pilot as agreed with Cabinet Office and including In Year Awards and a small number of Sustained Excellence Awards (SEA) paid towards the financial year end.</p> <p>SEAs were paid to 52 SCS, averaging £2,700 an award.</p> <p>In Year Award payments were made to 47% of the SCS cadre in 18/19.</p>	<p>DfE is operating its SCS ABLE pilot with agreement from Cabinet Office. This pilot has different parameters to those set out above and includes In Year Awards being available to c45% of the SCS cadre.</p> <p>In total last year:</p> <ul style="list-style-type: none"> • In Year Awards were made to 114 SCS (47%). • All In Year Awards were capped at £5,000 each. • Awards recognised excellence in a variety of areas, from management to business delivery and for varying periods of time with payments made throughout the year.
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<p>Department for Exiting the European Union</p>	<p>All eligible SCS members not benefitting from the increase to minima received a 1% award. Those SCS benefitting by less than 1% from the minima increase received an additional consolidated pay award to total 1%.</p>	<p>Currently preparing options for how to use the full 0.9% allocated to anomalies/pay progression. Intends to seek a decision on how to utilise the pot in November 2019</p>	<p>Yes full 3.3% pot used</p>	<p>SCS1 – £10,400 SCS2 - £11,500</p> <p>Paid to 28% of staff</p>	<ul style="list-style-type: none"> • Full 20% limit used. • Awards made to 10 SCS. • Awards were £5,000 each. • Awards recognised performance in year and their contribution to the work of the Department as well as those that just missed out on a top 25% performance for 2018/19. • Payments accrued for in last quarter.
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<p>Department of Health and Social Care</p>	<p>All eligible SCS members not benefitting from the increase to minima received a 1% award. Those SCS benefiting by less than 1% from the minima increase received an additional consolidated pay award to total 1%.</p>	<p>Used 0.73% of the pot. Applied three criteria: .To provide progression through pay ranges for lower paid SCS - an award of £1,250 was applied to those with a salary below the respective DHSC Pay Band median. .Target the Gender Pay Gap - with the majority of SCS below the respective Pay Band median being female, higher increases for staff below the median would have a positive effect. .Target pay progression for high performers, who are lower in the range - an additional award of £1,000 was applied to 'Top Performers', with a salary below the respective Pay Band minimum.</p> <p>All DGs received a 1% increase. For those DGs lower in the pay range targeted awards to equalise their pay position were applied.</p>	<p>Yes full 3.3% pot used</p>	<p>SCS1 - £13,500 SCS2 - £13,500 SCS3 - £13,500</p> <p>Paid to 24% of staff</p>	<ul style="list-style-type: none"> • Full 20% limit used. • Awards made to 23 SCS. • Awards ranged from £1,000 to £5,000 each. <p>Linked to short term and sustained contribution. Payments made on a quarterly basis.</p>
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<p>Department for International Development</p>	<p>Applied a 1% average award for all SCS apart from those identified in the Low box marking who did not receive any increase</p>	<p>Used the full 0.9% pot to specifically address pay progression.</p> <p>Individuals with 12 months or more service at grade with a top performance rating (Box 1 or Box 2) received the additional 0.9% increase.</p> <p>Those in the above category who were still within 3% of the DFID minima of the salary band, received a further uplift by means of an underpin.</p>	<p>Yes full 3.3% pot used</p>	<p>SCS1 – £4,000 SCS2 - £7,000 SCS3 - £8,000</p> <p>Paid to 21.5% of staff</p>	<ul style="list-style-type: none"> • Awards made to 27 SCS (23%). • Awards ranged from £2,500 to £9,000 each. • Awards recognised contribution to projects, going the extra mile on specific piece of work and those that just missed out on a top 25% performance for 2018/19 • Payments made May 2018, November 2018 and May 2019.
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<p>Department for International Trade</p>	<p>All eligible SCS members not benefitting from the increase to minima received a 1% award. Those SCS benefiting by less than 1% from the minima increase received an additional consolidated pay award to total 1%.</p>	<p>Used the full 0.9% pot, operating an approach that gave higher awards to those lowest down in the pay range and who had demonstrated high performance/deepened expertise over the year. Also repositioned one SCS1 salary to a more appropriate level to reflect the weight and challenge of the role as well as the premium attracted in the external market.</p>	<p>Full 3.3% pot used, with some bonuses held back to be paid in the new year.</p>	<p>SCS1 - £7,500 SCS2 - £10,000 SCS3 - £12,000</p> <p>Paid to 27% of staff.</p>	<ul style="list-style-type: none"> • Awards made to 16 SCS • Awards ranged from £1,500 - £4,000 • Awards recognised specific milestones/deliverables and contributions to specific projects, as well as those just missing out on a Top performance marking for 2017/18. • Payments made in November 2018 and February 2019.
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<p>Department for Transport</p>	<p>All eligible SCS members not benefitting from the increase to minima received a 1% award. Those SCS benefiting by less than 1% from the minima increase received an additional consolidated pay award to total 1%.</p>	<p>DfT used the full 0.9% of the pot, split between progression and anomaly increases.</p> <p>For PB1 & PB2, all eligible staff below the mid-point of the pay range received an increase of £600 & £900, respectively. Staff above the mid-point received no progression increase. Staff with a Box 3 marking received no progression increase.</p> <p>For DGs, a flat increase of £1,200 was applied to all staff below the cross SCS DG median (this was applied using the Finance Profession median in one case).</p> <p>Anomaly increases were made to a total of 19 staff. Increases were targeted at strong performers with high potential that were lower down the pay range in relation to their peers. This included one case where the member of staff was higher up the pay range but where the role was one of the largest at that level and</p>	<p>Yes, full 3.3% of pot used.</p>	<p>SCS1 - £10,500 SCS2 - £11,500 SCS3 - £12,500</p> <p>Paid to 28% of staff.</p>	<ul style="list-style-type: none"> • Full 20% limit used. • Awards made to 27 SCS. • Awards set at £5,000 each. • Awards recognised contribution to projects, going the extra mile on specific pieces of work and those that just missed out on a top performance marking for 2018/19. • Payments made at mid-year (October 2019), with a small number held back for payment in the last quarter (January 2020).
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		<p>there was an anomaly in the level of pay compared to those doing similar roles which might have created a possible equal pay issue. Increases were applied on top of progression payments. A small fund (circa £6k) was kept aside to allow for further anomaly increases if necessary.</p>			
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<p>Department for Work and Pensions</p>	<p>All eligible DWP SCS members not benefitting from the increase to minima received a 1% award. Those SCS benefitting by less than 1% from the minima increase received an additional consolidated pay award to bring them up to the 1%.</p>	<p>DWP used the full 0.9% pot to address pay progression and anomalies.</p> <p>Exceptional awards were made to individuals identified by the pay committee who had demonstrated sustained high performance, increased effectiveness and position in the pay scale, compared to peers within their profession.</p> <p>For DGs, awards had regard to position on pay scale, the respective median as well as seniority, performance, scale of role. Also had regard to recently appointed direct reports.</p>	<p>Yes DWP uses the full 3.3% pot – on both in-year and end of year awards</p>	<p>SCS1 – £7,500 SCS2 - £10,000 SCS3 - £14,500</p> <p>Paid to 30.2% of staff</p>	<p>Awards were made to 40 SCS out of a possible maximum of 43. This equates to 18.3% from the available 20%.</p> <p>Awards ranged from £1,666 to £5,000 each. The average award was £3,150</p> <p>Awards recognised exceptional delivery, major contributions to projects, transformation work, leading and influencing a cross government programme, going the extra mile on specific piece of work.</p> <p>Payments made from mid-year (October 2018) through to March 2019 for work completed in the final quarter.</p>
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<p>Foreign and Commonwealth Office</p> <p>This return covers both those officers that are in the SCS, and those that are in the FCO's Senior Management Structure (SMS)</p>	<p>All eligible SCS/SMS members not benefitting from the increase to minima received a 1% award. Those SCS/SMS benefitting by less than 1% from the minima increase received an additional consolidated pay award to total 1%.</p>	<p>FCO used the full 0.9% pot. Operated an approach that gave higher awards to those staff lower in the pay range and those staff that were assessed as top performers.</p> <p>For DG level staff in the SMS, FCO was able to move three SMS3 so that their total pay was above the median. From 1st April 25% of officers are paid below the CS Median for policy professionals (£127,500).</p>	<p>Yes full 3.3% pot used</p>	<p>All SMS grades - £5,700</p> <p>Paid to 49% of staff</p>	<p>N/A</p>
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<p>Home Office</p>	<p>All eligible SCS members not benefitting from the increase to minima received a 1% award. Those SCS benefiting by less than 1% from the minima increase received an additional consolidated pay award to total 1%.</p>	<p>Used the full 0.9% pot. Aside from applying internal minima at SCS1 and SCS2 for those demonstrating sustained high performance, increased effectiveness and deepened expertise, have also provided anomalies to several individuals where Directors General felt this would better reflect their performance, expertise and the weight of the role.</p> <p>For DGs we were able to move four SCS3 at the lower end of the band closer to the overall median.</p>	<p>Used the full 2.8% available to the Home Office.</p>	<p>SCS1 - £7,500 SCS2 - £10,000 SCS3 - £13,000</p> <p>Paid to 27% of staff</p>	<ul style="list-style-type: none"> • Awards made to 47 SCS. • Awards ranged from £750 to £5,000 each. • Awards recognised contributions to projects and going the extra mile on specific pieces of work. • Payments were made throughout the year.
<p>HM Revenue & Customs</p>	<p>All eligible SCS members not benefitting from the increase to minima received a 1% award. Those SCS benefiting by less than 1% from the minima increase received an additional consolidated pay award to total 1%.</p>	<p>Will use the full 0.9% pot. Have targeted awards to Top/Achieved performers at the bottom of the pay ranges lifting salaries to:</p> <ul style="list-style-type: none"> • £138,900 (SCS3); • £95,500 (SCS2); • £73,000 (SCS1) <p>HMRC has reserved a small fund to manage adhoc anomalies.</p>	<p>Yes full 3.3% pot will be used.</p>	<p>SCS1 – £8,500 SCS2 - £11,500 SCS3 - £14,500</p> <p>Paid to 27% of staff</p>	<p>Awards ranged from £1,000 to £5,000 each.</p> <ul style="list-style-type: none"> • Awards recognised contribution to projects. Recognising EU Exit contribution has been significant. • Payments / celebrations on a monthly basis, which started from August (while waiting for 2019 pay guidance).

