Review Body on
Senior Salaries

Thirty-Fifth Annual Report on Senior Salaries 2013

REPORT No. 81

Chair: Bill Cockburn CBE TD

Cm 8569 £21.25

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

March 2013

Cm 8569 £21.25

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http://www.ome.uk.com/enquiry/default.aspx

This publication is available for download at www.official-documents.gov.uk and from our website at http://www.ome.uk.com

ISBN: 9780101856928

Printed in the UK by The Stationery Office Limited
on behalf of the Controller of Her Majesty's Stationery Office

ID 2540777 03/13 27785 19585

Printed on paper containing 75% recycled fibre content minimum.

Foreword

Review Body on Senior Salaries

The Review Body on Top Salaries (TSRB) was appointed in May 1971 and renamed the Review Body on Senior Salaries (SSRB) in July 1993, with revised terms of reference. The terms of reference were revised again in 1998 as a consequence of the Government's Comprehensive Spending Review, in 2001 to allow the devolved bodies direct access to the Review Body's advice and in 2007 to add certain NHS managers to the remit.

The terms of reference[1] are:

> *The Review Body on Senior Salaries provides independent advice to the Prime Minister, the Lord Chancellor, the Secretary of State for Defence and the Secretary of State for Health on the remuneration of holders of judicial office; senior civil servants; senior officers of the armed forces; very senior managers in the NHS[2]; and other such public appointments as may from time to time be specified.*
>
> *The Review Body also advises the Prime Minister from time to time on the pay and pensions of Members of Parliament and their allowances[3]; on Peers' allowances; and on the pay, pensions and allowances of Ministers and others whose pay is determined by the Ministerial and Other Salaries Act 1975. If asked to do so by the Presiding Officer and the First Minister of the Scottish Parliament jointly; or by the Speaker of the Northern Ireland Assembly; or by the Presiding Officer of the National Assembly for Wales; or by the Mayor of London and the Chair of the Greater London Assembly jointly; the Review Body also from time to time advises those bodies on the pay, pensions and allowances of their members and office holders.*

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

> *the need to recruit, retain and motivate suitably able and qualified people to exercise their different responsibilities;*
>
> *regional/local variations in labour markets and their effects on the recruitment and retention of staff;*
>
> *Government policies for improving the public services including the requirement on departments to meet the output targets for the delivery of departmental services;*
>
> *the funds available to departments as set out in the Government's departmental expenditure limits;*
>
> *the Government's inflation target.*

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

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

---

[1] The terms of reference are currently under review, in particular to take account of the addition to SSRB's remit of Police and Crime Commissioners from 2013-14 and the creation of the Independent Parliamentary Standards Authority which is now responsible for the remuneration of Members of Parliament.

[2] NHS Very Senior Managers in England are chief executives, executive directors (except medical directors), and other senior managers with board-level responsibility who report directly to the chief executive in their organisation.

[3] Under the Parliamentary Standards Act 2009 (as amended) responsibility for setting MPs' pay, allowances and pensions has now passed to the Independent Parliamentary Standards Authority which has a duty to consult SSRB (among others) on some matters.

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

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

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

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

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

to relate reward to performance where appropriate;

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

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

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

Members of the Review Body are:

Bill Cockburn CBE TD *Chair*
Professor Richard Disney
Margaret Edwards
Martin Fish
Professor Dame Hazel Genn DBE QC
Professor David Metcalf CBE
Professor Alasdair Smith
Bruce Warman

The Secretariat is provided by the Office of Manpower Economics.

Summary and recommendations

1. We are increasingly concerned that the Government is taking the loyalty and commitment of our remit groups for granted and is not treating them according to the principles we have previously proposed for their remuneration.

Senior civil service (SCS)

2. There are serious, well identified and long-standing problems with the SCS pay system but the Government has declined to propose the necessary major reform this year, although the Northern Ireland Executive has shown how this can be done by implementing a new pay system based on our proposals.

Recommendation 1: We recommend that the Government examine the revision of the SCS pay system in Northern Ireland with a view to introduction of similar changes in Great Britain by April 2016.

Recommendation 2: We recommend that the minima be increased from 1 April 2013 to: £61,500 for Pay Band 1, £69,000 for Pay Band 1A, £84,000 for Pay Band 2 and £103,000 for Pay Band 3.

Recommendation 3: We recommend a uniform percentage increase equivalent to 1 per cent of the paybill for all SCS members other than those in the bottom 10 per cent of the performance distribution. The maximum of each pay band should also be increased by 1 per cent, to £118,978 for Pay Band 1, £130,189 for Pay Band 1A, to £164,125 for Pay Band 2 and £210,181 for Pay Band 3.

Recommendation 4: For this year we recommend that the current arrangements for non-consolidated, performance-related payments be maintained, including the cash limits on the maximum amount of payments for each pay band.

3. We also support on an experimental basis the introduction of a new pivotal role allowance for a narrowly defined group of SCS members while they are managing major projects.

Senior officers in the armed forces

4. We remain concerned that the overall reward package for senior officers may no longer be sufficient to ensure enough officers of the highest quality in more junior ranks set their sights on reaching 2-star rank and beyond. We therefore ask the Ministry of Defence to identify a group of key individuals within the 'feeder' ranks and track over time how many of them leave voluntarily.

5. We recommend increases of 1 per cent for senior officers.

Recommendation 5: We recommend that the pay scales below apply for 2- and 3-star officers with effect from 1 April 2013.

2-star	2012-13 (£)	2013-14 (£)	3-star	2012-13 (£)	2013-14 (£)
6	119,214	120,492	6	152,642	154,254
5	116,924	118,179	5	148,265	149,834
4	114,678	115,911	4	144,016	145,542
3	112,476	113,687	3	138,569	140,041
2	110,317	111,506	2	132,084	133,491
1	108,201	109,369	1	125,908	127,253

Recommendation 6: We recommend that the pay scale below apply for 4-star officers with effect from 1 April 2013.

4-star	2012-13 (£)	2013-14 (£)
6	185,184	187,036
5	181,553	183,369
4	177,993	179,773
3	173,652	175,389
2	169,416	171,110
1	165,284	166,937

Recommendation 7: We recommend the following pay scale for the Chief of the Defence Staff (CDS) with effect from 1 April 2013.

CDS	2012-13 (£)	2013-14 (£)
4	252,698	255,225
3	247,743	250,220
2	242,885	245,314
1	238,123	240,504

Recommendation 8: We recommend no change to current pay arrangements for Medical and Dental Officers (MODOs).

- **2-star MODOs should continue to be paid 10 per cent above the base pay at the top of the MODO 1-star scale plus X-Factor;**
- **3-star MODOs should continue to be paid 5 per cent above 2-star MODO base pay plus X-Factor.**

Judiciary

6. We are concerned about changes to judicial pensions which contribute to a reduction in total reward. This is likely to affect recruitment. We have seen signs in recent years of difficulty in attracting sufficient high quality candidates for vacancies at High Court and equivalent level. In order to start to address that and other problems we make three linked recommendations.

Recommendation 9: We recommend that with effect from 1 April 2013 salaries for the judiciary be increased by 1 per cent.

Recommendation 10: We recommend that the Government address all the outstanding recommendations from the 2011 major review of the judicial salary structure by 2015, before the start of the next major review of the judicial salary structure.

Recommendation 11: We recommend that each salary group in the new judicial salary structure we proposed in 2011 be increased by 1 per cent.

NHS very senior managers (VSMs)

7. Our VSM remit group is undergoing radical change as a consequence of NHS reorganisation. We have had difficulty in obtaining reliable information this year on how many VSMs there will be in the new structure and where they will work. We look forward to receiving much better information next year.

Recommendation 12: We recommend that the Department of Health phase in the assimilation of all VSMs in our remit group onto the new VSM pay framework over a three year period from April 2013.

Recommendation 13: We recommend that all VSMs in our remit group receive a 1 per cent pay increase in 2013-14.

Recommendation 14: We recommend that the performance pay system for VSMs be suspended and revised to make it fairer and more effective. The money for performance pay should this year be used to start to eliminate unjustified differences in pay between VSMs on different pay frameworks.

Contents

Chapter 1

Introduction

Introduction

1.1 These are difficult times for the country as a whole, with economic recovery proving slower than expected. The Government is pursuing a policy of constraining public expenditure, including public sector pay, as it seeks to reduce the fiscal deficit.

1.2 In his Autumn Statement in 2012 the Chancellor of the Exchequer announced a further package of tax measures which, among other things, was intended to "ensure that those with the most contribute the most to the fiscal consolidation". Thus a person on median full-time earnings (around £26,500 in 2012[4]) has experienced an 8.6 per cent fall in real earnings since 2009 as a result of inflation (CPI measure), tax and National Insurance (NI) changes, compared with 11.4 per cent for someone at the 98th percentile of the earnings distribution (some £102,200[5]).

1.3 In the public sector, the Government has extended tiered pension contributions so that the higher paid contribute a higher proportion of salary. This affects most members of our remit groups, some of whom have suffered cuts of 20 per cent or more in their real, take-home pay since 2009, as a combined result of the pay freeze, tax and NI changes and, in most cases, higher pension contributions.

1.4 Last year we asked our secretariat to examine how the take-home pay of members of our remit groups had been affected by the pay freeze, inflation and changes to tax and NI. This year we have asked them to update the calculations, taking account of increased pension contributions where relevant. The results show that the take-home pay for members of our remit groups has fallen by between 8 and 21 per cent (using the CPI measure of inflation). The full calculations are shown in Appendix C.

Table 1.1: **Representative changes in take-home pay from 2009-10 to 2012-13 resulting from pay, income tax, NI and pension contribution changes and inflation**

		Nominal Change %	Real Change (RPI) %	Real Change (CPI) %
VSM	Nursing Director Band 3 PCT	–3.1	–17.0	–14.7
SCS	Pay Band 1	–9.8	–22.7	–20.5
Judiciary	Circuit Judge (Band 6.1)	–7.2	–20.5	–18.3
Senior Military	2-star	+4.0	–10.9	–8.4

Based on change to RPI (16.7%) and CPI (13.5%) between April 2009 and December 2012.

1.5 At the same time two of our groups, the senior civil service (SCS) and senior military, are or expect to be subject to substantial job reductions, with consequences for job security and promotion prospects. Very senior managers (VSMs) in the NHS are part of a major reorganisation which involves many employing bodies disappearing while some new ones are being created. The Government continues to pursue a policy of public sector pay restraint as part of its drive to reduce the fiscal deficit and intends that pay increases in 2013-14 and 2014-15 for the groups whose pay is set by central Government should average no more than 1 per cent.

[4] Office for National Statistics, Annual Survey of Hours and Earnings 2012.

[5] ibid.

1.6 We are concerned to see signs of growing difficulties, almost certainly as a consequence of reductions in total reward, with recruitment to the senior judiciary, to specialist posts in the SCS and to senior commercial and finance posts in some NHS organisations.

1.7 In our last report[6] we set out four general principles which we believe should govern remuneration structures for our remit groups:

(i) reward systems should be designed to support a workforce strategy which in turn aims to support the relevant organisation's strategy or objectives;

(ii) total reward should be enough to recruit, retain and motivate sufficient numbers of suitably able and qualified people to carry out the tasks of the remit groups;

(iii) the treatment of SSRB remit groups should be fair in comparison to other public sector groups; and

(iv) reward should be related to performance, where appropriate.

1.8 We are concerned that the Government is increasingly failing to observe the above principles. In our view this risks damaging the position of our remit groups in the labour market, as well as their motivation and morale, so that, in the longer term, they will be unable to recruit and retain sufficient people of suitable quality to carry out their important functions.

1.9 Some members of our remit groups believe the Government has let them down by changing key aspects of their employment. For example:

- The Government has cut by some two-thirds both the 'pot' of money for non-consolidated, performance-related payments to members of the SCS and the proportion of SCS members who may receive such payments. Such payments were a key element of the pay system introduced in 2002, as we explain in Chapter 2. The effect for a typical member of the SCS is a nominal pay cut of over 8 per cent since 2009-10. In addition the Government has allowed pay of the grades immediately below the SCS to rise faster than that of the SCS, with the result that some SCS members are paid less than staff who report to them. There are 11,000 Grades 6 and 7 in the civil service who are paid more than the SCS Pay Band 1 minimum. When in 2010 we proposed a modest increase in that minimum to start to tackle the problem, the Government rejected it, although this year it has begun to acknowledge the problem and proposed a smaller increase than our earlier recommendation. There are other serious and long-standing problems with the SCS pay structure such as the lack of pay progression and the way newly appointed or promoted members' salaries can 'leapfrog' those who have been in post for some time. The Government acknowledges those problems in its evidence but has failed not only to propose necessary reforms this year but also to define a longer-term strategy to deal with the problems.
- The Government has developed a new pay framework, underpinned by job evaluation, for NHS very senior managers (VSMs), but it has decided that only newly appointed VSMs will benefit when that framework results in higher pay. Existing VSMs will remain on the old pay system. This will inevitably mean that some VSMs working alongside each other in similarly weighted jobs are paid very differently depending simply on when they were appointed. This is very poor employment practice and may well lead to equal pay claims if men and women are paid differently for work of equal value. Our terms of reference require us to ensure that

[6] *Review Body on Senior Salaries, Report No. 79, Thirty-Fourth Report on Senior Salaries 2012,* Cm 8297, TSO. Available at: http://www.ome.uk.com/SSRB_Reports.aspx.

the remuneration of those covered by the remit is consistent with the Government's anti-discrimination legislation but it seems to us that the Government itself may be failing to abide by that policy for VSMs.

- In 2011 we completed a major review of the judicial pay structure and made fourteen recommendations. Many of these were designed to correct anomalies where certain judges were being paid below the rate justified by job evaluation. The Government has not responded to our recommendations and only those relating to judges in Northern Ireland hearing trials without juries and to Stipendiary Magistrates in Scotland have been implemented. This understandably leaves the judges affected feeling frustrated and poorly treated.

1.10 In common with almost all public sector workers, our remit groups' pension schemes are being revised to move from final salary to a career average basis and to increase normal pension age, and all except the senior military are being required to pay higher contributions. We say more about this below.

1.11 Senior military officers have arguably been treated less badly in terms of pay and pensions than our other remit groups. They have continued to receive pay progression during the pay freeze and they will not be required to pay contributions for their pensions. However, promotion prospects for the next generation of senior officers will inevitably be significantly reduced because of the reductions in the sizes of all three services. Senior officers also tell us they feel undervalued because of the erosion of their non-pay benefits, and they are worried about the effects of the move to longer postings as required by Lord Levene's Defence Reform Review.

1.12 The Government's response to these concerns is that it is still able to recruit and retain with very little difficulty. That is generally true in the current economic climate and while most of the remit groups are reducing in size. It is also true that many senior public sector jobs have an inherent interest that, to some extent, may compensate for lower pay, but the Government must beware of relying too much on that. We fear that the public standing of our remit groups is being diminished by the relative reductions in their salaries and other benefits. As soon as the economy recovers, we may find that many of the best candidates are no longer prepared to sacrifice their own and their families' standard of living in order to pursue long-term careers in our remit groups when there are opportunities to earn much more in the wider public and private sectors. In some of our remit groups the effects may take time to emerge – a reduction in the quality of young entrants to the civil service or the armed forces will take time to work through to more senior levels. Once it does manifest itself, however, it will be damaging and difficult to correct.

1.13 We shall therefore continue to monitor recruitment and retention very carefully so as to identify any emerging problems, and we urge the Government to follow our four principles for our remit groups' remuneration.

Pensions

1.14 We said in our last report that we expected the future shape and cost of pensions for our remit groups to be settled by the end of 2012, enabling us to take stock of the value of the new schemes in this report. In the event, the key details of the new judicial pension proposals were not announced until February 2013 and the level of SCS pension contributions from April 2014 has not yet been fixed. This meant we could not attempt to value our remit groups' new pension arrangements for this report. We intend to do so as soon as we have all the necessary information.

Our terms of reference

1.15 The terms of reference set out at the beginning of this report were last amended in 2007, when VSMs were added to our remit. They need further updating since we no longer advise the Government on MPs' pay, pensions and expenses. Those matters are now dealt with by the Independent Parliamentary Standards Authority. In addition, the Government announced in 2011, when it accepted our main recommendations on the pay of Police and Crime Commissioners, that they too would be added to our remit. Police and Crime Commissioners were elected in November 2012 and we expect to be asked to report on their pay in our next annual report, so they should be added to our remit group from 2013.

Linkage between pay for the judiciary, senior military and SCS

1.16 We explained in our last report that we were finding it increasingly difficult to apply the requirement in our terms of reference to have regard to "the need to maintain broad linkage between the remuneration of the three main remit groups…". Whereas previously we looked at each grade within the remit groups, since 2004 we have sought to maintain general equivalence only at the top of the three pay structures because the three groups' pay systems have diverged: judges are paid a spot rate; the senior military have fairly short pay scales; while the SCS have broad pay ranges and, in effect, individual pay rates, largely determined by career history, plus, in some cases, non-consolidated, performance-related payments. The position was further complicated when the posts of Cabinet Secretary and Head of the Civil Service were split after Lord O'Donnell retired.

1.17 In its evidence to us this year the Government said:

> "The Cabinet Office believes that for the pay for Deputy Director, Director and Director General level there are other market comparators that would be more appropriate than the judiciary and the senior military. The practice of making direct comparisons between the previous role of Cabinet Secretary, the Lord Chief Justice and the Chief of Defence Staff is now more challenging as the range of responsibilities have changed. Nevertheless, the Cabinet Office thinks it appropriate that a read-across to broader trends elsewhere in the public sector should continue and would welcome working with the SSRB and other interested stakeholders to consider alternative options.
>
> The SSRB is asked to note the Cabinet Office position and to provide its own view on the continuation of the broad linkage between the Civil Service, the Judiciary and Senior Military."

