



# Review Body on Senior Salaries

REPORT No. 79

## Thirty-Fourth Report on Senior Salaries 2012

*Chairman:* Bill Cockburn, CBE TD



# Review Body on Senior Salaries

REPORT No. 79

## Thirty-Fourth Report on Senior Salaries 2012

*Chairman:* Bill Cockburn, CBE TD

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

March 2012

© Crown copyright 2012

You may re-use this information (excluding logos) free of charge in any format or medium, under the terms of the Open Government Licence. To view this licence, visit <http://www.nationalarchives.gov.uk/doc/open-government-licence/> or e-mail: [psi@nationalarchives.gsi.gov.uk](mailto:psi@nationalarchives.gsi.gov.uk).

Where we have identified any third party copyright information you will need to obtain permission from the copyright holders concerned.

Any enquiries regarding this publication should be sent to:

Office of Manpower Economics  
Victoria House  
Southampton Row  
London  
WC1B 4AD

[www.ome.uk.com/enquiry/default.aspx](http://www.ome.uk.com/enquiry/default.aspx)

This publication is available for download at [www.official-documents.gov.uk](http://www.official-documents.gov.uk)

This document is also available for download at [www.ome.uk.com](http://www.ome.uk.com)

ISBN: 9780101829724

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

ID P002477918 19585 03/12 19102

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 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<sup>1</sup>; and other such public appointments as may from time to time be specified.*

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

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

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

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

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

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

*the Government's inflation target.*

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

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

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

---

<sup>1</sup> 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 executives in: Strategic Health Authorities, Special Health Authorities, Primary Care Trusts and Ambulance Trusts. The Health and Social Care Bill 2011 contains provisions on the abolition of the Strategic Health Authorities and Primary Care Trusts.

*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 *Chairman*  
Professor Richard Disney  
Martin Fish  
Mike Langley  
Professor David Metcalf, CBE  
Sir Peter North, CBE, QC  
Professor Alasdair Smith  
Bruce Warman  
Paul Williams

The Secretariat is provided by the Office of Manpower Economics.

## Summary

1. This report covers the second year of the Government's pay freeze for public sector workers paid over £21,000 a year. We therefore make no pay recommendations for our remit groups this year.
2. The economic situation remains very difficult. Gross Domestic Product has recovered only around half of the amount lost in the recession since 2008. Growth has been slow and may now have stalled. Unemployment is high at 2.67 million (8.4 per cent) and likely to rise further. Inflation has been high although it has started to fall and the Bank of England expects it to fall further towards the 2 per cent target, possibly by the end of this year.
3. The Government has recently announced that, as part of its policy of reducing the fiscal deficit, it intends to limit pay increases in the public sector to an average of 1 per cent for each of the two years following the end of the current freeze (for our remit groups this means the two years beginning April 2013). In addition to controls on public sector pay, there have been significant cuts in the numbers of public sector jobs, including for some of our remit groups.
4. There have also been increases in income tax and National Insurance. These increases, coupled with the effects of inflation and the pay freeze, have reduced the real income of members of our remit groups – we estimate by some 12 to 19 per cent depending on particular circumstances. Senior staff in the private sector have on average been less affected in the last two years because pay in the private sector has risen faster than in the public sector, although it had fallen at the beginning of the recession while public sector pay for many groups continued rising. Evidence suggests that the remuneration of members of our remit groups, particularly the more senior members, is less than that of comparators in the wider public sector and much less than in the private sector. Moreover, that gap is growing.
5. The value of our remit groups' pensions has been reduced by the Government's decision to uprate pensions in payment by the Consumer Prices Index rather the Retail Prices Index. Three of our groups (but not the senior military) will be required to pay higher pension contributions from April 2012. The Government intends to raise contributions for those three groups further in the following two years and to make other changes to public sector pensions.
6. We are growing increasingly concerned that the morale and motivation of our remit groups is being adversely affected by the deterioration, both relative and absolute, in their terms and conditions. Surveys of the senior military, Senior Civil Service (SCS) and NHS very senior managers (VSMs) all unsurprisingly show a sharp drop in motivation, mainly caused by the pay freeze, changes to pensions and, for VSMs, job insecurity. Our contacts with members of the judiciary suggest they are similarly affected.
7. Despite this, we have not yet found actual problems with recruitment and retention, except in the case of a small number of judicial appointments. In part this may be because jobs are being sharply cut in some of our remit groups (SCS, senior military and VSMs) and the jobs climate in the wider economy is not encouraging people to move. Nevertheless, if it becomes widely perceived that the terms and conditions of our remit groups are persistently declining, then it is very likely that there will be a fall in the quality – and possibly the numbers – of recruits, together with problems in retaining the best people.
8. We have detected some signs that such a perception is indeed starting to develop. In order to prevent real problems from emerging, we urge those responsible for managing