<p>Ministry of Defence</p>	<p>All eligible SCS members not benefitting from the increase to minima received a 1% award. Those SCS benefitting by less than 1% from the minima increase received an additional consolidated pay award to total 1%.</p>	<p>MOD used the 0.9% to operate 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.</p> <p>For DGs, MOD was able to move three SCS3 closer to the overall median.</p>	<p>Yes full 3.3% pot used</p>	<p>SCS1 – £8,000 SCS2 - £10,000 SCS3 - £13,000</p> <p>Paid to 25% of staff</p>	<ul style="list-style-type: none"> • 15% used of 20% limit. • Awards made to 31 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.
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<p>Ministry of Housing, Communities and Local Government</p>	<p>Pay awards for those not receiving the uplift to new pay range minima were allocated in line with our agreed reward principles of differentiating pay awards based on both performance and position in the pay range</p> <p>All Box 2 SCS received a pay award of 1.3 % and all Box 1 SCS received a pay award of 1.7%</p>	<p>The costs of uplifts to the new minima meant that we did not have access to the full 0.9% for pay anomalies. However, MHCLG has been able to make a number of anomaly adjustments totalling 0.34% of SCS paybill – some in order to maintain the current position of Box 1 performers relative to those who have just been uplifted to new minima, and others to ensure required equalities. MHCLG has preserved a small sum for a limited number of further anomaly adjustments wef 1 December 2019.</p>	<p>Yes, the full 3.3% pot will have been used by the end of the budget year</p>	<p>SCS1 - £8,250 SCS2 - £12,000 SCS3 - £15,000</p> <p>29% of eligible SCS cadre were given a Box 1 rating and an end-of-year performance award</p>	<ul style="list-style-type: none"> • Intend to use the full 20% limit • Nine awards made • Most awards were £3,000, one award was £5,000 • Awards have been targeted at those making an exceptional contribution to preparations for EU Exit • Payments made in October 2019, with the option to make up to 10 additional awards in Dec 2019 or March 2020.
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Ministry of Justice	<p>All eligible SCS members not benefitting from the increases to minima received a 1% award (based on payband medians), except for “Low” performers who received half this amount. Those SCS benefiting by less than 1% from the minima increases received an additional consolidated pay award to total 1% (half this for “Low” performers).</p>	<p>MoJ used the full 0.9% pot by operating a matrix that gave higher awards linked to position in pay range and performance. We used some funds to reposition salaries to a more appropriate level, to reflect weight/challenge of role.</p>	<p>Yes, the full 3.3% pot was used.</p>	<p>SCS1 – £8,100 SCS2 - £10,100 SCS3 - £12,200</p> <p>Paid to 27% of staff.</p>	<ul style="list-style-type: none"> • Full 20% limit used. • Awards made to 49 SCS. • Awards ranged from £1,000 to £5,000 each. • Awards recognised excellence in achieving business objectives, especially the delivery of change programmes or local improvements, often in challenging circumstances. • Payments made during last quarter (January – March 2019).
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<p>HM Treasury</p>	<p>All eligible SCS members not benefitting from the increase to minima received a 1.4% award. Those SCS benefitting by less than 1.4% from the minima increase received an additional consolidated pay award to total 1.4%.</p> <p>The total cost of this increase was 0.9% of paybill in line with the guidance.</p>	<p>HMT has used 0.54% of this pot of money so far. It targeted those employees who are consistent high performers and are in the top right “L” of the talent grid and are relatively low in the pay scale. Based on their experience at grade HMT moved these staff to specific target rates. For example, those in scope with over 3 years’ experience at DD were moved to £74,000 and those with over 5 years’ experience to £76,000</p> <p>For DGs, HMT took the same approach as above with target rates based on their experience at SCS3 for those who have consistently performed highly.</p>	<p>Yes full 3.3% pot used</p>	<p>SCS1 – £10,750 SCS2 - £13,500 SCS3 - £16,750</p> <p>Paid to 30% of staff</p>	<ul style="list-style-type: none"> • Full 20% limit used. • Awards made to 20 SCS. • Awards ranged from £4,500 to £5,000 each. • Awards recognised contribution to projects and those that just missed out on a top 25% performance for 2017/18. • Payments made in October 2018 and March 2019.
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ANNEX B - ASSESSMENT OF PROPOSALS FOR 2020/21 AGAINST SSRB PRIORITIES