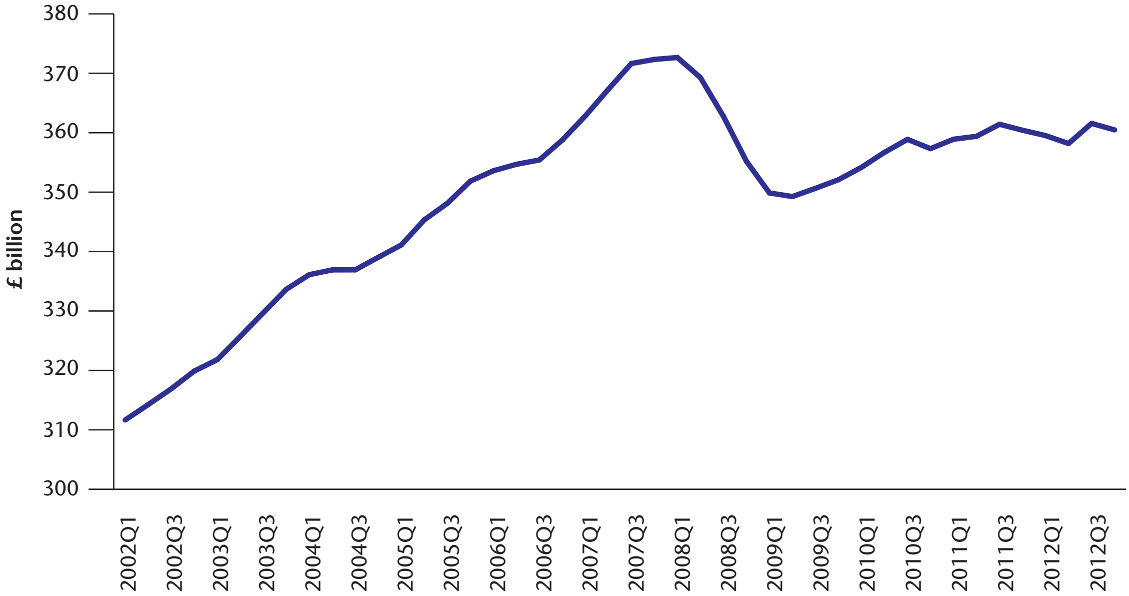
1.18 We should be interested to learn which market comparators for the SCS Pay Bands 1 – 3 the Cabinet Office considers more appropriate, although direct comparability with other groups, in contrast to the broader labour market, is not something we currently consider since it is not in our terms of reference. However, on the question of broad linkage, we now see no reason to seek to align the pay of these three groups. They are very different. They recruit from different labour markets, have different entry requirements, need different skills and offer different career patterns. We believe it would be more sensible to look at each group independently and to set pay at the correct level to recruit, retain and motivate sufficient numbers of suitable people for each group. The requirement for broad linkage should, in our view, be deleted from our terms of reference.

Chapter 2

The current economic context

2.1 The economic situation has changed little since our last report. In the third quarter of 2012 GDP grew for the first time for a year but fell back again in the final quarter of 2012. At the end of 2012 GDP was little changed from a year earlier and is still more than 3 per cent below the 2008 peak.

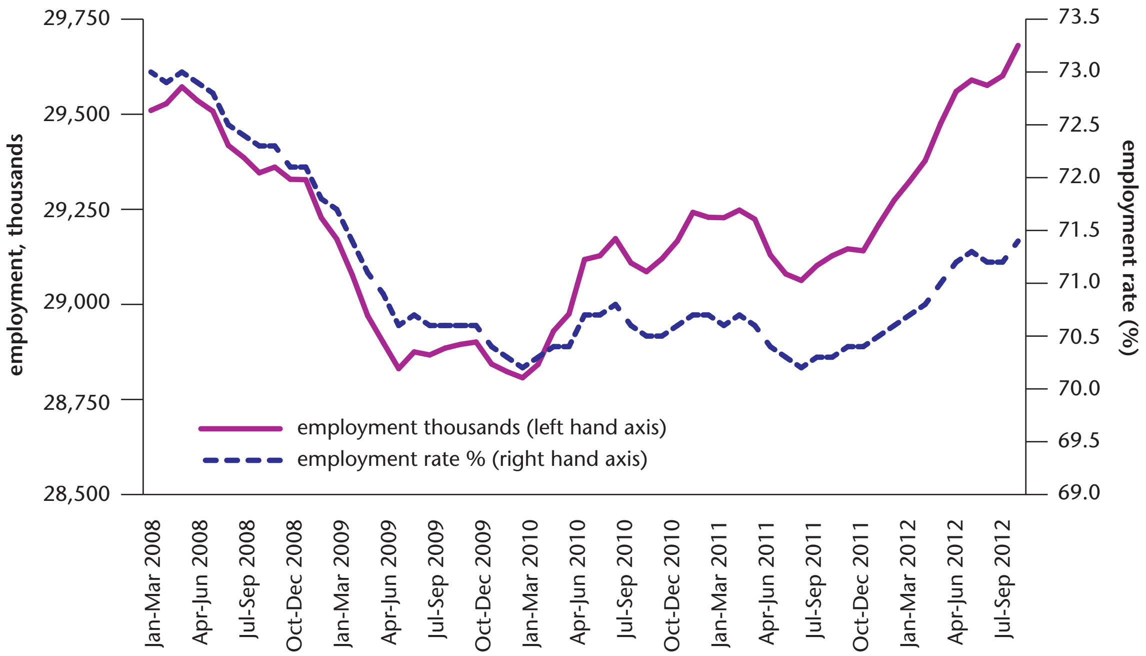
Figure 2.1: **Quarterly Gross Domestic Product, chained volume measures, 2002 to 2012 (at 2009 prices, seasonally adjusted)**



Source: Office for National Statistics

2.2 Despite the lack of output growth, employment rose through 2012. In the three months to November 2012 there were 29.68 million people in employment, 550,000 more than in the same period a year earlier and the highest level recorded. The employment rate, for people aged 16 to 64, was 71.4 per cent, an increase from 70.3 per cent a year earlier but still below the peak of 73.1 per cent recorded in the three months to February 2005. Data for the three months to September 2012 show public sector employment was 320,000 lower than a year earlier while private sector employment had grown by 820,000. This includes the effects of the reclassification of Further Education and Sixth Form Colleges in England from the public to the private sector from June 2012, reducing public sector employment by around 200,000 and increasing private sector employment by the same amount.

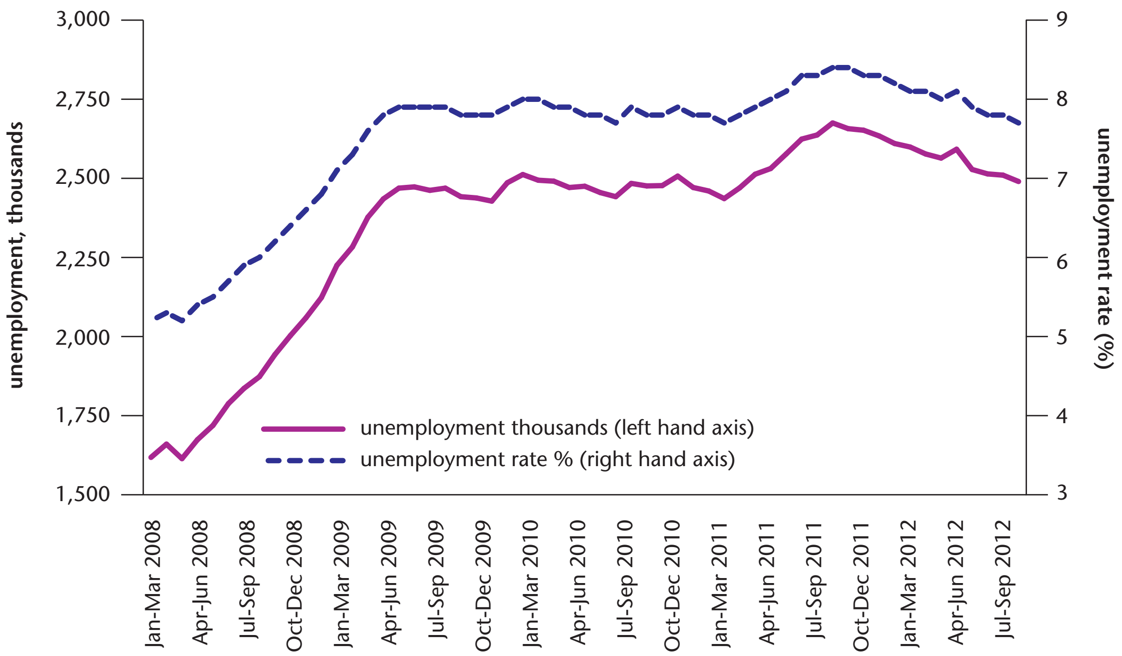
Figure 2.2: **UK employment 2008 to 2012 (seasonally adjusted)**



Source: Office for National Statistics

2.3 Unemployment peaked in the three months to November 2011 at 2.68 million (8.4 per cent) but surprisingly, given the lack of economic growth, has since fallen back, and in the three months to November 2012, was 2.49 million (7.7 per cent).

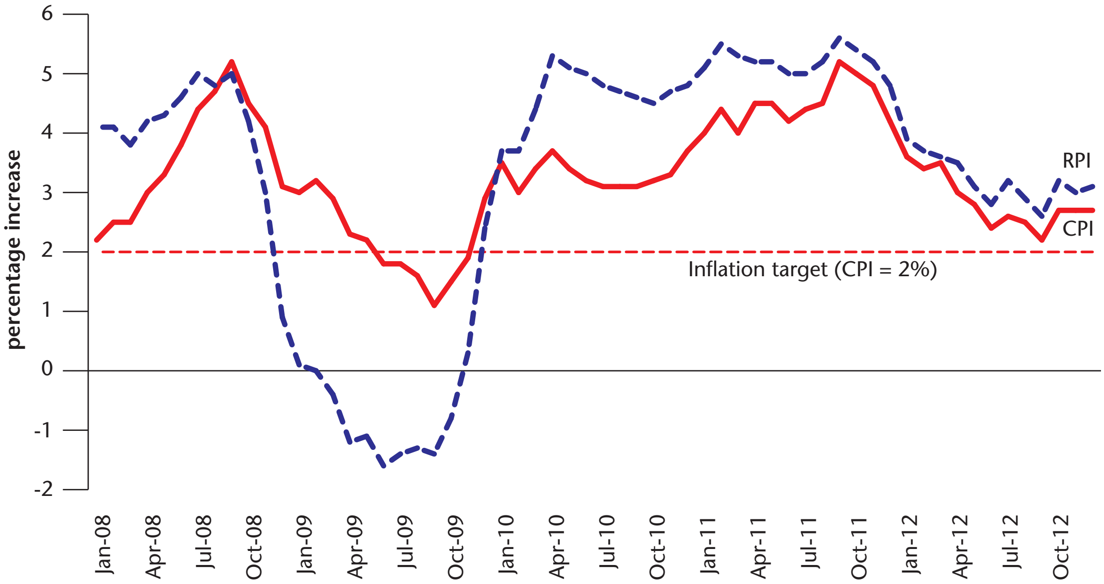
Figure 2.3: **UK unemployment 2008 to 2012 (seasonally adjusted)**



Source: Office for National Statistics

2.4 In December 2012 CPI inflation was 2.7 per cent and RPI inflation was 3.1 per cent. Both measures have fallen back from peaks recorded in September 2011, of 5.2 per cent for CPI and 5.6 per cent for RPI. However, there has been upward pressure on inflation in recent months from the increase in undergraduate tuition fees, rising food prices and higher gas and electricity bills. In its February inflation report the Bank of England said inflation is likely to rise further in the near-term and may remain above 2 per cent for the next two years, reflecting the depreciation of sterling and the impact of administered and regulated prices.

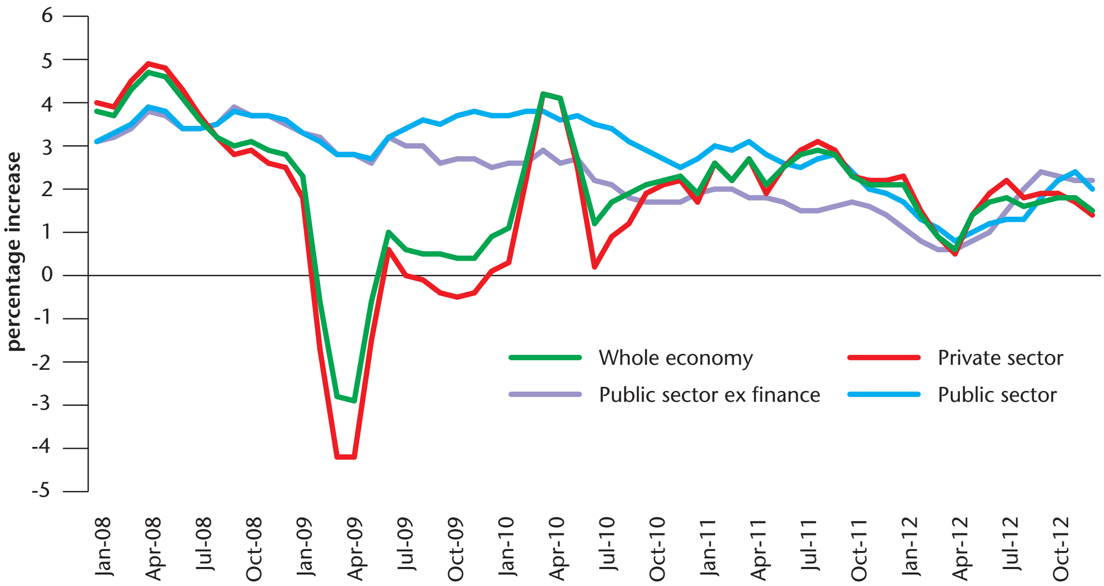
Figure 2.4: **Inflation 2007-2012**



Source: Office for National Statistics

2.5 Real earnings continue to fall as nominal earnings grow more slowly than prices. Earnings growth in the whole economy has been below 2 per cent throughout 2012 with the latest data showing annual growth of 1.5 per cent a year as measured in the three months to November 2012. Since September 2012 growth in public sector earnings appears to have overtaken that in the private sector although the figures are distorted by the transfer of Further Education and Sixth Form Colleges to the private sector for statistical purposes. This has the effect of increasing average public sector earnings.

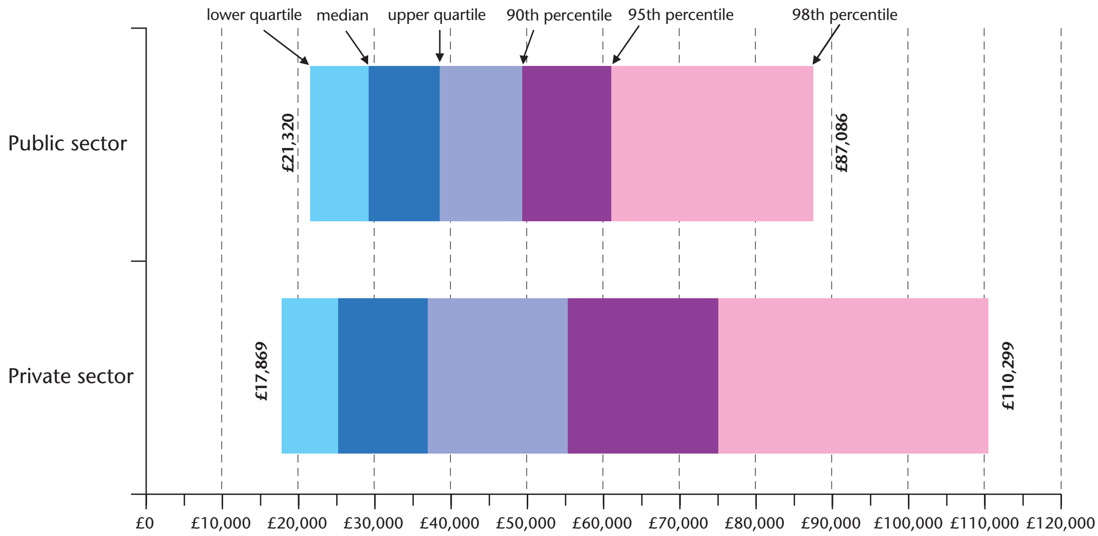
Figure 2.5: **Average earnings growth (including bonuses), annual percentage change, 2008 to 2012 (three month average, seasonally adjusted)**



Source: Office for National Statistics

2.6 As we point out each year, figures for the whole economy mask differences at different points in the pay distribution. While the lowest paid public sector workers appear to be paid more than their private sector equivalents, even after allowing for differences in characteristics such as age and qualifications, the reverse is true at higher levels. Moreover, evidence from the Cabinet Office shows that at least some in our remit are paid less than equivalent workers in the wider public sector.

Figure 2.6: **Distribution of full-time gross employee pay in the public and private sectors, 2011-12, United Kingdom**



Source: Office for National Statistics, Annual Survey of Hours and Earnings 2012

Affordability

2.7 In its evidence the Government said that implementing its deficit reduction plan was vital to the economic, fiscal and financial prospects of the UK. It said that public sector net borrowing has reduced from 11.2 per cent of GDP in 2009-10 to 8.0 per cent in 2011-12. It highlighted the importance of controlling public sector pay if the deficit is to be reduced further as it represents around 50 per cent of departmental resource spending. However, our remit groups comprise fewer than 10,000 of the over 5½ million people employed in the public sector, so the impact of our recommendations on the public finances is minimal.

Chapter 3

The Senior Civil Service (SCS)

Introduction

3.1 We have argued since 2007 that the Government needs to define its workforce strategy for the SCS and then design a pay system to support the workforce strategy. The previous Government started a review of the SCS pay system but did not complete it. We had hoped that the current Government would pick up the challenge which logically would be part of its programme for Civil Service Reform. However, although it has started to develop a pay and workforce strategy for the SCS (see paragraph 3.11 below), its proposals to us for the pay year 2013-14 are for only minor changes to the existing pay system. The Government's evidence says that, for the next year when pay increases are limited to an average of 1 per cent per head, the priorities for the SCS should be:

- "Surgical uplift" to address pay anomalies;
- Recruitment and retention of key skills; and
- Incentives for high performers.

3.2 The current SCS pay system was introduced in 2002, although it has been modified in various ways since then. That system has failed to deliver its original objectives of pay progression to target rates and maintaining SCS pay at around 80 to 90 per cent of the median market level for comparable workers. In addition other problems have emerged, notably the two-tier market (external recruits often paid much more than those promoted within the civil service doing jobs of similar weight), 'leapfrogging' (newly promoted SCS members overtaking those who had been in the band for some time) and concerns about the rigidities of forced distributions and the perceived lack of objectivity of the performance appraisal system.

The SCS remit group

3.3 The number of SCS members grew steadily from 2002 to 2010 but has dropped significantly in each of the last two years and is now almost back to the 2002 level.

Table 3.1: **Total SCS staff in post by year**

Year	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
SCS staff in post	3,507	3,700	3,893	3,906	4,031	4,072	4,212	4,271	4,353	3,912*	3,616
% change since 2002	–	5.5	11.0	11.4	14.9	16.1	20.1	21.8	24.1	11.5	3.1

* This figure is revised from that cited in our 2012 report.

Source: Cabinet Office.

3.4 The reduction in SCS numbers since 2010 reflects the reduction in total civil service numbers as part of the Government's drive to cut public spending in order to reduce its fiscal deficit. Over half of those who left the SCS in 2011-12 did so through voluntary or compulsory redundancy, early retirement or other severance schemes.