our remit groups' pay and benefits to prepare, or review, workforce strategies now to identify the numbers of people and the skills, qualifications and knowledge needed to deliver the relevant public services. They should ensure they are prepared for when the economy returns to more normal growth. Remuneration should be tailored to the different characteristics and functions of each workforce in order to ensure that sufficient numbers of suitably able and qualified people are recruited, retained and motivated to carry out the tasks required of them. Reward should normally be performance driven.

9. Government for its part must resist singling out the pay of senior managers in public sector roles as a means of holding back pay awards elsewhere. Public sector pay is already compressed and our remit groups' pay scales already overlap with those of other grades in a number of cases. As we have said, senior managers in the public sector, and especially those whose pay is set by central government, are paid less than those in the wider public sector and much less at top levels than in the private sector. We are not arguing for parity. We recognise that there are some compensating benefits in public service, for example job interest, for our remit groups but there are limits to the extent that those intangible benefits can offset a shortfall in remuneration when compared with opportunities elsewhere. A prolonged period of pay restraint while inflation is relatively high and other benefits are being cut could mean that those limits are reached sooner rather than later.
10. We will continue to watch closely whether our remit groups remain able to attract and retain sufficient people of suitable quality to deliver their key contributions to the armed forces, government, justice, and the health service. We urge those responsible for managing our remit groups to improve their monitoring of the trends of staff engagement, and of the numbers leaving voluntarily and their reasons, especially among high performers at all levels in each organisation.

# Contents

		<i>Paragraph</i>	<i>Page</i>
	<b>Summary</b>		<b>5</b>
<i>Chapter 1</i>	<b>Introduction and economic evidence</b>		<b>11</b>
	Introduction	1.1	11
	The Government's response to our last report	1.4	11
	The current economic context	1.7	12
	<i>Inflation</i>	1.15	15
	The effects of the pay freeze and other policies on our remit groups	1.16	15
	Pensions	1.19	16
	More market-based pay at local level	1.21	17
	Principles for the pay of our remit groups	1.23	17
	Linkage between the judiciary, senior military and SCS	1.36	19
<i>Chapter 2</i>	<b>The Senior Civil Service</b>		<b>21</b>
	Introduction	2.1	21
	The SCS remit group	2.4	21
	The SCS pay system	2.5	22
	<i>Base pay</i>	2.5	22
	<i>Non-consolidated, performance-related pay</i>	2.9	23
	SCS pay and the external markets	2.11	24
	<i>Pay comparators in the wider public and private sector markets</i>	2.11	24
	<i>Pay comparisons across the economy</i>	2.13	25
	<i>Total reward</i>	2.14	25
	<i>The two-tier recruitment market</i>	2.16	25
	Equal pay	2.19	27
	<i>Pay for men and women</i>	2.19	27
	<i>Pay by age group</i>	2.21	27
	<i>Correcting pay discrepancies</i>	2.22	28
	Diversity	2.24	28
	The SCS pension schemes	2.26	29
	<i>The future of public pension schemes</i>	2.28	30
	<i>The future of civil service pension schemes</i>	2.30	30
	Permanent Secretaries	2.31	31
	Evidence	2.33	31
	<i>Recruitment</i>	2.34	31
	<i>Retention</i>	2.37	33
	<i>Motivation</i>	2.39	34
	<i>Other</i>	2.45	35
	Review of the SCS pay system	2.46	35
	<i>A workforce strategy for the SCS</i>	2.47	35
	<i>An SCS reward strategy</i>	2.49	36