SSRB priority	Assessment of SCS in 2019	How the priority has been addressed in 2020 proposals	Activity planned in the long-term by Government for this SSRB priority
<p>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.</p>	<p><i>There has been some further articulation of a new SCS pay framework. However, limited proposals have been received and there is concern that the pace of reform remains too slow.</i></p>	<p>The Government will begin to implement a key element of the SCS reward strategy: the introduction of a capability-based pay progression system for the SCS. The principles for capability-based pay have been agreed and this year's evidence sets the direction of travel in 2020/21 and its interaction with the wider work on leadership, talent, success profiles and career frameworks in the Civil Service.</p>	<p>More detailed proposals for capability-based pay, including the right rate of pay, will be set out in next year's evidence, for full implementation in 2021/22, aligning with wider leadership, diversity and talent strategies.</p>
<p>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.</p>	<p><i>The Cabinet Office has said it is continuing to reinvest savings from operating more consistent pay policies. However, no figures have been provided as to what savings have been made to date.</i></p>	<p>The Government continues to operate pay on appointment controls to help manage churn and eliminate perverse incentives to move within the SCS. The agreed principles of capability-based pay, better aligned with workforce strategies, will help maximise outcomes and productivity for the department and establish greater fairness and consistency for individual SCS members by clarifying what skills and experience they need to progress through the pay range. The proposed increase in the DG minimum (over two years) will help attract and retain our brightest talent.</p>	<p>The implementation of capability-based pay will maximise outcomes and productivity, with pay increases dependent on demonstration of sustained high performance, increased effectiveness and deepened expertise.</p>