The current SCS pay system

3.5 We described the current SCS pay system in detail in our last annual report[7]. SCS base pay was last increased in April 2009 and from 2010-11 non-consolidated, performance-

[7] *Review Body on Senior Salaries, Report No. 79, Thirty-Fourth Report on Senior Salaries 2012*, Cm 8297, TSO. Available at: http://www.ome.uk.com/SSRB_Reports.aspx.

related payments have been restricted to the highest performing 25 per cent of SCS members. When non-consolidated payments were introduced in 2002, the then Government's intention was to build them to 10 per cent of the paybill. They were intended to be the mechanism for encouraging and rewarding in-year performance. The largest payments went to the highest performers, with up to three-quarters of SCS members receiving graduated, performance-related payments. The amount available for non-consolidated payments was built up gradually by splitting annual pay increases for the SCS between (consolidated and pensionable) base pay and the 'pot' available for non-consolidated (and non-pensionable) payments. By 2008-09 the latter pot had reached 8.6 per cent of paybill although departments actually paid out slightly less. However, the pot has been reduced since 2009-10. In 2011-12 only 2.4 per cent of paybill was used for non-consolidated payments. The reduction in performance-related pay means that the average SCS member has had a nominal pay cut of over 8 per cent since 2009. That cut is included in the figures discussed in paragraph 1.4 above and set out in Appendix C, which show that, for example, a member of SCS Pay Band 1 who was paid £67,000 base pay plus £6,080 non-consolidated performance pay in April 2009 has now suffered a real-terms cut in take-home pay of over 20 per cent, from the combined effects of inflation, tax and National Insurance changes, the reduction in non-consolidated payments and increased pension contributions.

3.6 The distribution of SCS by pay band is shown in Table 3.2:

Table 3.2: **SCS pay ranges and median pay by pay band 2011-12**

Pay band	Number in Pay band	Pay band minimum £	Pay band maximum £	Median salary £
1	2,590	58,200	117,800	72,964
1A	78	67,600	128,900	77,843
2	651	82,900	162,500	97,900
3	133	101,500	208,100	131,296
Total	3,452*	n/a	n/a	77,000

* This figure is lower than the total of SCS members in Table 3.1 because it excludes those on non-standard pay arrangements, e.g. those seconded from the NHS and paid on NHS rates.
Source: Cabinet Office.

SCS pay and the external markets

3.7 The Government's evidence this year included information on the comparison between SCS median salaries and median pay for equivalent jobs in the wider public and private sector. It is clear that SCS pay lags behind that of comparators at all levels, and that the gap is growing and increases with seniority. It is also greater when comparing total remuneration rather than base pay.

Table 3.3: **Comparison of median base pay and total remuneration of SCS, wider public and private sectors (April 2011)**

	SCS median (£000s)		Wider public sector median (£000s)		Private sector median (£000s)		SCS total remuneration as % of	
Pay band	salary	total remuneration	salary	total remuneration	salary	total remuneration	wider public sector	private sector
1	71.7	94.1	82.4	102.8	93.0	141.5	92	67
1A	80.5	105.7	100.0	121.7	109.9	169.7	87	62
2	98.0	128.5	146.3	191.4	168.3	290.6	67	44
3	130.0	167.0	n/a*	n/a*	299.3	659.3	n/a*	25

* There are too few jobs of this weight in the database for reliable figures to be cited.

Source: Cabinet Office, using data from Hay for wider public and private sector posts matching SCS job weights.

SCS pensions

3.8 The Government has confirmed that SCS members will pay increased pension contributions from April 2013 as follows:

Table 3.4: **SCS pension contributions**

	Classic scheme		Classic Plus, Premium and Nuvos	
Pensionable earnings £	Current contribution rate %	Contribution rate from April 2013 %	Current contribution rate %	Contribution rate from April 2013 %
50,001 – 60,000	3.50	5.46	5.50	7.46
Over 60,000	3.90	6.25	5.90	8.25

Source: Letter from the Head of the Civil Service to civil servants.

These rates are before tax relief. The increase will mean, for example, that a Pay Band 2 SCS member in the Classic Plus scheme on the median salary of £97,900 will pay some £1,380 more (1.4 per cent of salary) in pension contributions after tax relief in 2013-14. Further increases will apply from 2014 but the level has not yet been decided.

3.9 As noted in Chapter 1, we had intended to take stock in this report of all the changes to our remit groups' pension schemes and the effects on total reward. However, the Government did not announce its decision on judicial pensions until February 2013 and this was too late for us to carry out our planned analysis this year. Moreover, we do not yet know what the level of contributions for the SCS, judiciary and NHS managers will be from April 2014. We now intend to assess pension changes for all our remit groups as soon as we have sufficient information to do so.

The Government's proposals on SCS pay

3.10 The Government's evidence to us this year referred to the Normington Review[8] which identified various structural problems with the current SCS pay system including:

- the 'two-tier' system where external recruits are typically paid significantly more than those promoted internally, "not always with sufficient justification" as the evidence puts it;
- overlap of Pay Band 1 with Grade 6 and even Grade 7 scales;

[8] *Report of the Steering Group on Senior Civil Service Workforce and Reward Strategy*, chaired by Sir David Normington, available at www.fda.org.uk/nmsruntime/saveasdialog.aspx?lID=1379&sID.

- lack of pay progression;
- insufficient links between performance and reward; and
- risks of equal pay claims.

However, the Government's proposals do very little to tackle these problems, arguing that financial constraints preclude more far-reaching changes.

3.11 The Government's evidence states that:

"The SCS reward system should reflect the following principles:

- improved value for money to the tax payer – including a better targeted and smaller SCS paybill;
- a stronger link between performance and reward – underpinned by rigorous performance management arrangements;
- a pay system that does not attempt to link to the market for most SCS – and which is clearer about exceptions where we are prepared to pay market rate;
- a pay system that is safe from widespread legal challenge – and based on sustained performance/competence, not primarily "time-served".

3.12 We agree with the first, second and fourth principles but we believe a pay system which fails to take any account of the wider labour market except when recruiting to a small number of posts risks losing the ability in the longer term to recruit and retain suitably qualified people. It will also continue to lower morale of existing SCS members, and runs the risk of failing to meet the fourth objective, since it may lead to equal pay claims when external recruits are paid much more than internally promoted civil servants doing work of equal value. We do not seek a firm linkage between SCS pay and that of market comparators. The gap between the SCS and private sector may now be "unbridgeable", as the Head of the Civil Service put it to us, but it is not irrelevant. There must come a point at which recruitment and retention suffer if SCS pay continues to fall ever further behind the market.

3.13 The Government's specific proposals are:

(i) targeted base pay increases of between 0 and 9 per cent, decided by individual departments. Departments could give all staff a standard increase or "provide targeted salary repositioning" after "taking account of performance, job weight, challenge of role" and the Government's overarching reward principles for the SCS. SCS members in the bottom 10 per cent of the performance distribution would not receive any increase. The Government proposes to use 0.92 per cent of the 1 per cent average available for consolidated awards;

(ii) shortening of the pay ranges. In response to the problem of overlap and some SCS members being paid less than staff who report to them, the Government proposes the following increases in the pay band minima:

Table 3.5: **Government's proposed new SCS Pay bands**

Pay band		Current	From April 2013
		£	£
1	Minimum	58,200	60,000
	Maximum	117,800	117,800
2	Minimum	82,900	84,000
	Maximum	162,500	162,500
3	Minimum	101,500	103,000
	Maximum	£208,100	£208,100

The Government says this proposal will benefit 135 SCS members in Pay Band 1, 62 in Pay Band 2 and three in Pay Band 3. Women will benefit proportionately more than men. It will cost 0.08 per cent of the 1 per cent average available for consolidated awards;

(iii) non-consolidated, performance-related pay: the Government proposes that up to 3.3 per cent of paybill be available to departments for payments to the top 25 per cent of performers but asks us whether the current caps on awards (£10,000 for Pay Band 1 and 1A, £12,000 for Pay Band 2, £15,000 for Pay Band 3 and £17,500 for Permanent Secretaries) should be lifted, although any payments over £17,500 would require the approval of the Chief Secretary to the Treasury. This would allow departments to make larger but fewer awards;

(iv) introduction of a pivotal role allowance intended to encourage SCS members to remain in post to see major projects through from milestone to milestone. Allowances would not be consolidated and would be linked to the achievement of key milestones and removed when the role ceased to be pivotal to the organisation. The Government's expectation is that there would be a maximum of 100 pivotal roles, each of which would have to be approved centrally by Ministers. The level of allowances is yet to be decided but the total cost would be a maximum of 0.5 per cent of the SCS paybill and the Government says this would come from the non-consolidated element of SCS pay, which would therefore potentially rise to 3.8 per cent if departments used the full 3.3 per cent proposed for (iii) above.

Local, market-facing pay

3.14 The SCS were one of the groups identified by the Chancellor of the Exchequer in his 2011 Autumn Statement when he announced that the Government would ask Pay Review Bodies to consider how public sector pay can be made more responsive to local labour markets. However, the Government did not ask us to report on the SCS by July 2012, as it did for other groups, but said it would submit evidence as part of the annual review. That evidence shows that 67 per cent of the SCS work in London and the South East. SCS members are "generally paid well below the markets in London and nationally" and the Government has "no evidence that SCS pay levels are crowding out private businesses in certain locations". Moreover, "the current SCS pay arrangements offer sufficient flexibility for departments to respond to any recruitment and retention difficulties". The Government therefore asks us to endorse its conclusion that a local, market-facing pay model should not be developed for the SCS. We agree that the market for the SCS is essentially national and therefore endorse the Government's analysis.

Earnback

3.15 The Government argues that 'earnback' (whereby workers place an element of their pay at risk in return for the opportunity to 'earn back' that amount by meeting pre-agreed objectives and to earn a greater amount through exceptional performance) is an attractive option but cannot be introduced in the current economic climate. Instead the Government will revisit the subject when more funds become available. We do not share the Government's enthusiasm for 'earnback' because we think there is very little evidence to show that it is an effective mechanism. It will require an objective performance management and appraisal system, one in which staff have confidence that assessments are comparable both within and across departments, to provide the basis for 'earnback'.

Recyclable savings

3.16 In the past the Government has calculated recyclable savings (which arise when higher paid SCS members leave and are replaced by others who are paid less – a phenomenon also known as negative pay drift) and used them to increase the amount available for SCS pay increases. We have questioned this practice because it took no account of increases in SCS numbers and because in any case it was not self-evident that any savings should automatically be ploughed back into SCS pay. We therefore agree with the Government that it is not appropriate to use recyclable savings to increase SCS base pay this year.

Evidence from the trade unions

3.17 As usual we received written and oral evidence from the FDA and Prospect. The unions said that their survey of their members showed declining morale, partly because of pay but also from increased workload where posts had been cut without a commensurate reduction in activity. They regarded the Cabinet Office proposals as small changes that would not do much to improve the overall unfairness of the pay system. In their view, the Government was not addressing the main problems with SCS pay, such as the lack of comparability with the wider public sector and private sector. While they welcomed the proposal to raise the SCS pay range minima in response to the considerable overlap with Grade 6 and 7 pay, the proposed new pivotal role allowance was a cause for concern, as was the decision not to use recyclable money. Median SCS pay was falling making the recyclables more significant this year. It meant an opportunity to improve the SCS pay system using modest amounts of money was lost.

3.18 The unions thought that retention was a problem now and that recruitment would be in the future. They said that some departments, e.g. HM Treasury, had reported 20 to 30 per cent turnover of senior staff. The numbers leaving the SCS with severance packages masked widespread dissatisfaction with SCS pay, especially now that the Government had abandoned any linkage with pay in the wider market. The unions predicted that the Government, with no real interest in thinking long-term, would not be in a position to recruit and retain the best talent when the economy improved.

3.19 The unions favoured a greater emphasis on those at the bottom of the scale and one way of achieving this would be by making a cash award rather than a percentage increase. They preferred central guidance to departments on how to award increases this year, rather than giving departments discretion.

Lord Browne of Madingley

3.20 This year, for the first time, we invited the Government's Lead Non-Executive Director, Lord Browne of Madingley, to give oral evidence. Lord Browne said that he and his fellow non-executive directors of departments had identified various issues in civil service management:

- there had been a lack of management information;
- senior managers of projects moved far too frequently leaving a "litter" of unfulfilled objectives;
- in his view levels of competence among the SCS were mixed. While strong intellectually, they were asked to do things outside the broad base of their experience. However, he was confident that the SCS could be retrained and re-educated to perform well in those areas;
- it troubled him that a false division between policy and execution persisted in the SCS.

3.21 Lord Browne gave an update on progress in the three key areas for improvement that he had identified for the civil service:

- effective project management meant developing different options to get something done and the civil service was beginning to learn how to achieve things in a series of small operations rather than one big one;
- better procurement required someone whose entire job was devoted to understanding the contract and to its daily supervision. This still did not exist in the public sector;
- however, the civil service had started to made progress in the area of management information.

3.22 We found it helpful to hear Lord Browne's perspective on the SCS and we hope to increase the input of evidence from departmental non-executive directors into our future deliberations.

SCS discussion groups

3.23 Every year we invite members of the SCS to meet us for informal discussion of SCS pay issues. In recent years there have been surprisingly few volunteers for these meetings but this year we were overwhelmed with responses and had to turn away many who wished to attend. Unsurprisingly the key points which came across from SCS members were:

- dissatisfaction with pay levels and falling take-home pay;
- a sense of unfairness because pay of lower grades had caught or even overtaken that of some SCS members;
- frustration that Ministers who privately commended the civil service on its work were often reported in the media as criticising civil servants;
- more senior SCS members reported some difficulties in filling vacancies, especially those requiring particular skills, in their commands.

Civil Service People Survey and SCS exit interviews

3.24 The scores for the SCS from the 2012 survey were generally little changed or slightly improved, compared with 2011. Over 90 per cent of SCS members said they were interested, sufficiently challenged and got a sense of personal accomplishment from their work and there was a significant increase from 2011 in the proportion of SCS members saying they are able to achieve a good balance between their work and personal lives.

3.25 The one area where the 2012 results were significantly worse than those for 2011 was pay and benefits. Indeed these results continue a trend: between 2009 and 2012 the proportion who said they were satisfied with their benefits package and that their pay adequately reflected their performance fell from a half to a third. Over the same period the proportion who thought their pay was reasonable compared with that of other people doing a similar job in other organisations fell from 39 per cent to 25 per cent.

3.26 In 2012 15 per cent of SCS respondents said that they wanted to leave their organisation in the next twelve months, compared with 12 per cent in 2011. This follows two years where the turnover rate in the SCS had increased from around 10 per cent to over 16 per cent. The Cabinet Office said that evidence received from exit interviews was far from comprehensive but showed that pay was an important factor though seldom the sole reason for leaving the civil service. We urge the Cabinet Office to work with departments to improve the information obtained from exit interviews.

Civil Service Commission

3.27 We had written evidence from the Civil Service Commission and the First Civil Service Commissioner, Sir David Normington, gave oral evidence. The Civil Service Commission reported that departments had been able to fill most of their vacancies with suitable candidates. The six posts departments had failed to fill in the last year were all specialist posts.

3.28 However, Sir David said that most Commissioners were concerned at the reduction in the size and quality of fields and that pay was probably a major cause. While some people from the private sector were prepared to take salary cuts to work in the public sector, for the interest of the work or to broaden their CVs, it was becoming increasingly difficult to recruit good private sector candidates to Pay Band 3 and Permanent Secretary posts because the career risks were not balanced by the reward. It was also difficult to recruit from the wider public sector, such as the police, NHS, higher education and parts of local government, because there, too, pay was higher than in the SCS. While in theory departments could seek approval to pay higher salaries where necessary, in practice the process for gaining such approval was difficult.

3.29 We asked about reports that candidates from within the SCS were usually appointed on salaries well below those that had been advertised. We were advised that there is Cabinet Office guidance that successful internal candidates should be paid within 10 per cent of the advertised rate but it was not clear to what extent departments followed that guidance.

Assessment

3.30 The problems with the SCS pay system are deep seated. We have drawn attention to them in successive reports. The Normington Review came to similar conclusions and the Government, in its latest evidence acknowledges the need for reform. We are therefore disappointed that, while the Government has started to develop a workforce strategy for the SCS who are also covered by the Government's proposals for reform of the civil service as a whole, it has not proposed a fundamental reform of the SCS pay system. We do not believe that it is possible to reform the civil service without reforming the SCS pay structure. We recognise that there are difficulties in doing so at a time of severe restraint on public sector pay, but we nevertheless believe that it is possible to do so much more than the Government proposes, particularly since SCS numbers have been reduced by some 17 per cent since 2010 and the paybill is down by 20 per cent (nearly £100 million) over the same period. A part of these savings could be used to fund restructuring of the SCS pay system.

3.31 We urge the Government to consider how the SCS pay system in Northern Ireland has been revised to address largely the same problems as exist in Great Britain. We were asked to make recommendations for improving the Northern Ireland SCS pay system and submitted a report in 2010[9]. The changes implemented in 2012 did not follow our recommendations precisely but did reflect our key points, notably:

- shortening of the pay ranges to reduce unrealistic expectations;
- improved differentials over more junior staff;
- providing pay progression steps subject to performance, so that there is real pay progression to reflect increasing skills and experience;
- the possibility of non-consolidated, performance-related payments to high performers who have reached the top of the pay scale.

[9] *Review Body on Senior Salaries, Report No. 75, Review of Northern Ireland Senior Civil Service pay 2010*, available at http://www.ome.uk.com/Document/Default.aspx?DocumentUid=900942F6-9037-49F5-B568-CC27F136A1CD.

In Northern Ireland these changes have been paid for in part by ending the general system of non-consolidated, performance-related payments which had fallen into disrepute.

Recommendation 1: We recommend that the Government examine the revision of the SCS pay system in Northern Ireland with a view to introduction of similar changes in Great Britain by April 2016.

Raising the pay band minima

3.32 We now turn to the Government's specific proposals in case it remains unwilling to restructure SCS pay along the lines we have suggested. We recall that we proposed raising the Pay Band 1 minimum to £61,500 in our 2010 report, as a first step towards addressing the problem of overlap with Grades 6 and 7, but the Government rejected that recommendation. Consequently we think the proposed increase to £60,000 is too little and too late. In Northern Ireland the minimum has been raised to £63,360, to eliminate overlap with Grade 6, and will increase further to £63,994 from 1 August 2013. We believe there is less of a problem of overlap at Pay Bands 1A, 2 and 3, so there is less of a case for larger increases there.

Recommendation 2: We recommend that the minima be increased from 1 April 2013 to: £61,500 for Pay Band 1, £69,000 for Pay Band 1A, £84,000 for Pay Band 2 and £103,000 for Pay Band 3.