<b>Chapter 3</b>	<b>Senior officers in the armed forces</b>		<b>39</b>
	Our remit group	3.1	39
	Senior Medical and Dental Officers	3.3	39
	Our last report	3.4	40
	Transforming Defence programme	3.5	40
	Evidence	3.6	40
	Recruitment and retention	3.8	41
	Performance Management and Pay System	3.16	42
	Attitude surveys	3.23	44
	Pensions	3.31	46
	Conclusion	3.34	48
<b>Chapter 4</b>	<b>The judiciary</b>		<b>49</b>
	Introduction	4.1	49
	The judicial remit group	4.10	51
	Pensions	4.12	51
	<i>The future of public pension schemes</i>	4.13	52
	<i>The future of judiciary pension schemes</i>	4.14	52
	Constitutional and other changes to the judicial system	4.17	53
	<i>Integration of the courts and tribunals</i>	4.17	53
	<i>Implementation of the Judiciary and Courts (Scotland) Act 2008</i>	4.18	53
	<i>Devolution of responsibility for justice in Northern Ireland</i>	4.19	53
	Evidence	4.20	54
	Our major review recommendations	4.22	54
	<i>Circuit Judges dealing with fraud at Southwark Crown Court and Resident Judges</i>	4.23	54
	<i>Stipendiary Magistrates</i>	4.25	54
	<i>Coroners in England and Wales</i>	4.26	55
	<i>Other</i>	4.27	55
	Judiciary roles added to our remit	4.28	55
	<i>Chief Coroner</i>	4.28	55
	<i>Tribunals' roles</i>	4.29	55
	<i>Salaried Medical Members, Social Entitlement Chamber</i>	4.30	56
	Recruitment and retention	4.31	56
	<i>Salary group 4</i>	4.31	56
	<i>Sheriffs Principal</i>	4.36	57
	<i>Employment Judges</i>	4.37	57
	<i>Other roles</i>	4.38	57
	Motivation	4.39	58
	Pre-appointment earnings	4.40	58
	<i>Solicitors' earnings</i>	4.40	58
	<i>Collecting annual data on pre-appointment earnings</i>	4.42	60
	Conclusion	4.43	60

<i>Chapter 5</i>	<b>Very Senior Managers in the National Health Service</b>		<b>63</b>
	Introduction	5.1	63
	Our remit group	5.2	63
	Our last report	5.3	63
	VSM remuneration	5.7	64
	<i>Pensions</i>	5.8	64
	Evidence	5.12	66
	<i>New pay framework</i>	5.13	66
	<i>Motivation and morale</i>	5.17	67
	Locality pay	5.18	67
	Conclusion	5.19	67
<i>Appendix A</i>	List of those who gave evidence and information to the SSRB		69
<i>Appendix B</i>	Website references for publications		71
<i>Appendix C</i>	Take-home pay – full calculations		73
<i>Appendix D</i>	Existing salaries for the four remit groups		79
<i>Appendix E</i>	Existing base salaries of Permanent Secretaries in £5,000 bands (as at October 2011)		81
<i>Appendix F</i>	NATO rank codes and UK service ranks – officers		83
<i>Appendix G</i>	Judicial salary structure at 1 April 2011		85
<i>Appendix H</i>	Recommendations on the judiciary – SSRB’s Thirty-Third Report		89
<i>Appendix I</i>	List of organisations expected to employ VSMs in our remit group in future		91
<i>Appendix J</i>	Glossary of terms and abbreviations		93

# Chapter 1

## Introduction and economic evidence

### Introduction

- 1.1 This is our second report during the Coalition Government's two-year pay freeze for public sector workers paid over £21,000 a year. We therefore make no pay recommendations for our remit groups: the judiciary, the Senior Civil Service (SCS), senior military and certain very senior NHS managers (VSMs). We note that the Government intends to follow the pay freeze with two years during which public sector pay rises are limited to 1 per cent on average.
- 1.2 In this chapter we consider:
- the current, general economic background;
  - the impact of the pay freeze which for our remit groups will last three years;
  - the remits we have received from the Government to advise on more market-related pay at local level for the SCS and VSMs;
  - some general principles which we believe should inform the Government's approach to pay for our remit groups;
  - possible adverse effects of prolonged pay restraint on recruitment and retention; and finally
  - the requirement in our terms of reference to have regard to broad comparability between our three main remit groups.
- 1.3 In subsequent chapters we consider evidence on each of the remit groups in turn, concentrating in particular on any evidence about recruitment, retention and motivation, and we set out our views on changes we should like to see in the pay and performance management systems for our remit groups, in the knowledge that these systems are almost all currently under review.