<p>Action on poor performance: Greater analysis is required of where value is being added and action taken where it is not.</p>	<p><i>A review of poor performance has been conducted. The removal of forced rankings will enable clear differentiation between poor and low performers. However, there remain concerns that poor performance is not being properly addressed.</i></p>	<p>The poor performance deep dive conducted in 2018 suggested that forced rankings were causing strong perceptions of unfairness and disengagement with members of the SCS and that departments did not believe it supported the identification of genuine poor performers. The Government took action to remove forced distribution from 2018/19 onwards. Preliminary feedback from departments suggests that the removal of forced rankings has enabled them to identify poor performers more easily and take appropriate action, including increased support to those consistently receiving a low box marking. This will be explored more fully as part of the wider review of performance management in 2020.</p>	<p>A full review of performance management will be undertaken in 2020, taking account of the current departmental pilots. This will ensure that any future system is effective in tackling poor performance.</p>
<p>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.</p>	<p><i>There continues to be low staff confidence in the performance management system. The development of a robust approach to reward and career development is long overdue.</i></p>	<p>The Government will review the performance management policy and process for the SCS with the intention of implementing any proposals endorsed for the performance year 2021/22. To address some of the issues highlighted by departments, a number of actions have already been undertaken to inform future policy development: the removal of forced distribution, pilot schemes and the start of their evaluation and focus groups of individual SCS members. In addition to internal evidence gathering we will also be speaking to a number of external organisations on their approach to performance management. A review of the use of the 360 Degree Feedback tool will also be carried out at the same time.</p>	<p>A full review of performance management will be undertaken in 2020, taking into account an evaluation of the current departmental pilots. Changes will be implemented as necessary from 2021/22 to support the success profiles framework, career frameworks, capability-based pay and our vision for a more diverse SCS workforce.</p>
<p>Better data: Better decision-making requires better data, particularly in respect of attrition, retention</p>	<p><i>Good and improved workforce data. However, better data on internal staff turnover is required.</i></p>	<p>New and improved data has been provided on departmental turnover, exits and socio-economic background.</p>	<p>The Government will continue to improve the quality of its data to support evidence-based policy making and the needs of SSRB.</p>