3.33 The Government has costed its proposal to raise the minima for Pay Bands 1 to 3 at 0.08 per cent of the SCS paybill. Our secretariat calculates that the cost of increasing the Pay Band 1 minimum to £61,500 rather than £60,000 as proposed by the Government would add some £300,000 or less than 0.1 per cent to the paybill above the Government's proposal and would benefit some 70 additional SCS members, as well as giving a bigger increase to those currently paid between £58,200 and £60,000. Both the Government's and our proposed increases can easily be funded from the last year's reduction in paybill per head (£819) which we calculate as having saved nearly £3 million across the SCS as a whole.

Base pay increase

3.34 The Government asks us to support discretion for departments in deciding how to target base pay increases. We are very conscious that SCS members have had no base pay increase since 2009 but have seen increases in tax, National Insurance and pension contributions (which alone are likely to exceed any base pay increase for many SCS members) and a reduction to the performance pay budget. We have referred above to the survey evidence showing increasing dissatisfaction with pay and benefits. In these circumstances we think it would be fairer, as has been argued for our other remit groups, to give a uniform increase to all SCS members other than those in the bottom 10 per cent of the performance distribution who should receive no increase. We have considered the unions' suggestion of a uniform cash increase which would benefit the lower paid, but on balance and given the powerful evidence that the gap between SCS pay and that of comparators in the wider public and private sectors increases sharply with seniority, we do not wish to aggravate that problem. It would in our view be perceived as unfair and demotivating if departments adopted different approaches on this issue. We therefore recommend a uniform percentage increase equivalent to 1 per cent of the paybill for all SCS members other than those in the bottom 10 per cent of the performance distribution. The top of each pay band should also be increased by 1 per cent.

Recommendation 3: We recommend a uniform percentage increase equivalent to 1 per cent of the paybill for all SCS members other than those in the bottom 10 per cent of the performance distribution. The maximum of each pay band should also be increased by 1 per cent, to £118,978 for Pay Band 1, £130,189 for Pay Band 1A, to £164,125 for Pay Band 2 and £210,181 for Pay Band 3.

Non-consolidated, performance-related payments

3.35 While we strongly support performance-related pay, we have serious concerns about the current SCS arrangements. We believe the decision to reduce the proportion of SCS members who can receive such payments took no account of the original design of the pay system as described in paragraph 3.5 above, including the fact that non-consolidated payments were funded with money that would otherwise have been used to increase base pay. We have heard that the current arrangement is more of a disincentive for the 75 per cent who do not receive payments than for the 25 per cent who do. We should have much preferred to see proposals for a fundamental revision of performance-related pay, starting with a clear idea of how the pay system is intended to improve performance. Is it, for example, intended to be an incentive to achieve or exceed specified targets, a retrospective reward for relative performance (as now), a tool for retaining valued staff or a means of encouraging cultural change and signalling priorities such as efficiency, financial control and performance management? However, if the Government is not willing to revise the SCS pay system this year, then we reluctantly endorse the continuation of the current arrangements to prevent the available money being lost to the SCS. Given our concerns about the system, we do not support giving departments greater discretion to make fewer but larger payments. We believe that, at a time of severe pay restraint it could be seriously damaging to morale if a few SCS members were seen to receive large awards while the vast majority got nothing.

Recommendation 4: For this year we recommend that the current arrangements for non-consolidated, performance-related payments be maintained, including the cash limits on the maximum amount of payments for each pay band.

Pivotal role allowance

3.36 The proposal for a non-consolidated pivotal role allowance seems to us to be an attempt to use pay to solve what is actually a management issue. We fully accept that there is a problem, which Lord Browne emphasised in his evidence to us, of project leaders moving too frequently and before objectives and milestones have been achieved. We do not understand why senior managers cannot insist on key individuals remaining in post for longer. The needs of the organisation for continuity ought to override the wishes of the individual to change jobs frequently. We note in this context that one of the recommendations of the Levene Review of the structure and management of the Ministry of Defence (MoD) is that senior officers and officials in MoD should remain in their posts for five years to ensure continuity and best use of experience. However, given the limited scope of the Government's proposal for a pivotal role allowance, and the strict financial and procedural controls, we are prepared to support it on an experimental basis. We shall wish to see a full evaluation of the scheme in future years, to see whether it has successfully addressed the problem and whether there have been any unintended consequences.

Permanent Secretaries

3.37 As we reported last year, there are now five groups of Permanent Secretaries excluding the Cabinet Secretary and the Head of the Civil Service. These are:

- Tier 1 roles: paid between £180,000 and £200,000.
- Tier 2 roles: paid between £160,000 and £180,000.
- Tier 3 roles: paid between £142,000 and £160,000.
- Specialist/Advisory roles: not assigned to a specific salary banding but may attract skills or market premium.
- Security roles: not assigned to a specific salary band.

3.38 We make recommendations on the overall pay structure for Permanent Secretaries but the pay of individual officials is set on the advice of the Permanent Secretaries Remuneration Committee. The terms of reference of that committee, which have recently been revised, set out the matters the committee must take into account in reaching its proposals. The committee comprises two members of the SSRB, a non-executive director of a department, the Head of the Civil Service, the Cabinet Secretary and the Permanent Secretary of the Treasury.

3.39 Our recommendations 3 and 4 above apply to Permanent Secretaries in the same way as to the rest of the SCS.

Conclusion

3.40 This year we have seen the SCS remit group's total remuneration falling further behind market comparators and we are disappointed that the Government has declined to tackle the fundamental problems of the SCS pay system. Since SCS numbers have been reducing, recruitment and retention remain broadly satisfactory at present although we note that, even with the depressed state of the labour market, the Government is struggling to recruit certain specialists and there is general recognition, including from the Civil Service Commission and the Government's Lead Non-Executive Director, that pay is increasingly an issue.

3.41 Our concern is that recruitment and retention will suffer as soon as the economy picks up. The Government's response is that it will address problems if they actually materialise. However, our longer-term worry is that the relentless erosion of SCS terms and conditions compared with those of people doing similarly weighted jobs in both the wider public and private sectors, will send a signal that discourages top quality graduates from pursuing long-term careers in the civil service. This could lead to a damaging reduction in senior leadership capacity in vital areas of central government.

Chapter 4

Senior officers in the armed forces

Introduction

4.1 In our last annual report[10] we set out our concern that the combined impact of changes affecting the armed forces, notably public sector pay restraint, changes to pensions and reductions in the size of the services could damage recruitment, retention and motivation of our military remit group. We were particularly concerned by reports that suggested the best officers might be leaving in larger numbers before reaching 2-star rank. If true, this could mean that the quality of the most senior cadre might suffer in due course. That could in turn threaten delivery of the 'Transforming Defence'[11] programme which the senior military must lead and manage. This year we have therefore pressed the Ministry of Defence (MoD) to provide us with better information about the quality of officers resigning from the 'feeder' ranks from which our remit group is drawn, compared with those remaining. Although the evidence is not as complete and comprehensive as we should like, it nevertheless does suggest that the services are currently retaining sufficient numbers of high quality officers to fill the most senior ranks with suitably able people.

Our remit group

4.2 There were 125 senior officers at 2-star level and above this year, three fewer than the previous year. A breakdown by rank since 2008 is at Table 4.1. Pay scales are unchanged since 1 April 2010 although individual officers have continued to progress through the scales.

Table 4.1: **Number of senior officers as at 1 July, 2008 to 2012**

All services	2008	2009	2010	2011	2012	Net change 2011-2012
4-star	10	14	10	10	9	–1
3-star	29	33	28	23	22	–1
2-star	91	89	93	95	94	–1
Total	130	136	131	128	125	–3

Source: Ministry of Defence.

4.3 In the 12 months to 30 June 2012, 23 officers were promoted into the remit group, two left prematurely and 24 retired. The remit group remained all male but there were seven female 1-star officers at 1 July 2012, one more than the previous year.

Transforming Defence programme

Update

4.4 In our 2011 report we noted that the MoD expected the new Government's policies such as the reduction of 17,000[12] in armed forces personnel to have far-reaching consequences for our remit group. Last year we reported on the Transforming Defence programme and the Levene recommendations.

[10] *Review Body on Senior Salaries, Report No. 79, Thirty-Fourth Report on Senior Salaries 2012*, Cm 8297. Available at: http://www.ome.uk.com/SSRB_Reports.aspx.

[11] The 'Transforming Defence' programme comprises the Strategic Defence and Security Review (SDSR 2010), the Spending Review 2010 and Lord Levene's Defence Reform Review (DRR).

[12] The 2010 Strategic Defence and Security Review had announced reductions of around 17,000 military personnel by 2015: the Royal Navy by 5,000, the Royal Air Force by 5,000 and the Army by 7,000. An additional reduction of 12,000 in the Army by 2020 was announced in 'Army 2020' in July 2011.

4.5 This year, the MoD reported to us on changes affecting our remit group so far: the total number of posts at 2-star and above had been reduced by six since 2010[13] and the Defence Board now had three fewer members. Also, senior officers were beginning to spend longer in post.

Joint Assured Model, Senior Appointments Committee and Liability Review

4.6 The MoD told us this year about other Transforming Defence initiatives that would affect our remit group: measures arising from the Defence Reform Review would be introduced for the more effective development and deployment of the senior military. These included the Joint Assured Model (for retaining senior military staff in key posts for longer and promoting strategic management of senior personnel across the three services) and an enhanced role for the Senior Appointments Committee. This Committee is to review annually the most talented 2-star and 3-star officers and carry out senior military succession planning. Furthermore, the Liability Review supported a reduction by 2020 in the size of our remit group proportionately equal to or greater than that for the armed forces overall.

New Employment Model

4.7 The MoD set up a programme in 2011 to develop detailed costed options for a New Employment Model which, we are told, will:

- deliver a better balance between the demands placed on service personnel and their families, and the cost of supporting them, whilst maximising operational capability by improving choice and opportunity in how people manage their lives and careers;
- support a whole force approach to delivering operational capability; and
- ensure that service personnel and their families are treated fairly and equitably through a balanced, affordable and competitive employment and remuneration package.

The MoD is expected to report on the New Employment Model in 2013.

4.8 We were encouraged to learn that the MoD is examining the possibility of introducing new pay arrangements for our remit group under its New Employment Model. We believe that this could assist with recruitment and retention. As we said last year, we should be happy to be consulted on further developments in the interests of effective recruitment, retention and motivation if the current performance management and pay system is to be adapted. We are also pleased that the MoD has alerted its New Employment Model team to our four over-arching principles for senior salary remuneration, restated in paragraph 1.7 above.

Recruitment and retention

4.9 The MoD reported this year that voluntary outflow levels for both the SSRB remit group as a whole and 1-star OF6 officers, the rank from which our remit group is 'recruited', were stable. Although we heard some anecdotal evidence suggesting that a number of highly regarded 1-star officers had left the armed forces, MoD said there was no evidence that a disproportionate number of high quality 1-star officers were leaving prematurely.

[13] Departmental star count reductions aim to demonstrate that senior staff reductions are proportionately equal to or greater than overall personnel reductions. At least 95 senior military posts at 1-star and above will go between 2010 and 2020. 30 of these went between 2010 and 2012 (including the six in our remit group).

Table 4.2: **Officers in SSRB senior military remit group (OF7-OF9) and the 'feeder' grades (OF4-OF6) leaving the services voluntarily, July 2007 to June 2012**

Rank	July 2007– June 2008	July 2008 – June 2009	July 2009 – June 2010	July 2010 – June 2011	July 2011 – June 2012
OF7-OF9	5 (4%)	1 (1%)	2 (2%)	2 (2%)	2 (2%)
OF6 (1-star)	17 (5%)	22 (7%)	21 (7%)	23 (7%)	21 (6%)
OF4-OF5	284 (6%)	262 (6%)	162 (3%)	209 (4%)	264 (5%)

Source: Ministry of Defence.

4.10 However, the MoD did report an increase in voluntary outflow from the lower 'feeder' groups (OF4 and 5) for the second consecutive year and expressed some concern at this happening despite the general economic situation and completion of two phases of the Armed Forces Redundancy Programme[14]. We think the MoD should identify a group of key individuals within the 'feeder' ranks and track over time how many of them leave voluntarily.

4.11 Senior workforce planning is clearly critical to effective leadership of Transforming Defence. The MoD said to us that it involves "considerable complications and uncertainty". For the second year we visited the Defence Academy at Shrivenham to hear the views of 'feeder' group members (OF3 to OF6, 1-star officers) on the senior military remuneration package and whether it was adequate to draw the most promising officers through to 2-star rank and beyond. Once again we heard of talented officers who had resigned although, according to their remaining colleagues, promotion to senior roles was highly likely if they had stayed.

4.12 For those we met, the decision on whether to stay in the armed forces was not solely about pay but a whole range of factors, including the New Employment Model; changes to the Armed Forces Pension Scheme and the impact of increased pension tax liability; impact on family life and well being; and fears of changes to eligibility for the Continuity of Education Allowance. There was also concern about increased personal liability at senior levels and inadequate reimbursement of necessary expenditure on hospitality.

4.13 Our priority for the senior military is to help ensure that total remuneration, coupled with the other benefits of service life, remains sufficient to ensure that enough able officers, suitable for promotion, remain in the services to fill the most senior posts. We understand that the MoD is attempting to address these issues as it develops the New Employment Model. As we have said earlier, we should be happy to be consulted on future developments.

Pensions

4.14 We know that the Armed Forces Pension Scheme is very important in retaining senior officers. We were therefore pleased to hear from the MoD that it believed that uncertainty in our remit group over pension changes had lessened. In October 2012 the MoD announced that the Future Armed Forces Pension Scheme to be introduced from April 2015 will be a career average rather than final salary scheme, in line with other reformed public sector schemes, with a pension accrual rate of 1/47th. It will remain non-contributory, unlike the schemes for our other remit groups. The MoD advised us that all current members of the remit group will retain their existing pension arrangements because they are within 10 years of normal retirement age.

[14] No further large scale redundancies are expected for the Royal Navy or Royal Air Force. However, a further redundancy round was announced for the Army in January 2013. Another is expected in 2014. The Army is to reduce from 102,000 to 82,000 personnel by 2020.

4.15 The impact of the latest changes to pension tax allowances on our remit group also became clearer. The MoD told us that 116 personnel exceeded the Annual Allowance in 2011-12 after it was reduced from £255,000 to £50,000 that year. However, just 23 of them incurred a tax charge because the rest were able to offset the charge against annual allowances carried forward from the previous three years. The MoD told us it had put in place a range of measures to assist those affected. Also, we note that long-serving 3- and 4-star officers will be affected on retirement by the reduction in the level of Lifetime Allowance from £1.8m to £1.5m from April 2012.

4.16 There were further changes to pension tax allowances announced in 2012: from April 2014 the Annual Allowance will reduce from £50,000 to £40,000 and the Lifetime Allowance from £1.5 million to £1.25 million. We expect this to lead to an increase in the number of personnel incurring a tax charge. We intend to monitor the effect of the reduced allowances on both those already in our remit group and those seeking promotion from 1-star. We expect that most of those promoted from 1-star will not be affected by the reduction in Annual Allowance, because of the ability to utilise the unused allowance from the previous three years.

Morale

4.17 Members of the senior military who spoke to us in September 2012 told us morale was still low enough to harm recruitment and retention and that they felt undervalued by the Government, the media and the public. They also understood why those in the 'feeder' ranks saw senior military life as comprising fewer opportunities, harder work, reduced take-home pay and allowances, and no security of tenure. Our remit group warned us that the effectiveness of the armed forces could be undermined as much by the retention of dissatisfied officers as by their departure.

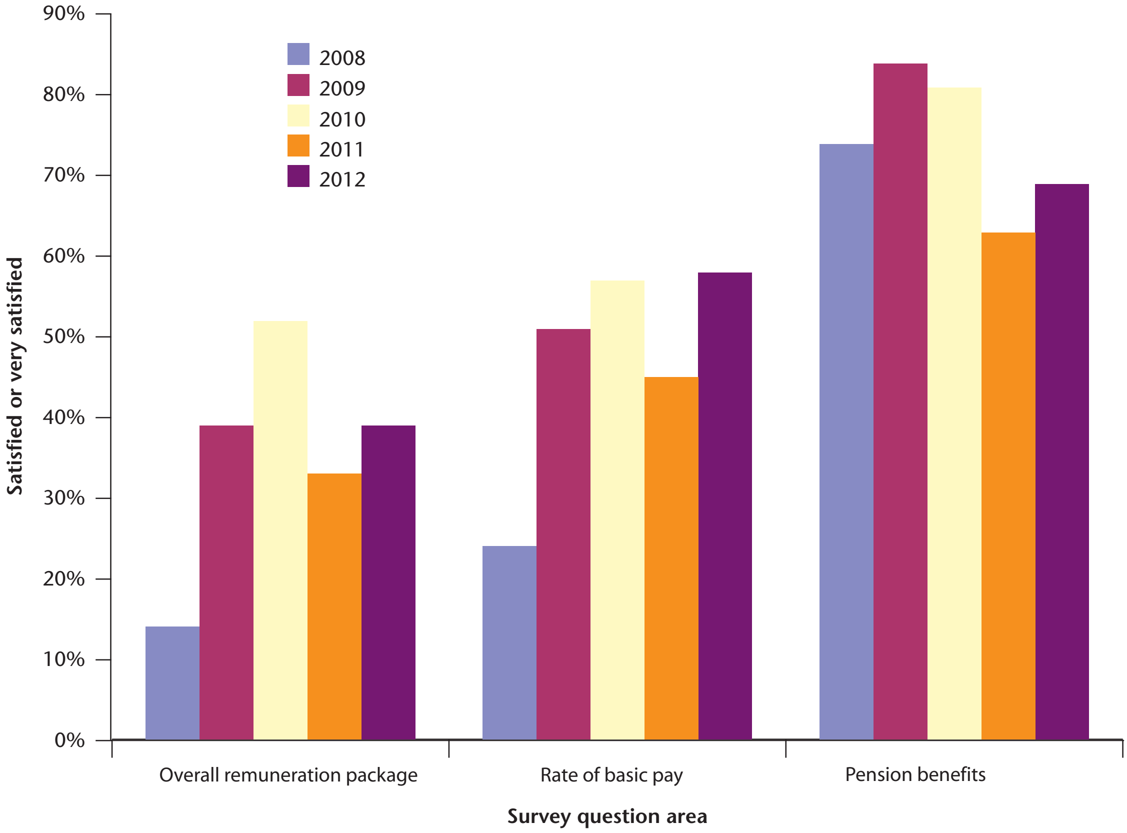
4.18 We noted that the views of the senior military contrasted with those of the Secretary of State. He told us that the senior military had responded very positively to the challenges of leading the Transforming Defence programme and had welcomed having greater authority and autonomy. They had gained job satisfaction from tackling difficult problems through prudent financial management and by making improvements to the equipment programme. He said that all this – combined with clarity on their own financial prospects now that the pension changes were finalised – was fostering better morale.