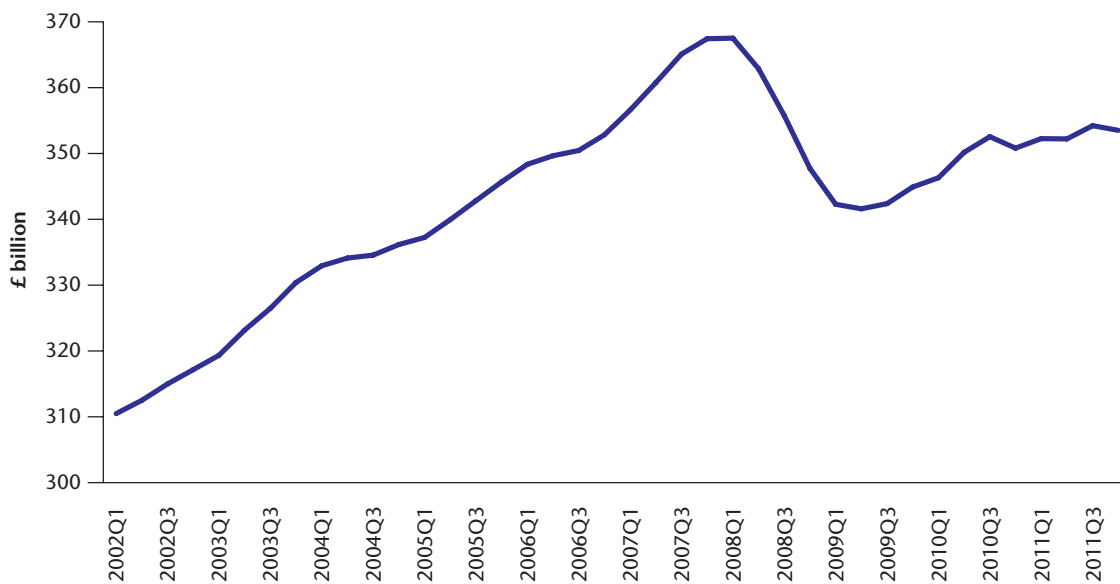
### The Government's response to our last report

- 1.4 Our last report contained 15 recommendations, 14 of which stemmed from our major review of the judicial salary structure while one, addressed to the Ministry of Defence (MoD), proposed a review of the Performance Management and Pay System to define the objectives of performance-related pay in the senior military and consider whether the existing system can be improved.
- 1.5 The Government responded to our proposals on the judiciary by saying that it was not announcing any immediate changes to judicial salaries but was considering the detail of the report overall and would respond at an appropriate time. Government has still not implemented the recommendations we made last year for the judiciary, other than in one or two minor respects, because of the pay freeze. We again urge Government to consider those recommendations and at least to implement now those which concern posts shown by job evaluation to be wrongly graded or which would not add to the judicial paybill.
- 1.6 The Government said it accepted our recommendation for a review of the senior military's Performance Management and Pay System. We received the report of that review in January 2012 and respond to it in Chapter 3. We have also had discussions about the system with representatives of the MoD and of the senior military.

## The current economic context

1.7 The state of the economy remains subdued and recovery seems likely to be slow. The UK economy moved out of recession in the third quarter of 2009 but growth has been modest since then and provisional figures show a contraction of 0.2 per cent in the last quarter of 2011. Gross Domestic Product is 3.8 per cent below its pre-recession peak – see Figure 1.1. The economy has shrunk and at the same time the Government has taken steps to reduce the fiscal deficit which include increasing income tax and National Insurance, as well as freezing pay for many public sector workers paid over £21,000 a year. So it is unsurprising that many people, including members of our remit groups, have suffered real falls in income. We look at this in more detail later in this chapter.

Figure 1.1: Quarterly Gross Domestic Product, reweighted volumes, 2002 to 2011 (at 2008 prices, seasonally adjusted)