<p><i>and recruitment. Emerging issues and pressures need to be identified promptly and accurately so that appropriate action can be taken.</i></p>			
<p>Feeder groups: <i>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.</i></p>	<p><i>Some data on the motivation and pay of the feeder group has been provided.</i></p>	<p>The Government continues to monitor closely the three accelerated development schemes to support the pipeline to the SCS. The latest data is included in Chapter 3 of the evidence. In particular, the number of participants in the Future Leaders Scheme (aimed at G6/7s) has increased year on year. The META programme for participants from an ethnic minority background, is integrated with the FLS and in 2019 has the largest intake to date. A new scheme, DELTA, was launched in 2019 and offers a bespoke programme for participants with a disability or long-term health condition who successfully gain a place on the FLS.</p>	<p>The Government is committed to growing its own Civil Service talent and identifying 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.</p>
<p>Targeting: <i>Where evidence supports it, pay should be targeted according to factors such as the level of responsibility, job performance, skill shortages and location.</i></p>	<p><i>The evidence shows that most departments used the anomalies pot in 2018 to target awards. However, the size of the anomalies pot was reduced, thereby markedly diminishing its effect. The Cabinet Office has set out proposals and criteria for targeting 2019 awards.</i></p>	<p>The Government accepted the recommendation in the SSRB's last report that 0.9% should be specifically allocated to address pay progression and anomalies in 2019/20, linked to: demonstration of sustained high performance, increased effectiveness and deepened expertise; and position in the pay range. Main departments have confirmed that they used the full 0.9% anomalies pot as intended by SSRB. The proposals for 2020/21 will be similarly targeted taking account of the direction of travel on capability based pay.</p>	<p>Reactive targeting measures will be replaced by a systematic pay progression system based on increased capability, experience and expertise.</p>
<p>Central versus devolved tensions: <i>Tensions that</i></p>	<p><i>There has been some articulation of where control in</i></p>	<p>Last year's evidence commented on the SSRB's concerns by clarifying the relationship between the</p>	<p>The Government commits to keeping the current operating model</p>