4.19 This year our secretariat co-operated with the MoD to run for the second time a separate, on-line survey of senior officers with a set of questions complementary to those in the Armed Forces Continuous Attitudes Survey (AFCAS). The results of this survey were mixed. There was an increase in positive responses to questions about the overall remuneration package, non-pay benefits, working hours and incremental progression as an incentive. However, there was a decrease in positive responses to questions about pay on promotion, the value of X-Factor and the amount of time spent on representational duties.

4.20 MoD said that the results of the 2012 AFCAS showed slight improvements in all ten categories compared with 2011 and the Secretary of State welcomed them. MoD attributes the improvement to reduced uncertainty over the impact of the Strategic Defence and Security Review and pension scheme changes. It may also reflect recognition of the general economic situation.

4.21 Figure 4.1 shows changes in satisfaction with pay, pension and overall remuneration as recorded in both surveys from 2008 to 2012.

Figure 4.1: **Changes in satisfaction in pay, pension and the overall remuneration package recorded in the attitude surveys 2008-2012**



Sources: Ministry of Defence and Office of Manpower Economics.

4.22 Despite the announcement of two more years of pay restraint in the public sector, the results from the 2012 AFCAS and the 2012 on-line survey are more positive than those from the 2011 surveys but less so than in 2010. We welcome this improvement but we are still concerned about the high proportion of individuals who report that workload prevents them from taking all their annual leave[15].

Pay in 2013-14

4.23 Consistent with the Government's public sector pay policy for 2013-14, the MoD has proposed a uniform 1 per cent base pay increase for our senior military remit group. We explored with MoD the possibility of using the 1 per cent of paybill in a more targeted way to assist with promotion and retention of officers with key skills but they did not favour such an approach.

4.24 We therefore support a general 1 per cent increase this year and preservation of the 10 per cent base pay differential between 1-star and 2-star rank before X-Factor. As mentioned above, we also encourage the MoD to consider and discuss with us how the pay system for both the most senior officers and the 'feeder' groups could be adapted to help ensure that sufficient of the most talented officers stay in the services to fill the top levels.

[15] 24 per cent of those who responded took all their annual leave in 2012, compared with 29 per cent in 2011. Of those who were unable to take all their annual leave 86 per cent in 2012 and 98 per cent in 2011 cited workload as the main reason.

2- and 3-star pay scales

Recommendation 5: We recommend that the pay scales below apply for 2- and 3-star officers with effect from 1 April 2013[1,2]

2-star	2012-13 (£)	2013-14 (£)	3-star	2012-13 (£)	2013-14 (£)
6	119,214	120,492	6	152,642	154,254
5	116,924	118,179	5	148,265	149,834
4	114,678	115,911	4	144,016	145,542
3	112,476	113,687	3	138,569	140,041
2	110,317	111,506	2	132,084	133,491
1	108,201	109,369	1	125,908	127,253

[1] Figures are rounded to the nearest pound.

[2] This includes X-Factor which is applied at the rate of £2,493, this sum being equivalent to 25 per cent of the cash value of X-Factor at the top of the OF4 pay scale as recommended by the Armed Forces Pay Review Body (AFPRB) from 1 April 2013.

4-star pay scale

Recommendation 6: We recommend that the pay scale below apply for 4-star officers with effect from 1 April 2013[1]

4-star	2012-13 (£)	2013-14 (£)
6	185,184	187,036
5	181,553	183,369
4	177,993	179,773
3	173,652	175,389
2	169,416	171,110
1	165,284	166,937

[1] Figures are rounded to the nearest pound.

Chief of Defence Staff (CDS)

Recommendation 7: We recommend the following pay scale for CDS with effect from 1 April 2013[1]

CDS	2012-13 (£)	2013-14 (£)
4	252,698	255,225
3	247,743	250,220
2	242,885	245,314
1	238,123	240,504

[1] Figures are rounded to the nearest pound.

Medical and Dental Officers (MODOs)

4.25 In July 2012 there were five Medical and Dental Officers (MODOs) – four 2-stars and one 3-star. Currently the 2-star MODO rate of pay is 10 per cent above the base pay at the top of the MODO 1-star scale plus X-Factor, and the 3-star MODO is paid 5 per cent above 2-star MODO base pay plus X-Factor. We received no evidence to suggest changing these differentials.

4.26 The Armed Forces Pay Review Body (AFPRB) recommends on the pay of Defence Medical Services up to 1-star. If the AFPRB recommends and the Government accepts an increase for 1-star MODOs, then our recommendation is intended to ensure that 2- and 3-star MODOs maintain their current percentage differentials.

Recommendation 8: We recommend no change to current pay arrangements for MODOs.

- **2-star MODOs should continue to be paid 10 per cent above the base pay at the top of the MODO 1-star scale plus X-Factor;**
- **3-star MODOs should continue to be paid 5 per cent above 2-star MODO base pay plus X-Factor.**

Conclusion

4.27 While we welcome the small recovery in morale within our remit group as demonstrated by attitude surveys, we remain concerned about whether the total 'package' is adequate to ensure the supply of sufficient numbers of high quality officers for the most senior ranks. Consequently we think that the MoD should track a group of high potential 'feeder' group officers in each critical rank over time. We have not seen any signs of the leadership of the Transforming Defence programme being undermined by the effect on our remit group of armed forces restructuring or pay restraint. However, we note that some in our remit group and in the 'feeder' group tell us that the combined effects of changes to the armed forces, pay restraint and future reductions in pensions are demotivating. Moreover, they feel the Government does not sufficiently appreciate their role.

Chapter 5

The judiciary

Introduction

5.1 Our remit group comprises full-time and part-time salaried judicial office holders in the courts and tribunals of the United Kingdom. Fee-paid judiciary members are not part of our standing remit. There were 2,219 salaried judicial office holders on 31 March 2012, an increase of seven (0.3 per cent) from a year earlier. The numbers are broken down by salary group in Table 5.1.

Table 5.1: **Judicial salaries and numbers in post**

Salary group[1]	Salary from 1 April 2009[2]	Numbers in post[3]					Change between 2011 and 2012
		2008	2009	2010	2011	2012	
1	£239,845	1	1	1	1	1	0
1.1	£214,165	4	4	4	4	4	0
2	£206,857	15	15	15	15	15	0
3	£196,707	48	49	49	47	48	+1
4	£172,753	144	143	140	141	140	–1
5	£138,548	87	88	96	96	96	0
6.1	£128,296	818	824	860	831	823	-8
6.2	£120,785	20	20	36	37	41	+4
7	£102,921	1,014	1,007	1,039	1,036	1,041	+5
Salaried medical members[4]	£81,620	n/a	n/a	n/a	n/a	6	+6
Stipendiary magistrates[5]	£70,562	n/a	n/a	n/a	4	4	0
Total		2,151	2,151	2,240	2,212	2,219	+7

Sources: Ministry of Justice, Scottish Government and Northern Ireland Department of Justice.

Notes:

[1] A list of roles within each salary group is at Appendix G.

[2] Judicial salaries have not been increased since 1 April 2009.

[3] Numbers as at 31 March.

[4] Salaried medical members were added to the remit group in October 2011.

[5] Stipendiary magistrates were added to the remit on 12 July 2011.

Our 2012 report

5.2 In our 2012 report we did not make a pay recommendation. However, we did highlight that the Government had yet to respond to the recommendations in our 2011 report stemming from our major review of the judicial salary structure. We urged the Government to consider those recommendations (set out in Appendix H) and at least to implement those which concerned posts shown by job evaluation to be wrongly graded or which would not add to the judicial paybill.

5.3 The Government's response to our 2012 report was that it continued to consider the major review recommendations in the context of public sector pay policy and would respond to the recommendations as a whole when able to do so. It estimates that the cost of implementing the recommendations varied by jurisdiction but was at least 1½ per cent to 2 per cent of paybill in each case. Therefore, according to the Government, implementing the major review recommendations would not be consistent with its public sector pay policy of limiting average increases to 1 per cent of base pay in each of 2013-14 and 2014-15.

Evidence

5.4 For this round we received written evidence from many sources including the Lord Chief Justice of England and Wales, the Lord President of the Court of Session, the Lord Chief Justice of Northern Ireland, the Ministry of Justice, the Judicial Appointments Commission (England and Wales), the Judicial Appointments Board (Scotland), the Northern Ireland Judicial Appointments Commission, the UK Judicial Salaries and Pensions Association, the President of Employment Judges (Scotland), the Association of District Judges, the Council of Employment Judges, the Council of Appeal Tribunal Judges, the National Council of HM District Judges (Magistrates' Courts), the Council of HM Circuit Judges and the Scottish Government.

5.5 We heard oral evidence from the Lord Chancellor and Secretary of State for Justice, the Lord Chief Justice of England and Wales, the Lord President of the Court of Session, the Lord Chief Justice of Northern Ireland and each of the three judicial appointments organisations. A full list of those who provided written and oral evidence is at Appendix A.

5.6 We were also shown a sample of the more than 1,200 responses to the Lord Chancellor's consultation on reform of the Judicial Pension Scheme (JPS). It is clear from the volume of responses and from much of the written and oral evidence we have received that judges feel very strongly that the Government's proposals to reduce the pension benefits of younger judges from 2015 will both penalise those judges and deter others from joining the judiciary. We return to this issue below.

Affordability

5.7 The Ministry of Justice (MoJ) described its 2010 Comprehensive Spending Review settlement as extremely challenging, requiring it to deliver annual savings of £2 billion by 2014-15. Within that, Her Majesty's Courts and Tribunals Service is required to achieve savings of £190 million by the end of 2012-13 and at least £250 million by the end of 2014-15. The MoJ evidence said that judicial remuneration is expected to cost £462 million in 2012-13 of which 71 per cent (£328 million) is for the permanent, salaried judiciary in our remit group. The MoJ estimates that if we were to make a recommendation in excess of its proposal, each extra 1 per cent on the paybill would cost £5 million a year, the equivalent of 900 crown court days or 9,000 chairman days in tribunals.

Major review

5.8 In paragraphs 5.2 – 5.3 we explained that the Government had not implemented our recommendations on the judicial pay structure stemming from our major review in 2010-11. This year the Lord Chief Justice of Northern Ireland, the Upper Tribunal Judges and the Council of Employment Judges all argued that the outstanding recommendations should be implemented as soon as possible. However, the Lord Chief Justice of England and Wales and the Lord President both proposed deferring action on our major review recommendations until uncertainty surrounding the Judicial Pension Scheme had been resolved. In addition the Association of Her Majesty's District Judges said that changes recommended to the judicial salary structure should be deferred until changes envisaged by the Crime and Courts Bill 2012 can be understood and evaluated.

5.9 In oral evidence the Lord Chancellor said that in his view the recommendations generally made good sense and would bring an overdue simplification to the system. However, he said they could not be implemented over the next two years because the cost of the changes would exceed 1 per cent of the paybill and fall outside Government policy on public sector pay.

5.10 In our 2012 report we said that we understood why the Government did not implement our recommendations for changes to salary structures and salary increases during the pay freeze but we thought the other recommendations should have been implemented. The pay freeze is now over and we think it should now be a priority to implement our recommended changes. It would be possible to stage the implementation of our major review recommendations over the two years 2013-14 and 2014-15 at a cost of around 1 per cent of paybill each year. We return to this in paragraph 5.40.

Pay

5.11 Judicial pay was last increased in April 2009. In 2010 we recommended that judicial salaries should be unchanged and in 2011 and 2012 the Government applied a policy of freezing the pay of public sector workers paid over £21,000. In our 2012 report we estimated that between 2009-10 and 2011-12 those in salary group 6.1 (including Circuit Judges) had seen their take-home pay decline by 4.8 per cent in nominal terms, or by 13.9 per cent in real terms (adjusting for price inflation as measured by the Consumer Prices Index (CPI)). We have updated this analysis to take account of the impact of the continued pay freeze in 2012-13 and the increased pension contributions judges have been paying since April 2012. Between April 2009 and December 2012 take-home pay for those in salary group 6.1 fell by 7.2 per cent in nominal terms and by 18.3 per cent in real terms (measured against changes in CPI).

5.12 In his 2011 Autumn Statement the Chancellor of the Exchequer set out the Government's public sector pay policy for awards to average 1 per cent in 2013-14 and 2014-15. Since then the Scottish Government has decided that public sector workers in Scotland paid £80,000 and above should continue to be subject to a pay freeze, while the Northern Ireland Government will follow the Westminster Government. Whilst we note the public sector pay policies in different parts of the United Kingdom, we are advised that judicial pay remains the responsibility of the United Kingdom Government.

5.13 Almost all representatives of the judiciary who addressed this issue argued that if only 1 per cent of paybill were available, then all judges should receive the same increase since any other option would damage motivation and collegiality. We did suggest that there could be a case for concentrating the available increase at salary group 4 (High Court and equivalent) and above where there was some evidence of recruitment difficulties. This idea was rejected by all respondents. They felt that to distinguish between groups, all of whom have seen their pay frozen for three years, would be divisive and damage the morale of those whose pay would be frozen or increase by less than 1 per cent. In the short term we understand those widespread concerns but remain of the view that at some point in the near future differential awards will be required if potential recruitment problems at salary group 4 and above are to be avoided.

Judicial pensions

5.14 We have no role in determining judicial pensions but we have always been mindful of their value as an important element of total reward – arguably worth more than a third of salary – when considering our recommendations on pay. However, pensions are just one of a number of strands of evidence we take into account and we do not apply a mechanistic approach whereby any change in pension value should be automatically reflected in a compensating change to our pay recommendations. Rather we try to gauge whether the total remuneration package is adequate to recruit, retain and motivate.

5.15 Pension schemes across the public sector, including the JPS, are being reformed in line with the recommendations of the Independent Public Service Pensions Commission chaired by Lord Hutton. Members of the current JPS contributed an additional 1.28 per cent of salary in 2012-13 with a further 1.28 per cent in 2013-14 and pension benefits are being uprated in line with the consumer price index (CPI) rather than the retail price index (RPI).

5.16 Shortly before we submitted this report the Government set out proposals for a new Judicial Pension Scheme, to apply to service from 1 April 2015. Key features of the Government's proposals include:

- A stand-alone scheme, solely for the judiciary, but reflecting the terms of the new civil service scheme. It will have separate governance arrangements (including representatives of the judiciary) and a separate actuarial valuation.
- Benefits dependent on average earnings over a career, rather than final salary, in line with other new public sector schemes.
- An accrual rate of approximately 1/43, compared with 1/40 at present.
- No automatic lump sum. Pension can be commuted for lump sum at the rate of £1 of pension for every £12 of lump sum.
- Registration with HM Revenue and Customs for taxation purposes, unlike the existing unregistered scheme. (This means that judges' contributions will in future attract tax relief, but pension accrual will be subject to the annual and lifetime tax allowances – see paragraphs 5.23 – 5.24 below.)
- Judges within 10 years of pension age at 1 April 2012[16] will continue in their current pension schemes until retirement. In addition, those judges aged between 51½ and 55 on 1 April 2012 will have the option to defer joining the new scheme until an age-related later date, as late as 2022 for those closest to 55. This tapering will reduce the 'cliff edge' between those aged 55 and over and younger judges.
- Benefits accrued before 1 April 2015 (or later for those aged 51½ and over on 1 April 2012) will be preserved and paid on the basis of judges' final salaries at retirement.

5.17 In its evidence the MoJ explained that by reforming the existing JPS it aimed to ensure long-term sustainability and demonstrate greater fairness to the taxpayer in how public service pension benefits are funded. The Lord Chancellor acknowledged that any new pension scheme would not be as advantageous as the existing scheme but said the overall package on offer would remain attractive. He pointed out that discussions had taken place with groups across the public sector on pension reform and he saw no compelling reason to make an exception for the judiciary.

5.18 Many of those providing evidence to us this year have emphasised the damaging effect of proposed changes to the JPS on the morale, motivation and retention of existing judges and also on future recruitment to the judiciary.

5.19 In his evidence the Lord Chief Justice of England and Wales (LCJ) said that the issue of pension scheme reform overshadowed that of pay. He was concerned that, by making it harder to recruit the best judges, the changes could affect the quality of the justice system, including its ability to attract international business which contributed to the national balance of payments. He believed all existing judges should be treated in the same way and that it was wrong to offer those closest to retirement the opportunity to remain in the existing scheme and not offer the same arrangement to younger judges. Strength of feeling was such that over 1,200 judges had responded to the

[16] 74 per cent of those serving at 1 April 2012.

Government's consultation. The LCJ said that some had indicated that they would resign before the changes became effective on 1 April 2015 if they did not qualify for relief, as they considered that the conduct of the Government in unilaterally reducing the remuneration of judges would discharge them from any obligation given at the time of their appointment not to return to legal practice.

5.20 Although the Lord President and the Lord Chief Justice of Northern Ireland (LCJNI) were not aware of any judges in their respective jurisdictions threatening to resign as a result of changes to the JPS, both were concerned at the impact that uncertainty about pension provision was having on the morale of the judiciary and potentially on recruitment and retention in the future. They joined the LCJ in arguing that the judiciary were different from other groups in the public sector. People generally join the judiciary relatively late in their working lives; they are paid spot rates with no incremental progression and no potential to earn performance bonuses; and in England and Wales and in Northern Ireland they are not allowed to return to private practice should they leave the judiciary. In Scotland there is no formal bar on a return to private practice, but the Lord President said it happened only rarely and at lower levels. It would be unprecedented and in his view highly undesirable for a more senior judge to return to practice.

5.21 The LCJ shared with us advice he had obtained from actuaries which included four worked examples showing that existing members of the judiciary would see a reduction in pension benefits of between 34 and 46 per cent for service after April 2015. The figures take no account of pension benefits already accrued and are sensitive to age, length of service, and salary group but it is clear that some judges who are not within 10 years of pension age will suffer a substantial reduction in the value of their pension benefits from the JPS after 2015. A recent report by the Pensions Policy Institute[17] calculated that the four largest public sector schemes would be worth over a third less to members as a result of Government reforms. Although this report did not look at the JPS, it did cover the Principal Civil Service Pension Scheme on which the JPS will be modelled.

5.22 After the Government published its latest JPS proposals in February 2013, the LCJ said he remained concerned about their impact on judicial morale and diversity and on the ability to recruit and retain judges of the highest quality. He also believed that those judges insufficiently close to retirement age to qualify for transitional relief would face a disproportionate reduction in pension benefits compared to other public sector groups. The Chairman of the Judicial Pensions Committee estimated that the cut in judges' total net remuneration as a result of the pension proposals would be at least 15 per cent more than that suffered by any other public sector group.