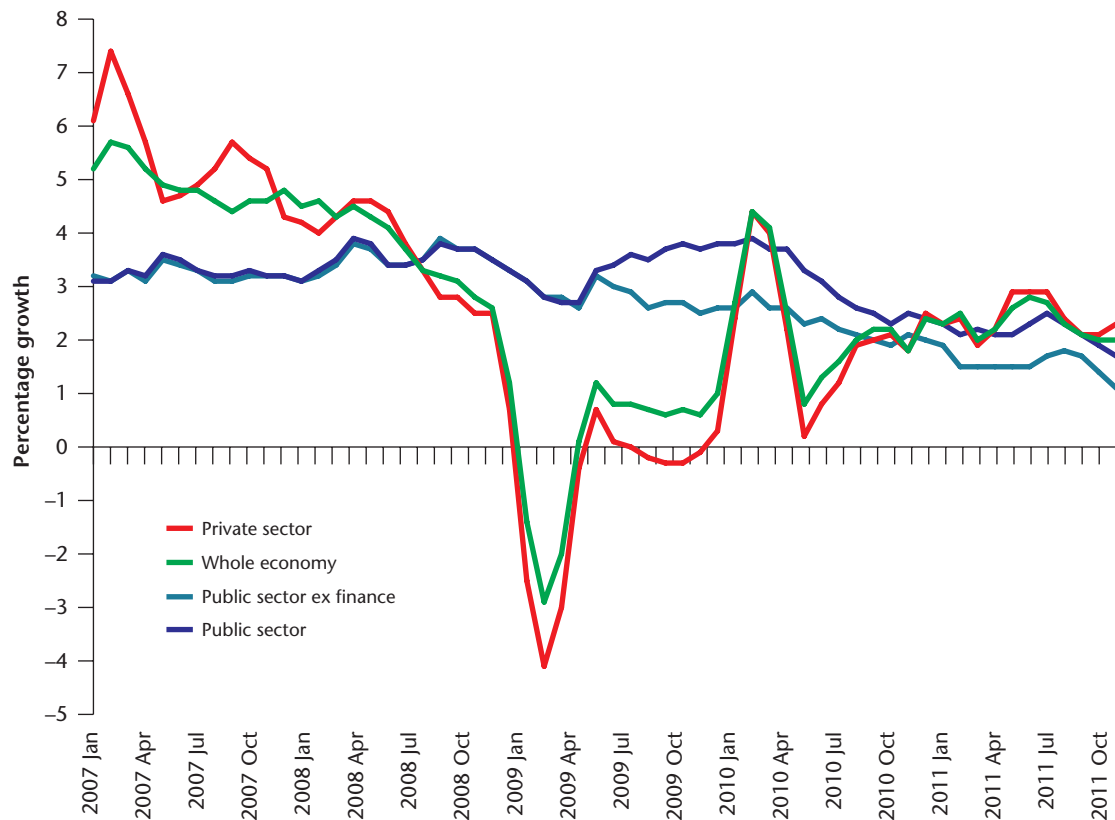


Source: Office for National Statistics

- 1.8 Since the middle of 2011 unemployment has risen significantly. In the most recent quarter (October-December 2011) there were 2.67 million people unemployed on the Labour Force Survey measure, a rate of 8.4 per cent. The Office for Budget Responsibility forecasts that the rate will rise to around 8.7 per cent by the end of 2012.
- 1.9 The median pay settlement<sup>2</sup> level has been stable at around 2.5 per cent throughout 2011, up slightly from 2.0 per cent in 2010, on the Incomes Data Services (IDS) measure. Pay settlements have typically been below inflation throughout 2010 and 2011. Only 8 per cent of private sector pay settlements monitored by IDS in 2011 were freezes, compared with 20 per cent in 2010. The vast majority of public sector pay reviews in 2011, however, were freezes. This contrasts with 2008-09 when average private sector earnings fell while public sector earnings continued to increase – see Figure 1.2.

<sup>2</sup> Settlements include both the pay rises that are collectively bargained between unions and employers and also non-negotiated pay awards. Pay settlement figures do not capture money paid out as bonuses or lump sums, nor the effects of any pay restructuring implemented outside of the annual pay review.

Figure 1.2: Average earnings growth (including bonuses), annual percentage change, 2007 to 2011 (three-month average, seasonally adjusted)<sup>1</sup>



Source: Office for National Statistics

Note:

<sup>1</sup> The three-month average figures are the changes in the average seasonally adjusted values for the three months ending with the relevant month compared with the same period a year earlier.

1.10 The earnings figures cited above are for the whole workforce and we need to identify what is happening to our remit groups and to senior workers in both the private and public sectors who are the comparators for those groups. Comparability with other groups is not part of our terms of reference and it is not our role to maintain any particular relativity between our remit groups and similar workers. Nevertheless we recognise that if the remuneration gap continues to widen between our groups and comparable workers it is increasingly likely to affect recruitment, retention and motivation.