<p><i>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.</i></p>	<p><i>the system lies. However, there is concern that some of the proposals may exacerbate these tensions between the centre and departments. The tension between a UK-wide SCS and the devolved administrations' pay policies is a cause for concern.</i></p>	<p>centre/departments/professions and setting out the controls and strategy to improve coherence in the SCS pay system. Since then a DG Pay Committee has been formed to agree a pay strategy for the DG group. The move towards capability-based pay as set out in this year's evidence will drive further consistency across the whole system.</p>	<p>under review and providing SSRB with further details of how it will operate under the development of capability-based pay.</p>
<p>Diversity: <i>The senior workforces within our remit groups need to better reflect the society they serve and the broader workforce for which they are responsible.</i></p>	<p><i>We have seen an improved performance on gender but it is still not satisfactory. We look forward to receiving data on socio-economic backgrounds next year.</i></p>	<p>The Civil Service is more diverse now than at any time in its history. The proportion of civil servants who declare a disability (11.7%) and those who are from an ethnic minority background (12.7%) are at record highs. Women currently make up over 45% (up from 43% in 2018) of the SCS which is greater than the representation of female executives and Board Directors in FTSE 100 companies (26%). For the first time socio-economic data is being provided as part of the evidence.</p>	<p>The Government acknowledges that the Civil Service still needs to go further on improving representation, especially low representation of ethnic minority and disabled staff in the SCS. It has set targets that by 2025, 13.2% of new recruits to the SCS will be from an ethnic minority background, and 11.3% will have shared with us that they have a disability (compared to 5.6% and 3.3% at the beginning of the measurement period). It is estimated that hitting these targets will see the SCS representation rates roughly doubling between 2018 and 2025, to 10% for ethnic minorities and 8% with a disability.</p>

ANNEX C - SCS PAY EXCEPTIONS

In April 2018, a new pay on appointment policy for the SCS was introduced to help control churn:

- That no increase is given for moves on level transfer; and
- On promotion, SCS receive no more than 10% increase or the minimum of the new grade.

An exceptions process is, however, available in cases where internal candidates are moving to roles with greater scale or responsibility for increases to be offered, with the agreement of the Permanent Secretary and the relevant Head of Profession. We are not aware of any disagreements between Permanent Secretaries and Heads of Profession. For Directors General the additional approval of a DG Pay Committee, chaired by the Permanent Secretary of the Treasury, is required.

Cabinet Office issues guidance to departments with the annual SCS pay award practitioners guide. SCS pay exceptions are subject to the following criteria:

- *Sustained high performance, increased effectiveness, deepened capability and expertise; and*
- *That the individual is relatively low in the pay range and/or have benefited less or not at all from the rise in the minima.*

Departments should also consider the equality impact of any decisions made on exceptions, as well as any precedents they might be setting.

Cabinet Office helps departments make assessments of pay position by providing pay data by profession (lower quartile/median/upper quartile) annually. Some professions e.g. Finance also actively support departments with applications by providing additional guidance.

Assessment of cases – Directors General

More information is held centrally on Directors General cases because they require approval by the DG Pay Committee. In accordance with the criteria, the weight and challenge of the role was considered as well as the skills and experience of the individual. The proposed increase for each case was assessed against the SCS3 minimum of £115,000; the overall SC3 cross-departmental median of £134,500; and the relevant professional medians (£127,500 for Policy and £138,500 for Operational Delivery).

There have been ten DG exceptions since the controls were introduced: six pay on promotion exceptions and four level transfer exceptions. The key headlines for each exception are set out below:

Level transfer - key facts

- The DG Pay Committee considered four cases.

Profession	No increase agreed	Full increase agreed
Policy	1	2
Operational Delivery		1
Total	1	3

- Increases agreed for level transfer cases range from 3%-14%.
- An application was rejected because the individual was already paid above the median for the profession and the role was not bigger than before.

Pay on promotion - key facts

- The DG Pay Committee considered six cases.

Profession	Partial increase agreed	Full increase agreed
Policy	-	3
Operational Delivery	2	1
Total	2	4

- Increases agreed for pay on promotion cases range from 20%-39%.
- In the two operational cases where a reduced increase was agreed, the overall DG median (£134.5k) was used to limit increases where this was lower than the professional median (£138.5k for Operational Delivery).
- The DG Pay Committee considers a number of key factors to inform consistent decisions:
 - the salaries of peers in the employing department;
 - the overall DG median for the profession;
 - the overall cross-departmental DG median; or
 - another point above the minimum (to reflect a learning curve and/or to avoid an unacceptably large increase based on previous salary)

Assessment of cases – Deputy Directors and Directors

Main Whitehall departments reported 67 exceptions cases agreed below SCS3. The key headlines are:

Pay Band	Level transfer cases agreed	Pay on promotion cases agreed
SCS1	7	30
SCS2	15	18
Total	22	48

- Exceptions have been granted for 14 different professions – Policy profession (9), DDaT (9) and HR profession (8) and have the highest numbers.
- The average increase agreed for level transfer was 10% and 23% for pay on promotion.