Tax and pensions

5.23 When the then Government introduced annual and lifetime limits on pension saving qualifying for tax relief, it agreed to exempt judges from those restrictions. It did so by de-registering the judicial pension scheme, reducing the member contributions to reflect the fact that they would no longer qualify for tax relief and introducing a service payment to retiring judges which would, after tax, be equal to the amount of tax relief forgone on the lump sum. The current Government has announced that, as part of its proposals to reform the JPS, it intends to end the exemption from the annual and lifetime limits for judges with effect from 1 April 2015. Although the 74 per cent of judges within 10 years of pension age at 1 April 2012 will not be affected by this change, some younger judges who have built up substantial pension savings before joining the judiciary could face large tax bills on their judicial pensions, especially after the annual and lifetime allowances are further reduced from April 2014.

[17] *The implications of the Coalition Government's reforms for members of the public service pension schemes*, Pensions Policy Institute, October 2012. http://www.pensionspolicyinstitute.org.uk/default.asp?p=12&publication=0332&.

5.24 The Government said it recognised that some members of the judiciary had concerns about the impact of moving to a tax-registered scheme. It said it proposed to address them by allowing certain judges under 55 with substantial pension savings protected under tax legislation to opt out of the new JPS in 2015. Instead they would receive a Transitional Protection Allowance (TPA), estimated to be around 20 per cent of salary, but subject to income tax and National Insurance. This option would assist those who would otherwise incur a tax liability if they began to make contributions to a registered pension scheme. The Government said it did not know how many individuals would be eligible for this allowance as it did not hold the information on judges' pre-judicial pension arrangements necessary to determine eligibility.

5.25 While this will provide some protection for those existing judges who qualify for TPA, it will not be extended to new judges. The future judicial pension arrangements will thus be much less attractive than the current scheme to those who have built up significant pension provision while in private legal practice.

Recruitment

5.26 A key part of our remit is to have regard to the need to recruit and retain sufficient suitably able and qualified people for judicial office. We received evidence from those responsible for recruiting judges in England and Wales, Scotland and Northern Ireland. All three appointment bodies said that to date they had been able to recommend suitable candidates for the vacancies they had been asked to fill. Application levels have been relatively healthy below the level of the High Court and equivalent, but there was some concern about whether sufficient numbers of high quality candidates were coming forward at High Court level.

5.27 All three appointment bodies expressed concern about their ability to fill vacancies in the future, concerns shared by the heads of the judiciary in each part of the United Kingdom. They felt that the combination of three years' pay freeze followed by pay restraint, reform of the JPS, increased workload and concerns about the status of the judiciary may deter high quality candidates from applying for judicial vacancies in the future.

5.28 The Judicial Appointments Commission (JAC) for England and Wales completed 13 selection exercises for salaried posts in 2011-12 and was able to make recommendations to fill 191 of 192 vacancies.

5.29 In Scotland the Judicial Appointments Board completed three recruitment exercises in 2011-12, filling vacancies for four Sheriffs, one Sheriff Principal and four Senators of the College of Justice.

5.30 The Northern Ireland Judicial Appointments Commission completed three judicial appointment exercises in 2011-12, appointing one Social Security and Child Support Commissioner, two County Court Judges and one District Judge.

Retention

5.31 This year many judges told us that it would be wrong to place much weight on retention data at the moment. People tend to join the judiciary towards the end of their legal careers and, in England and Wales and in Northern Ireland, are expressly prohibited from returning to private practice after holding judicial office. Therefore they have no realistic alternative to staying in the judiciary until retirement. However, the LCJ did say that strength of feeling about proposed changes to the JPS was such that a number of judges had suggested that they would resign if significant changes were made to the existing scheme.

Morale and motivation

5.32 We have heard from the heads of the judiciary, individual judges and also from organisations such as the UK Judicial Salaries and Pensions Association (UKJSPA) that pension scheme reform, three years of pay freeze and at least a further two years of pay restraint have all had a negative impact on the motivation and the morale of the judiciary. The Lord President said that those who seek high judicial office recognise that it may involve a reduction in income but that historically they were driven by a sense of public service and judicial office was seen as the culmination of a successful legal career. However, he went on to say that, over the last ten years or so, the approach of successive Governments to judicial remuneration had shown little recognition of the role of judges and the commitment they make to society. He also said that the workload was continuing to grow, that some judges felt working conditions were no longer congenial, and that Government may appear to be taking the judiciary for granted.

5.33 The UKJSPA submitted the results of a survey of its members following the announcement that the JPS would change. Close to half of respondents within ten years of retirement said they were less satisfied with their remuneration package and were less motivated at work, and around three-quarters said they would have been less likely to apply to be a judge if they had known their terms and conditions could be changed after appointment. Of those with more than ten years to serve until retirement, over 50 per cent were less satisfied with their remuneration package and less motivated at work and 85 per cent said they would have been less likely to apply to be a judge if they had known their terms and conditions could be changed after appointment.

5.34 In their evidence both the LCJ and the LCJNI, who are responsible for the motivation of the judiciary in their jurisdictions, asked the SSRB to survey the judiciary on their morale and motivation. While we should welcome quantified and systematic information, we believe it is for the LCJ, Lord President and LCJNI to collect this information although our secretariat would be happy to advise on how it might be done.

Analysis

5.35 The MoJ proposed an across the board pay settlement of 1 per cent for the judiciary in 2013-14. The LCJs for England and Wales and for Northern Ireland and the Lord President all requested that any award be applied equally to all members of the judiciary.

5.36 Many of those providing evidence to us this year have criticised the proposed changes to the JPS, including to its tax treatment. We recognise that these changes will have a significant impact on some members of this remit group who in practice can do nothing to offset their loss because they are barred from returning to private practice. We understand the strength of feeling of many in the judiciary on this issue. They believe the Government has let them down by imposing reductions in key elements of the terms and conditions on which they were appointed. This may well have a detrimental effect on the motivation and morale of judges and especially of the younger judges whose pension benefits will be substantially reduced.

5.37 We are also greatly concerned about the impact these reforms will have on recruitment to the judiciary. Many of those who join the judiciary, particularly at more senior levels, take a substantial cut in pay which, in the past, has been compensated to some extent by the pension arrangements. The evidence we received from the appointments bodies this year was based on recruitment competitions completed before the Government announced its final proposals for the JPS. As explained in Chapter 1, the Government's proposals came too late for us to be able to commission research on the effect of the pension changes on total reward. We intend to do so as soon as possible. The reduction is clearly substantial and it would be surprising if it did not deter some people from applying to join the judiciary, especially at more senior levels.

5.38 The Lord Chancellor did recognise in his oral evidence to us that there was a risk that changes to pensions could adversely affect recruitment, but he told us he thought the risk was small and there would not be a significant problem. We are less sanguine than the Lord Chancellor about the prospects for recruitment to the judiciary in coming years and we shall continue to monitor recruitment and retention closely. We shall also seek to quantify the effect of the pension changes on total reward.

Our recommendations

5.39 We make three linked recommendations aimed at starting to address the recruitment problems that may otherwise emerge. First, we recommend that, with effect from 1 April 2013, salaries for the judiciary should be increased by 1 per cent. The resulting amounts are set out in Table 5.2.

Recommendation 9: We recommend that with effect from 1 April 2013 salaries for the judiciary be increased by 1 per cent (see Table 5.2).

Table 5.2: **Recommended judicial salaries from 1 April 2013**

Salary group	Recommended judicial salaries from 1 April 2013
1	£242,243
1.1	£216,307
2	£208,926
3	£198,674
4	£174,481
5	£139,933
6.1	£129,579
6.2	£121,993
7	£103,950
Salaried medical members	£82,436
Stipendiary magistrates	£71,268

5.40 The major review of the judicial salary structure on which we reported in 2011 pointed to the growing gap between the earnings of senior barristers and solicitors and the salaries of senior judges. There is a clear need to adjust some judicial salaries to ensure continued recruitment, retention and motivation of suitably able and qualified people. In oral evidence this year the Lord Chancellor said that the recommendations generally made good sense and would bring an overdue simplification to the system.

5.41 In our 2012 report we recognised that during a period of pay freeze the Government might not be able to implement the recommendations from the review immediately and in full. Also both the LCJ and Lord President said this year that action on our major review recommendations should be deferred until uncertainty surrounding the judicial pension scheme had been resolved. However, the pay freeze is now over and we believe the Government should now implement the outstanding recommendations before the start of the next major review. Such reviews have normally taken place every five years so we expect to complete the next one in 2016. We believe that further delay in implementing the recommendations from the last review will adversely affect the motivation of existing members of the judiciary and make it harder to recruit suitably able and qualified people at each level of the judiciary in the future, especially at High Court level and above.

Recommendation 10: We recommend that the Government address all the outstanding recommendations from the 2011 major review of the judicial salary structure by 2015, before the start of the next major review of the judicial salary structure.

5.42 Our third recommendation is that the new judicial salary structure proposed in the last major review be increased by 1 per cent. The resulting amounts are set out in Table 5.3.

Recommendation 11: We recommend that each salary group in the new judicial salary structure we proposed in 2011 be increased by 1 per cent (see Table 5.3).

Table 5.3: **Recommended salary groups and rates**

Current salary group	New salary group	Salary
1	A	£247,450
1.1	B	£237,350
	C	£227,250
2	D	£217,150
3	E	£207,050
4	F	£181,800
5	G	£141,400
6.1	H	£131,300
6.2	I	£116,150
7	J	£104,030

Conclusion

5.43 While we have concerns about the ability of all our remit groups to recruit, retain and motivate sufficient high quality members, given the pay policies to which they are subject, our greatest concern is for the judiciary. The quality of the judiciary and of its judgments is essential to a modern, well-functioning state.

5.44 There are particularities which apply only to this remit group. The labour pool from which judges can be drawn is highly restricted. It consists principally of solicitors and barristers in private practice. It is not a large pool, especially for the High Court and above. Since qualification for judicial office requires considerable knowledge of, and practice in, the law, people tend to be in their forties or, especially for the High Court, fifties on appointment. Furthermore, as noted above, by convention those joining the judiciary give up the right to revert to private practice in future. Becoming a judge is a serious, life-changing decision.

5.45 As we noted in our last major review of the judicial salary structure (see our 2011 report), successful applicants to the High Court bench typically suffer a cut in earnings of 59 per cent, after allowing for the value of the pension, on taking up judicial office. The gap had increased since the previous major review which had reported in 2006. The current JPS could not bridge the financial gap between private practice and public service but it had a psychological impact well beyond its financial value, signalling acknowledgement of what had been given up for ever and marking public respect for the judiciary as an institution. While we believe that there will still be senior practitioners willing to perform public service by joining the judiciary, the combination of the reduction in the value of the pension and prolonged pay restraint will result in a tipping point when there will be too few of the right quality willing to make the transition. We believe we may be at that tipping point now.

Chapter 6

Very Senior Managers in the National Health Service

Very Senior Managers

6.1 In 2007 our terms of reference were changed to add certain National Health Service very senior managers (VSMs) to our remit. Those VSMs were chief executives, executive directors and other senior managers with board-level responsibility who reported directly to the chief executive, employed by the following organisations in England: Strategic Health Authorities; Primary Care Trusts; Ambulance Trusts; and Special Health Authorities.

Changes to our remit group

6.2 Under the reorganisation of the NHS resulting from the Health and Social Care Act 2012, our remit group has changed significantly. From 1 April 2013, instead of Strategic Health Authorities and Primary Care Trusts, the main employer of VSMs in our remit group will be the NHS Commissioning Board. Further information on this and on the other organisations in our revised remit is at Appendix I.

Our new remit group

6.3 When Strategic Health Authorities, Primary Care Trusts and Ambulance Trusts made up the majority of the organisations in our remit group, the VSMs they employed were paid in line with the old VSM pay framework[18]. Our remit group has become more complex: it now contains VSMs employed in a more disparate range of organisations fulfilling a different set of functions. Furthermore, these organisations apply several different pay frameworks.

6.4 The Department of Health said that the VSMs covered by our remit were now those working in national bodies while those outside our remit were in organisations such as Foundation, Acute, Care and Mental Health Trusts and Clinical Commissioning Groups, all of which operate at a local level. The latter organisations are free to set their own pay levels subject to overall budget constraints. We think it likely that many NHS organisations will compete against each other to recruit and retain VSMs, regardless of whether they operate at national or local level. We doubt whether it will be sustainable in the long term to grant some NHS organisations greater freedom to set their VSMs' pay while others are constrained.

The total number of VSMs in our remit

6.5 During the transition from the old NHS structure to the new it has been difficult for the Department to provide us with an accurate figure for the number of VSMs who will be in our remit group on 1 April 2013 but in February 2013 they estimated the total to be 497[19]. Further information on the number of VSMs the Department expects each organisation in our remit group to employ is at Appendix I.

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[18] Department of Health. *Pay framework for very senior managers in strategic and special health authorities, primary care trusts and ambulance trusts: updated July 2012.* Available at: https://www.wp.dh.gov.uk/publications/files/2012/07/pay-framework-vsm-strategic-and-special-has-pcts-amb-trusts-updated-july-2012.pdf.

[19] Our 33rd annual report included information from the Department that there would be around 100 VSMs at the end of the planned reorganisation of the NHS. The 34th annual report published in March 2012 stated that the Department estimated that there were around 500 VSMs in our remit group. In May 2012 the Department increased this to around 770 VSMs during transition from old to new NHS structures and estimated that there would be around 381 VSMs on 1 April 2013. We included this information in our 80th report. Review Body on Senior Salaries. *Report on Locality Pay for NHS Very Senior Managers 2012.* Cm 8507. TSO 2012. Available at: http://www.ome.uk.com/Document/Default.aspx?DocumentUid=1B4D3585-D09F-497D-903B-3E90705AECDA

The new VSM pay framework

6.6 Under the old VSM pay framework, the income and 'impact' of each national organisation determined the chief executive's pay. Executive directors were paid an arbitrarily fixed percentage of the chief executive's salary. For several years we had been calling, in the interests of fairness and clarity, for a pay framework based on job weight. In our last report[20] we welcomed the introduction from May 2012 of a new VSM pay framework which, by linking pay closely to job evaluation, eliminated some of the flaws of the old one.

6.7 However, we were told last year that the new VSM pay framework would apply only to newly created posts and to new appointments to existing posts in arm's length bodies and we expressed concern at this approach. This year we were disappointed to learn that, essentially because of cost and presentation at a time of pay restraint, the Department still has no plans to migrate those on either the old VSM pay framework or on other, 'non-standard', VSM pay frameworks to the new VSM pay framework.

Equal pay

6.8 The third recommendation in our 80th report[21] was that all VSMs should be assimilated onto the new pay framework, on the basis of job weight, once the NHS reforms had been fully implemented. This was because of the potential for unfairness if those in existing posts found themselves working alongside newly recruited VSMs paid more in jobs of the same weight. There was also a risk of claims of discriminatory treatment.

6.9 In his Written Ministerial Statement on 5 December 2012 on publication of our 80th report, the Secretary of State for Health rejected that recommendation on cost grounds "unless adjustments were required to comply with equal pay legislation". While we do not wish to overstate the risk of equal pay claims, we think it unrealistic to expect those employed by organisations evaluated under the new VSM pay framework not to compare the published results with their own remuneration.

6.10 Currently there is nothing to prevent any of the organisations employing VSMs in our remit group from applying more than one pay framework to their VSMs and the Department has told us that a number of them already do so. VSMs and remuneration committee members that we spoke to on visits unsurprisingly thought it would be bad for morale or retention if a VSM were to be recruited at the new, higher VSM rate while others in the same organisation remained on old, lower rates. Furthermore, we consider that, depending on the circumstances, differences in pay could trigger legal challenge. In our view it is not good employer practice to leave pay anomalies such as these unaddressed. It is also unfair to the individuals involved. We therefore strongly recommend that the Department phase in the assimilation of all VSMs in our remit group onto the new VSM pay framework over a three year period.

Recommendation 12: We recommend that the Department of Health phase in the assimilation of all VSMs in our remit group onto the new VSM pay framework over a three year period from April 2013.

Job evaluation process

6.11 The job evaluation process that underpinned the development of the new VSM pay framework is described by the Department of Health in its written evidence to us as "independent, robust, consistent, objective, fair and transparent". However, Managers in Partnership (MiP) raised concerns with us about the accuracy of some job evaluation

[20] ibid.

[21] ibid.

scores and about assessors encroaching on the role of remuneration committees by setting spot rates. We therefore advise the Department to review the job evaluation process in the next year and to arrange for re-evaluation of any relevant posts if concerns about the process are shown to be justified.

Other pay matters

6.12 There were two other matters on pay that were raised with us during our evidence-gathering meetings and visits this year which caused us concern. The first was evidence of VSM pay continuing to overlap with Agenda for Change pay scales. This is an issue that we have raised in the past and do so again now because we believe that, as a guiding principle, VSMs should not receive lower base pay than those reporting to them. The Department told us that it expected the overlap to be eradicated once the new VSM pay framework was applied in full. This is another reason for assimilating all VSM posts onto the new VSM pay framework within the period we recommend. In addition, MiP reported that a number of managing directors in Commissioning Support Units were receiving Development Pay in circumstances that did not justify such reductions. We ask the Department to look into these two matters and let us know its findings.

Recruitment and retention

6.13 Although we asked the Department for the number of vacant posts or unconfirmed VSM appointments in the arm's length bodies in our remit group, we did not receive this information. MiP reported to us in December 2012 that there were still many VSM vacancies in the new NHS structure. However, the NHS Commissioning Board advised us then that it had filled almost 200 (90 per cent) of its 222 VSM vacancies and was confident of filling the remainder by the end of March 2013.

6.14 The NHS Commissioning Board did report particular difficulties in recruiting VSMs to commercial and financial roles in London and elsewhere. Those we spoke to expressed some concern about the ability of the Commissioning Board to retain staff in future. It was, as noted above, likely to have to compete on pay with other organisations within the NHS including Clinical Commissioning Groups and Foundation Trusts and also external private consultancy firms, all of which would have greater pay freedoms. The Human Tissue Authority also expressed concern to us about future recruitment and retention. On a visit there we were told that the VSMs are on a unique VSM pay framework that pays them 25 per cent below the rate specified for their organisation in the new VSM pay framework. As there were no plans at present to move them onto the new VSM pay framework, the Authority expected to have particular difficulties in future in competing with other employers in the wider scientific and professional regulatory sectors. We will monitor all the bodies in our remit group this year for evidence of these concerns.

Recruitment and retention premia

6.15 We were told of concerns about limited pay flexibility under the new VSM pay framework. The maximum permitted recruitment and retention premium (RRP) without obtaining special permission was to be 10 per cent of salary. One possible solution would be to make permanent the current temporary arrangement allowing organisations to apply RRP of up to 20 per cent where necessary. We also learned that there were significant delays in the process for authorising individual RRPs above the standard maximum.

6.16 These problems with RRP were not brought to our attention during the evidence-gathering process for our report on locality pay for NHS VSMs in 2012. RRP can be used to address problems with recruitment in specific geographical areas. We shall consider this issue further in our next report, in the light of all the evidence.

Motivation and morale

6.17 We were encouraged to learn at our oral evidence session with the Department that it expected to provide us with information on morale, recruitment and retention. It expected to run staff attitude surveys and supply us with data from exit interviews in future and the NHS Commissioning Board confirmed that it would do so.

6.18 We were told this year that the morale of VSMs had been undermined by a range of things such as the overall reduction in the number of VSM posts and reduced take-home pay but mostly by intense media and political criticism.

Pay award 2013-14

6.19 The Department in its written evidence did not make a specific pay proposal but invited us to provide advice on how best to allocate any pay increase for 2013-14, within the constraints of the Government public sector pay policy limiting increases to an average of 1 per cent. Both the Department, in oral evidence, and many of those we met favoured giving the same increase to all VSMs on the grounds that they had shown leadership at a time of great upheaval. The Department also preferred a simple approach on pay while complex structural changes were happening. We agree with that approach for this year but we recommend using pay awards from 2014-15 to start to address the pay disparities that we have discovered within the VSM remit group.

Recommendation 13: We recommend that all VSMs in our remit group receive a 1 per cent pay increase in 2013-14.

Performance pay

6.20 We were told repeatedly that the VSM performance pay system - in which bonuses capped at 5 per cent of an individual's reckonable pay were restricted to the top-performing 25 per cent – demotivated those excluded more than it motivated those chosen. We were told that bonuses were too small to provide adequate incentives or recognise outstanding performance. We learned that some organisations preferred not to pay any bonuses in order to avoid the divisive process of singling out just one VSM in a well-performing team. We were also told that the Department outlined the scheme too late in the year to incentivise VSMs. For all these reasons we consider that the current performance pay system is unsatisfactory and should be reviewed. We therefore recommend suspending the current performance pay system and allocating the resources instead to addressing VSM pay anomalies.

Recommendation 14: We recommend that the performance pay system for VSMs be suspended and revised to make it fairer and more effective. The money for performance pay should this year be used to start to eliminate unjustified differences in pay between VSMs on different pay frameworks.

SSRB's data requirements

6.21 Our main purpose is to recommend levels of remuneration which are sufficient to recruit, retain and motivate enough suitably able and qualified VSMs. To do this effectively we require timely, accurate and complete data on VSMs. However, the Department of Health has had difficulty in providing such data ever since VSMs were added to our remit. In our 2012 annual report[22] we said that we hoped the Department would collect and provide to us much better information on VSMs (for example to tell us how many VSMs there are

[22] Review Body on Senior Salaries. *Thirty-Fourth Report on Senior Salaries 2012.* Cm 8297. TSO, 2012. Available at: http://www.ome.uk.com/Document/Default.aspx.

in our remit group) once the NHS reorganisation was complete. In our 80th report[23] we said that it was essential for the Department to collect sufficient information to enable it and us to judge whether VSM salaries are sufficient to recruit, retain and motivate. The information we regard as essential comprises:

- data on numbers and pay of VSMs;
- data on filling vacancies;
- use of Recruitment and Retention Premia, Development Pay, Performance Pay and Payments for Additional Responsibilities;
- source and destination of VSMs joining and leaving organisations covered by our remit (both organisational positions and geographical locations);
- data on turnover, including redundancy and early retirement;
- reasons for leaving as given in exit interviews or surveys;
- relative levels of pay in bodies employing VSMs and other NHS organisations including Foundation Trusts and Clinical Commissioning Groups;
- data on any overlaps in VSM and Agenda for Change pay;
- information on motivation and morale from staff surveys; and
- feedback on the work of arm's length body remuneration committees.

6.22 We recognise that it has been particularly difficult during the transitional period for the Department to obtain data and predict the number of VSMs on 1 April 2013, the official date for the new NHS structure taking over from the old. We are grateful for the information it provided this year on VSM salaries in the arm's length bodies, particularly as the work to determine individuals' terms and conditions of employment goes on. We also welcomed the information on pay rates in comparator organisations such as NHS Trusts, Foundation Trusts (and Clinical Commissioning Groups). However, the Department has otherwise fallen far short of our requirements and we ask it to remedy this by the end of September 2013. By then the new NHS organisational structure will have been in place for six months and the employers will have finalised their arrangements for the VSMs in our remit group. We should then be properly informed to provide the Government with advice on the pay of VSMs in 2014.

Conclusion

6.23 We recognise that the NHS is undergoing a period of significant organisational change and understand the desire of the Department to take a simple approach to pay this year, especially as financial constraints are tight. However, this should not prevent the Department from starting to migrate onto the new VSM pay framework all members of our remit group who can play a key part in making the new NHS work. It is also important that the Department has the management information available to allow it to identify recruitment or retention pressures in the new system, should they emerge. In that event, the Department must give us the necessary information to allow us to make recommendations targeting those groups of VSMs where problems have been identified.

[23] Review Body on Senior Salaries. *Report on Locality Pay for NHS Very Senior Managers 2012.* Cm 8507. TSO 2012. Available at: http://www.ome.uk.com/Document/Default.aspx?DocumentUid=1B4D3585-D09F-497D-903B-3E90705AECDA.

Appendix A

List of those who gave evidence and information to the SSRB

The senior civil service

Oral and written evidence:

Minister for the Cabinet Office
Head of the Home Civil Service
The First Civil Service Commissioner and Commissioner for Public Appointments
FDA and Prospect

Oral evidence:

Government Lead Non–Executive Director, Lord Browne of Madingley
Senior civil service discussion groups (26 attended)

Senior officers of the armed forces

Oral and written evidence:

The Secretary of State for Defence

Oral evidence:

Senior military discussion group (11 2– and 3–star officers)
'Feeder' group discussions (56 officers from OF3 to OF6)

The judiciary

Oral and/or written evidence:

The Lord Chancellor and Secretary of State for Justice
The Right Honourable The Lord Judge, Lord Chief Justice of England and Wales, Sir Andrew Morritt, Chancellor of the High Court and The Honourable Mr Justice Vos
Woolwich Crown Court (11 judges attended)
Upper Tribunal (Immigration and Asylum Chamber) (14 judges attended)

Those providing oral and/or written evidence and information to the Judicial Sub–committee:

Judicial Appointments Commission (England and Wales)
Judicial Appointments Board (Scotland)
Northern Ireland Judicial Appointments Commission
Lord President of the Court of Session
Lord Chief Justice of Northern Ireland
Ministry of Justice (included information from the Northern Ireland Courts and Tribunals Service)
Scottish Government
Upper Tribunal Judges of the Administrative Appeals Chamber, Tax and Chancery Chamber and Immigration and Asylum Chamber
Association of Her Majesty's District Judges
Council of Her Majesty's District Judges (Magistrates' Courts)
Costs Judges of the Senior Courts Costs Office
Council of Her Majesty's Circuit Judges
Council of Employment Tribunal Judges
Council of Appeal Tribunal Judges
UK Judicial Salaries and Pensions Association

Designated Immigration Judges
Council of Immigration Judges
President of Employment Tribunals, England
President of Employment Tribunals, Scotland
Registrars of the High Court
The Industrial Tribunals and the Fair Employment Tribunal for Northern Ireland
Further written evidence from four individual judicial post holders

Very Senior Managers in the National Health Service

Oral and/or written evidence:

Department of Health
Human Tissue Authority
NHS Business Services Authority
NHS Commissioning Board
Managers in Partnership

Appendix B

Website references for publications

SSRB reports from 2001 onwards can be found at:
http://www.ome.uk.com/SSRB_Reports.aspx

Evidence submitted to the SSRB by the Cabinet Office:
http://www.civilservice.gov.uk/recruitment/working/pay–and–reward/scs–pay

Evidence submitted to the SSRB by the FDA/Prospect:
http://www.fda.org.uk/home/FDA–SSRB–evidence–2012–13.aspx

Evidence submitted to the SSRB by the Ministry of Justice:
http://www.justice.gov.uk/downloads/publications/corporate–reports/MoJ/2012/senior–salaries–review–body–2012.pdf

Evidence from the Department of Health:
http://www.dh.gov.uk/health/2012/11/evidence–ssrb–2013/

Evidence from Managers in Partnership:
http://www.miphealth.org.uk/home/EmploymentIssues.aspx

Appendix C

Take-home pay – full calculations

Example 1 – VSMs

A VSM in the NHS (a Nursing Director in a Band 3 PCT) paid £83,000 (with "satisfactory" performance – i.e. not eligible for non–consolidated performance–related pay). He/she is a member of the NHS pension scheme making a personal contribution of 7.5 per cent in 2009–10, increased to 9.9 per cent in 2012–13.

	2009–10		2012–13	
Gross Income	**£**	**Calculations**	**£**	**Calculations**
Base Pay	83,000		83,000	
Performance Pay				
Total Pay	**83,000**		**83,000**	
Pension Contribution	***6,225***	***£83,000 x 7.5%***	***8,217***	***£83,000 x 9.9%***
Personal Allowance	6,475		8,105	
Taxable Pay	70,300	£83,000 – £6,475 – £6,225	66,678	£83,000 – £8,105 – £8,217
Income Tax	***20,640***	***(£37,400 x 20%) + (£32,900 x 40%)***	***19,797***	***(£34,370 x 20%) + (£32,308 x 40%)***
National Insurance	***4,027***	***(£5,715 x 0%) + (£38,160 x 11%) + (£39,125 x 1%) – (£35,100 x 1.6%)***	***4,512***	***(£7,605 x 0%) + (£34,870 x 12%) + (£40,525 x 2%) – (£34,476 x 1.4%)***
Take-home Pay	**52,108**	**£83,000 – £6,225 – £20,640 – £4,027**	**50,474**	**£83,000 – £8,217 – £19,797 – £4,512**

Change in take–home pay between 2009–10 and 2012–13	**£(%)**		**Calculations**
Nominal	**–£1,634**	**(–3.1%)**	
Real (based on RPI)	**–£8,853**	**(–17.0%)**	***RPI increased by 16.7% between April 2009 and December 2012*** *£50,474/1.167 = £43,466*
Real (based on CPI)	**–£7,651**	**(–14.7%)**	***CPI increased by 13.5% between April 2009 and December 2012*** *£50,474/1.135 = £44,457*

Example 2 – SCS

A senior civil servant in Pay Band 1 paid £67,000 (placed in the 36th percentile for performance against objectives – i.e. for eligibility for non–consolidated performance–related pay). He/she is a member of the Principal Civil Service Pension Scheme making personal contributions of 1.5 per cent in 2009–10, increased to 3.9 per cent in 2012–13.

	2009–10		2012–13	
Gross Income	**£**	**Calculations**	**£**	**Calculations**
Base Pay	67,000		67,000	
Performance Pay	6,080			
Total Pay	**73,080**		**67,000**	
Pension Contribution	***1,005***	***£67,000 x 1.5%***	***2,613***	***£67,000 x 3.9%***
Personal Allowance	6,475		8,105	
Taxable Pay	65,600	£73,080 – £6,475 – £1,005	56,282	£67,000 – £8,105 – £2,613
Income Tax	***18,760***	***(£37,400 x 20%) + (£28,200 x 40%)***	***15,639***	***(£34,370 x 20%) + (£21,912 x 40%)***
National Insurance	***3,928***	***(£5,715 x 0%) + (£38,160 x 11%) + (£29,205 x 1%) – (£35,100 x 1.6%)***	***4,192***	***(£7,605 x 0%) + (£34,870 x 12%) + (£24,525 x 2%) – (£34,476 x 1.4%)***
Take-home Pay	**49,387**	**£73,080 – £1,005 – £18,760 – £3,928**	**44,556**	**£67,000 – £2,613 – £15,639 – £4,192**

Change in take–home pay between 2009–10 and 2012–13	**£(%)**		**Calculations**
Nominal	**–£4,831**	**(–9.8%)**	
Real (based on RPI)	**–£11,204**	**(–22.7%)**	***RPI increased by 16.7% between April 2009 and December 2012*** *£44,556/1.167 = £38,183*
Real (based on CPI)	**–£10,142**	**(–20.5%)**	***CPI increased by 13.5% between April 2009 and December 2012*** *£44,556/1.135 = £39,245*

Example 3 – Judiciary (Circuit Judge Salary Group 6.1)

He/she is paid £128,296 and is a member of the Judicial Pension Scheme (JPS) making contributions of 1.8 per cent in 2009–10, increased to 3.08 per cent in 2012–13. As the JPS is a non–registered scheme, members do not qualify for tax relief on their contributions.

	2009–10		**2012–13**	
Gross Income	**£**	**Calculations**	**£**	**Calculations**
Base Pay	128,296		128,296	
Performance Pay				
Total Pay	**128,296**		**128,296**	
Pension Contribution	*2,309*	***£128,296 x 1.8%***	*3,952*	***£128,296 x 3.08%***
Personal Allowance	6,475		0	*the Personal Allowance of £8,105 reduces where income is above £100,000 – by £1 for every £2 of income above the £100,000 limit*
Taxable Pay	121,821	£128,296 – £6,475	128,296	
Income Tax	*41,248*	*(£37,400 x 20%) + (£84,421 x 40%)*	*44,444*	*(£34,370 x 20%) + (£93,926 x 40%)*
National Insurance	*4,480*	*(£5,715 x 0%) + (£38,160 x 11%) + (£84,421 x 1%) – (£35,100 x 1.6%)*	*5,418*	*(£7,605 x 0%) + (£34,870 x 12%) + (£85,821 x 2%) – (£34,476 x 1.4%)*
Take-home Pay	**80,258**	**£128,296 – £2,309 – £41,248 – £4,480**	**74,482**	**£128,296 – £3,952 – £44,444 – £5,418**

Change in take–home pay between 2009–10 and 2012–13	**£**	**(%)**	**Calculations**
Nominal	**–£5,776**	**(–7.2%)**	
Real (based on RPI)	**–£16,429**	**(–20.5%)**	***RPI increased by 16.7% between April 2009 and December 2012*** *£74,482/1.167 = £63,829*
Real (based on CPI)	**–£14,654**	**(–18.3%)**	***CPI increased by 13.5% between April 2009 and December 2012*** *£74,482/1.135 = £65,604*

Example 4 – Senior military

He is a 2-star on the 2nd point on the scale in 2009–10 and is a member of the Armed Forces Pension Scheme which is a non–contributory scheme.

	2009–10		2012–13	
Gross Income	**£**	**Calculations**	**£**	**Calculations**
Base Pay	105,400		116,924	(assumes an annual increment each April)
Performance Pay				
Total Pay	**105,400**		**116,924**	
Pension Contribution	***0***		***0***	
Personal Allowance	6,475		0	*the Personal Allowance of £8,105 reduces where income is above £100,000 – by £1 for every £2 of income above the £100,000 limit*
Taxable Pay	98,925	£105,400 – £6,475	116,924	
Income Tax	***32,090***	***(£37,400 x 20%) + (£61,525 x 40%)***	***39,896***	***(£34,370 x 20%) + (£82,554 x 40%)***
National Insurance	***4,251***	***(£5,715 x 0%) + (£38,160 x 11%) + (£61,525 x 1%) – (£35,100 x 1.6%)***	***5,191***	***(£7,605 x 0%) + (£34,870 x 12%) + (£74,449 x 2%) – (£34,476 x 1.4%)***
Take-home Pay	**69,059**	**£105,400 – £32,090 – £4,251**	**71,838**	**£116,924 – £39,896 – £5,191**

Change in take–home pay between 2009–10 and 2012–13	**£(%)**		**Calculations**
Nominal	**£2,779**	**(4.0%)**	
Real (based on RPI)	**–£7,496**	**(–10.9%)**	***RPI increased by 16.7% between April 2009 and December 2012*** *£71,838/1.167 = £61,563*
Real (based on CPI)	**–£5,784**	**(–8.4%)**	***CPI increased by 13.5% between April 2009 and December 2012*** *£71,838/1.135 = £63,275*

Appendix D

Existing salaries for the four remit groups

Senior civil servants in pay bands, median salaries and pay ranges, 2012

Pay band	Pay range	Median salary	Mid–point of range	Number in band
Permanent Secretaries	£141,800–£277,300	£160,000 – £164,999	£209,550	35
3	£101,500–£208,100	£131,296	£154,800	133
2	£82,900–£162,500	£97,900	£122,700	651
1A	£67,600–£128,900	£77,843	£98,250	78
1	£58,200–£117,800	£72,964	£88,000	2,590
Total		£77,000		3,487

Source: Cabinet Office.

Note: the above total of SCS members is lower than the total staff currently in post (3,616). The difference consists of SCS members in non–standard pay bands and with non–standard contracts, e.g. those paid at NHS rates.

Senior officers of the armed forces

	Value of scale points (April 2010 – March 2013)			
Scale point	CDS	4–star	3–star[2]	2–star[2]
6		£185,184	£152,642	£119,214
5		£181,553	£148,265	£116,924
4	£252,698	£177,993	£144,016	£114,678
3	£247,743	£173,652	£138,569	£112,476
2	£242,885	£169,416	£132,084	£110,317
1 (Minimum)	£238,123	£165,284	£125,908	£108,201
Numbers in post[1]	1	8	22	94

Source: Ministry of Defence.

Notes:

[1] Numbers in post supplied by the MoD, and relate to numbers in post as of 1 July 2012.

[2] This includes X–Factor which is applied at the rate of £2,383, this sum being equivalent to 25 per cent of the cash value of X–Factor at the top of the OF4 pay scale as proposed by AFPRB from 1 April 2010.

Members of the judiciary

Salary group	Salary from 1 April 2009	Number in post on 31 March 2012
1	£239,845	1
1.1	£214,165	4
2	£206,857	15
3	£196,707	48
4	£172,753	140
5	£138,548	96
6.1	£128,296	823
6.2	£120,785	41
7	£102,921	1,041
Salaried medical members	£81,620	6
Stipendiary magistrates	£70,562	4
Total		2,219

Sources: Ministry of Justice and Scottish Government.

Chief Executives (CEs) of Primary Care Trusts (PCTs), Ambulance Trusts (ATs), Strategic Health Authorities (SHAs) and Special Health Authorities (SpHAs) – base pay from 1 April 2009[1]

	PCT Chief Executives[2]	AT Chief Executives[3]	SHA Chief Executives[2]
London	not applicable	£150,351	£204,048
Band 5	£149,657	not applicable	not applicable
Band 4	£138,571	not applicable	not applicable
Band 3	£127,486	£128,873	£182,570
Band 2	£116,401	£121,355	£171,831
Band 1	£105,315	£112,764	£161,091

SpHA Chief Executives (aligned to arrangements for SHA and PCT CEs)[4]

	From	To
Group 1	£162,878	£183,894
Group 2	£141,861	£162,878
Group 3	£99,829	£141,861

Source: Department of Health.

Notes:

[1] The salaries of VSMs have not been increased since 1 April 2009.

[2] The organisation weighting factor used for banding is weighted population i.e. resident population weighted for age and deprivation.

[3] The organisation weighting factors used for banding are expenditure on emergency services, and activity.

[4] The organisational weighting factor is a combination of current grant in aid and national impact.

The new VSM pay framework – salary bands for the organisations' chief executives 1 April 2013

Organisation	SSRB Band	Floor £	Ceiling £
Care Quality Commission Monitor NHS Commissioning Board	F	175,000	225,000
Health Education England National Institute for Health and Clinical Excellence NHS Blood and Transplant Authority NHS Business Services Authority NHS Litigation Authority NHS Trust Development Authority	E	150,000	200,000
NHS Health and Social Care Information Centre Human Fertilisation and Embryology Authority	D	125,000	175,000
Health Research Authority Professional Standards Authority for Health and Social Care[1] Human Tissue Authority	C	100,000	150,000

Source: Department of Health.

The old VSM pay framework in Special Health Authorities and for Ambulance Trusts

		Group 1 From £162,878 to £183,894	Group 2 From £141,861 to £162,878	Group 3 From £99,829 to £141,861
SpHA Chief Executive	(mid–point)	£173,386	£152,370	£120,845
Finance	75 per cent of Chief Executive	£130,040	£114,277	£90,634
HR and Workforce Development	70 per cent of Chief Executive	£121,370	£106,659	£84,592
Information Management and Technology	60 per cent of Chief Executive	£104,032	£91,422	£72,507

Source: Department of Health.

[24] Until 30 November 2012 this was called the Council for Healthcare Regulatory Excellence.

Appendix E

Existing base salaries of Permanent Secretaries in £5,000 bands (as at October 2012)

Band £	Number in Band	Office Holder
210,000 – 214,999	1	Chief Executive – National Health Service
205,000 – 209,999	–	
200,000 – 204,999	1	Chief Medical Officer
195,000 – 199,999	–	
190,000 – 194,999	2	Cabinet Secretary
		Head of the Civil Service and Permanent Secretary, Department for Communities and Local Government
185,000 – 189,999	–	
180,000 – 184,999	5	Permanent Secretaries:
		– Ministry of Justice
		– HM Revenue and Customs
		– Department for Work and Pensions
		– Ministry of Defence
		– Foreign and Commonwealth Office
175,000 – 179,999	2	Permanent Secretaries:
		– Scottish Government
		– HM Treasury
170,000 – 174,999	1	National Security Adviser
165,000 – 169,999	4	Chief Scientific Adviser – Business, Innovation and Skills
		Permanent Secretaries:
		– Dept Energy and Climate Change
		– Secret Intelligence Service
		– Transport

Band £	Number in Band	Office Holder
160,000 – 164,999	9	Permanent Secretaries: – Business, Innovation and Skills – Department of Health – Department for International Development – Environment, Food and Rural Affairs – Welsh Government – Government Communications HQ – Department for Education Treasury Solicitor First Parliamentary Counsel and Permanent Secretary, Cabinet Office
155,000 – 159,999	3	Permanent Secretaries: – Security Service – Department for Culture, Media & Sport Second Permanent Secretary, HM Treasury
150,000 – 154,999	3	Second Permanent Secretaries: – HM Treasury – HM Revenue and Customs – Department for Work and Pensions
145,000 – 149,999	–	
140,000 – 144,999	4	Permanent Secretary – Office for National Statistics Chair of the Joint Intelligence Committee Head of the Northern Ireland Civil Service Prime Minister's Adviser on Europe and Global Issues, Cabinet Office

Source: Cabinet Office.

Appendix F

NATO rank codes and UK service ranks – officers

NATO code	UK Stars	Royal Navy	Royal Marines	Army	Royal Air Force
OF–9[1]	**4**	**Admiral**	**General**	**General**	**Air Chief Marshal**
OF–8[1]	**3**	**Vice Admiral**	**Lieutenant General**	**Lieutenant General**	**Air Marshal**
OF–7[1]	**2**	**Rear Admiral**	**Major General**	**Major General**	**Air Vice–Marshal**
OF–6	1	Commodore	Brigadier	Brigadier	Air Commodore
OF–5		Captain	Colonel	Colonel	Group Captain
OF–4		Commander	Lieutenant Colonel	Lieutenant Colonel	Wing Commander
OF–3		Lieutenant Commander	Major	Major	Squadron Leader
OF–2		Lieutenant	Captain	Captain	Flight Lieutenant
OF–1		Sub–Lieutenant	Lieutenant	Lieutenant	Flying Officer
OF(D)		Midshipman	–	Officer Designate	Officer Designate

Source: Ministry of Defence

[1] These officers belong to our remit group.

Appendix G

Judicial salary structure at 1 April 2012[25]

Group 1

Lord Chief Justice

Group 1.1

Lord Chief Justice of Northern Ireland
Lord President of the Court of Session
Master of the Rolls
President of the Supreme Court

Group 2

Chancellor of the High Court[26]
Deputy President of the Supreme Court
Justices of the Supreme Court
Lord Justice Clerk
President of the Family Division
President of the Queen's Bench Division[27]
Senior President of Tribunals

Group 3

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

Group 4

High Court Judges[28]
High Court Judges (Northern Ireland)[29]
Outer House Judges of the Court of Session
Vice-Chancellor of the County Palatine of Lancaster[30]

Group 5

Chairman, Scottish Land Court / President, Lands Tribunal for Scotland
Chamber Presidents of First-tier Tribunals, Immigration and Asylum Chamber, General Regulatory Chamber, Health, Education & Social Care Chamber and Social Entitlement Chamber
Chief Social Security Commissioner and Child Support Commissioner (Northern Ireland)
Circuit Judges at the Central Criminal Court in London (Old Bailey Judges)
Judge Advocate General
Judge of the First-tier Tribunal, Health Education and Social Care Chamber and Deputy Judge of the Upper Tribunal (former President, Care Standards Tribunal)
Judge of the First-tier Tribunal, Social Entitlement Chamber and Deputy Judge of the Upper Tribunal (former Chief Asylum Support Adjudicator, Asylum Support Tribunal)

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[25] Alphabetical order within salary group.

[26] Formerly known as Vice-Chancellor until 1 October 2005.

[27] Post became effective on 3 October 2005.

[28] Includes the posts of President, Asylum and Immigration Tribunal and President, Employment Appeals Tribunal, both of whom are High Court Judges.

[29] High Court Judges in Northern Ireland are also known as Puisne Judges.

[30] Post currently held by a High Court Judge.

Permanent Circuit Judges, Employment Appeals Tribunal
President, Employment Tribunals (England & Wales)
President, Employment Tribunals (Scotland)
President, First-tier Tax Chamber
President, Lands Chamber of the Upper Tribunal
President, Lands Tribunal (Scotland)
Recorder of Belfast[31]
Recorder of Liverpool
Recorder of Manchester
Senior Circuit Judges
Senior District Judge (Chief Magistrate)
Sheriffs Principal
Specialist Circuit Judges, Chancery, Mercantile, Patents & Business List
Specialist Circuit Judges, Technology & Construction Court
Vice Presidents of the Upper Tribunal (Immigration and Asylum Chamber) (former Deputy Presidents, Asylum and Immigration Tribunal)

Group 6.1

Chief Bankruptcy Registrar
Senior and Chief Chancery Masters
Circuit Judges
County Court Judges (Northern Ireland)[32]
Deputy Presidents of the First-tier Tribunal (Health, Education & Social Care Chamber)
Former Deputy President, Care Standards Tribunal
Former President, Gambling Appeals Tribunal
Judge of the First-tier Tribunal and Deputy Judge of the Upper Tribunal (former President, Charity Tribunal)
Judge of the First-tier Tribunal and Deputy Judge of the Upper Tribunal (former President, Consumer Credit and Estate Agent Appeals Tribunals)
Judges of First-tier Tribunal Social Entitlement Chamber (Former Regional Chairmen, Appeals Tribunals)
President, Appeals Tribunal (Northern Ireland)
President, Industrial Tribunals and Fair Employment Tribunal (Northern Ireland)
President, Lands Tribunal (Northern Ireland)[33]
Regional Employment Judges (formerly Regional Chairmen, Employment Tribunal)
Registrar of Criminal Appeals
Senior Costs Judge
Senior District Judge, Principal Registry of the Family Division
Senior Judge of the Court of Protection
Sheriffs
Social Security and Child Support Commissioner (Northern Ireland)
Upper Tribunal Judges, Administrative Appeals Chamber, Immigration and Asylum Chamber[34] and Tax and Chancery Chamber.
Vice-President, Employment Tribunal (Scotland)

Group 6.2[35]

Adjudicator, HM Land Registry
Chairman, Mental Health Review Tribunal (Wales)

[31] Current post-holder receives a salary of 108 per cent of Group 5 rate under arrangement established from 1 April 2002.

[32] Post-holders are paid the salary for Group 5 so long as they are required to carry out significantly different work from their counterparts elsewhere in the UK.

[33] This role is currently carried out by a Lord Justice of Appeal.

[34] These judges are also called Senior Immigration Judges.

[35] The Chairman of the Mental Health Review Tribunal (Wales) also falls in the group, but the Welsh Assembly Government is responsible for this post.

Former Deputy Principal Judge of the First-tier Tribunal, Social Entitlement Chamber (Asylum Support)
Deputy Senior District Judge (Magistrates' Courts)
Designated Immigration Judges
Former Regional Chairmen, Mental Health Review Tribunals (England)
Members, Claims Management Services Tribunal
Surveyor Members, Lands Tribunal (Northern Ireland)
Surveyor Members, Lands Tribunal (Scotland)
Surveyor Members, Upper Tribunal (Lands)
President, War Pensions and Armed Forces Compensation Chamber
Vice-Judge Advocate General
Vice-President, Industrial Tribunals and Fair Employment Tribunal (Northern Ireland)

Group 7[36]

Assistant Judge Advocates General
Chairmen, Industrial Tribunals and Fair Employment Tribunal (Northern Ireland)
Chief Medical Member, First-tier Tribunal, Social Entitlement Chamber and Health, Education & Social Care Chamber
Coroners, Northern Ireland
Costs Judges
District Judges
District Judges of the Principal Registry of the Family Division
District Judges (County Court) (Northern Ireland)
District Judges (Magistrates' Courts)
District Judges (Magistrates' Courts) (Northern Ireland)
Employment Judges (England and Wales and Scotland)
First-tier Tribunal Judges
High Court Masters (Northern Ireland)
Judge of the First-tier Tribunal, War Pensions and Armed Forces Chamber (former Deputy President, Pensions Appeal Tribunal)
Judges of the First-tier Tribunal, Social Entitlement Chamber (former Asylum Support Adjudicators)
Judges of the First-tier Tribunal (Health, Education & Social Care Chamber, Immigration and Asylum Chamber[37], Social Entitlement Chamber and Tax Chamber)
Masters and Registrars of the Supreme Court
Masters of the Supreme Court (Northern Ireland)
Presiding District Judge (Magistrates' Courts) (Northern Ireland)[38]
Queen's Bench Masters
Senior Coroner, Northern Ireland[39]

Other

Salaried Medical Members, Social Entitlement Chamber[40]
Stipendiary Magistrates[41]

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

37 These judges are also called Immigration Judges.

38 This post is paid at 108 per cent of the Group 7 salary.

39 This post is paid at 110 per cent of the Group 7 salary.

40 This post is paid £81,620.

41 Stipendiary Magistrates were added to the remit on 12 July 2011.

Appendix H

Recommendations on the judiciary – SSRB's Thirty-Third Report

Recommendation 2: We recommend the following changes:

- The role of Judge of the Upper Tribunal be moved from salary group 6.1 to salary group 5.
- The post of President of the Lands Chamber be given a salary lead of 5 per cent over salary group 5.
- The post of Chairman of the Mental Health Tribunal for Wales be moved from salary group 6.2 to salary group 6.1.
- The role of salaried Chairman of the Industrial Tribunals and Fair Employment Tribunal in Northern Ireland and the role of salaried Employment Judge within the Tribunals Service be moved from salary group 7 to salary group 6.2.
- The post of Vice President of the Industrial Tribunals and Fair Employment Tribunal in Northern Ireland be given a salary lead over salary group 6.2.
- The post of Presiding District Judge (Magistrates Court) in Northern Ireland be moved from 108 per cent of salary group 7 to salary group 6.2.

Recommendation 3: We recommend that the post of County Court Judge in Northern Ireland continue to be placed in salary group 6.1 but that it be paid at the rate of salary group 5 while the non-jury trial provisions remain in force.

Recommendation 4: We recommend that the role of the Recorder of Belfast / Presiding County Court Judge in Northern Ireland be paid a salary lead over salary group 5 while County Court Judges continue to be paid at salary group 5.

Recommendation 5: We recommend that all salaried judicial office holders in the United Kingdom be covered by our recommendations in future.

Recommendation 6: We recommend that the salary lead and the allowance continue to be paid to existing group 7 judiciary in the London area who currently receive these payments, while they remain in post, but these payments should not apply to new appointments.

Recommendation 7: We recommend that management salary leads be standardised at 5 per cent. Judges who are currently paid a larger salary lead should continue to receive the larger lead while they remain in those roles.

Recommendation 8: We recommend that the issues of additional reward for fraud work and of an allowance for Resident Judges be considered by the Lord Chief Justice. We will consider further evidence on these issues as part of our next annual report.

Recommendation 9: We recommend that the proposed new salary structure be implemented once that is consistent with public sector pay policy.

Recommendation 10: We recommend that from 1 April 2011 newly appointed judges should be paid at the lower of the proposed new rate and the old rate for the salary group to which the post is now allocated from 1 April 2011. Those appointed to London posts in group 7 should not receive the London salary lead and allowance and salary leads for newly appointed judges should be 5 per cent.

Appendix I

NHS Very Senior Managers (VSMs) – organisations and numbers in SSRB's remit on 1 April 2013

Organisations	Position on 1 April 2013	Estimated number of VSMs on 1 April 2013
Ambulance Trusts	Some retained in SSRB remit until they become Foundation Trusts[42]	34[43]
NHS Blood and Transplant Authority NHS Business Services Authority[45] NHS Litigation Authority[47]	SpHAs retained in SSRB remit[44]	10 112[46] 5
National Institute for Health and Clinical Excellence NHS Health and Social Care Information Centre	Retained in SSRB remit but with change in status from SpHA to ENDPB	7 8
Care Quality Commission Monitor Human Fertilisation and Embryology Authority Human Tissue Authority Professional Standards Authority for Health and Social Care[48]	Existing ENDPBs added to SSRB remit	8 6 3 5 4
NHS Commissioning Board[49] Health Education England Health Research Authority NHS Trust Development Authority	New NHS ENDPBs added to SSRB remit	228[50] 32 2 33[51]
TOTAL		**497**
Primary Care Trusts Strategic Health Authorities	Abolished	

[42] The Department of Health expects all Ambulance Service NHS Trusts to become Foundation Trusts in 2013-14. Four that have become Foundation Trusts already are: the North East, South Central, South East Coast and South Western Ambulance Service NHS Trusts.

[43] East Midlands(8); East of England(6); Great Western(1); London(3); North West(6); West Midlands(5); and Yorkshire(5) Ambulance Service NHS Trusts.

[44] Other arm's length bodies previously in SSRB's remit were: the National Patient Safety Agency (abolished and main functions transferred to the NHS Commissioning Board); the NHS Institute for Innovation and Improvement (part of the new Improvement Body hosted by the NHS Commissioning Board from 1 April 2013); the National Treatment Agency (part of Public Health England from 1 April 2013); and the Professionals Special Health Authority (became a public limited company on 1 April 2010).

[45] The VSMs employed in NHS Commissioning Support Units, which are hosted by the NHS Business Services Authority, are in SSRB's remit.

[46] Includes 5 VSMs employed in the Business Services Authority and up to 107 VSMs employed in the Commissioning Support Units.

[47] Includes two new posts not yet filled.

[48] Until 30 November 2012 this was called the Council for Healthcare Regulatory Excellence.

[49] The NHS Commissioning Board includes the NHS Leadership Academy and new Improvement Body. The new Improvement Body will be composed of these six organisations: NHS Improvement; National Cancer Action Team; NHS Institute for Innovation and Improvement; NHS Diabetes and Kidney Care; NHS Technology Adoption Centre; and National End of Life Care Programme.

[50] Includes two VSMs in the NHS Leadership Academy and four VSMs in the new Improvement Body.

[51] Includes 26 VSMs employed in the Local Education and Training Boards.

Appendix J

Glossary of terms and abbreviations

General	
Accrual rate	The rate at which future benefits in a defined-benefit pension scheme accumulate.
Base pay	Basic salary, excluding non-consolidated bonuses, allowances, value of pensions, etc.
CPI	Consumer Prices Index.
GDP	Gross Domestic Product.
Independent Public Service Pensions Commission (IPSPC)	Chaired by Lord John Hutton, a review of the future of pension provision in the public sector.
Lord Levene's Defence Reform Review	An independent review into the structure and management of the Ministry of Defence chaired by Lord Levene and published in June 2011.
Pay Band	A salary range with a minimum and maximum within which posts are allocated.
RPI	Retail Prices Index.
SSRB	Senior Salaries Review Body.
Take-home pay	Basic salary and performance-related pay less income tax, national insurance and, where appropriate, pension contributions.
Senior civil service	
Civil Service Commission	Oversees appointments to senior positions within the SCS to ensure fair and open competition for jobs.
SCS	Senior civil service/servants.
Senior officers in the armed forces	
AFPRB	Armed Forces Pay Review Body.
CDS	Chief of Defence Staff.
Defence Reform Review	See 'Lord Levene's Defence Reform Review' above.
MoD	Ministry of Defence.
MODOs	Medical and dental officers.
X-Factor	An adjustment to military pay that recognises the relative disadvantage of conditions of service experienced by members of the armed forces compared to those in the civilian sector.
The judiciary	
HMCTS	Her Majesty's Courts and Tribunals Service
JAB	Judicial Appointments Board (Scotland)
JAC(E&W)	Judicial Appointments Commission (England and Wales)
LCJ	Lord Chief Justice
MoJ	Ministry of Justice

Spot rate	Judges are all paid a standard amount in each salary group. This contrasts with senior civil servants whose base pay can be any amount within a specified pay band.
NIJAC	Northern Ireland Judicial Appointments Commission
Salary group	The grouping of judicial posts, for pay purposes, according to job weight. See Appendix G.

NHS Very Senior Managers

ALB	Arm's Length Body
ENDPB	Executive Non-Departmental Public Body
MiP	Managers in Partnership
SpHA	Special Health Authority
VSMs	Very Senior Managers

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ISBN 978-0-10-185692-8

9 780101 856928