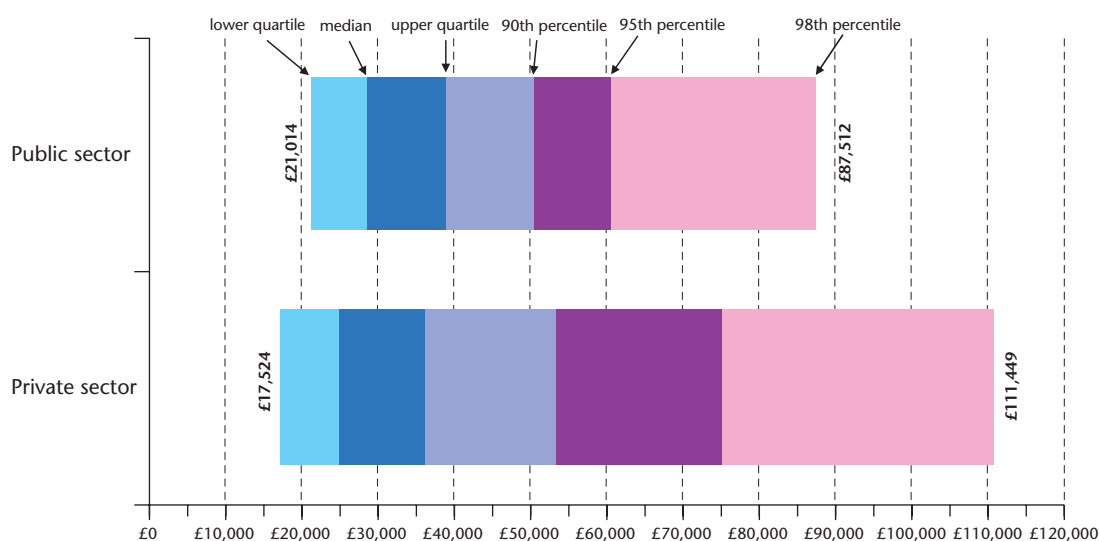
1.11 The median pay awards for all managers and professionals in the private sector recorded by IDS<sup>3</sup> have stayed at around 2.5 per cent in 2011, broadly in line with those recorded for the whole economy. The median award for private sector managers and professionals was 2.4 per cent in October 2011, down slightly from 2.5 per cent in January 2011. However, median awards for public sector managers over the last year have been zero. The pay budget plans for 2012 recorded by IDS forecast awards of 3.0 per cent for private sector managers and professionals compared with 1.0 per cent in the combined public and third sectors. The pay freeze means there will be no increase for our remit groups in 2012.

1.12 The simple division of the economy into public and private sector masks differences in the distribution of pay in the two sectors, as shown by Figure 1.3 overleaf. As we have highlighted before, pay in the public sector is compressed: public sector workers are paid more than those in the private sector at the bottom of the distribution but less at the

<sup>3</sup> *The managers' benchmark pay report 2011/12*. IDS Executive Compensation Review. December 2011.

top. The Office for National Statistics and the Institute for Fiscal Studies have, separately, analysed the so-called public sector pay premium shown by the Annual Survey of Hours and Earnings (ASHE) and the Labour Force Survey respectively and both suggest that the difference can be partially (but not entirely) explained by differences in the characteristics of public and private sector workers. For example, the former are, on average, older – with more labour market experience – and have higher qualifications than those in the private sector, as they provide services that are skill-intensive (health, education etc).<sup>4</sup> Many low skill activities such as cleaning and security have been contracted out and are no longer performed by public sector workers. At the most senior levels (equivalent, in job size terms, to our remit groups), however, the situation is reversed and total reward is significantly higher in the private sector.

**Figure 1.3: Distribution of full-time gross employee pay in the public and private sectors 2010-11, United Kingdom**



Source: Office for National Statistics, Annual Survey of Hours and Earnings 2011

1.13 There is other evidence to show that pay for workers with higher educational qualifications is lower in the public than in the private sector. For example, figures from ASHE show that, in 2010, public sector employees with a degree or equivalent qualification were, on average, paid around 5.7 per cent less than those in the private sector.<sup>5</sup> The Institute for Fiscal Studies reaches similar conclusions in its Green Budget<sup>6</sup>:

“... at the 10th percentile of the wage distribution, public sector workers are paid 16% more than their private sector counterparts. The estimated premium falls gradually along the conditional distribution and is negative (but not statistically different from zero) among men at the 80th and 90th percentiles of the distribution.”

Our remit groups are almost all paid at or above the 95th percentile of the pay distribution where the public sector premium is clearly negative, as shown in Figure 1.3.

1.14 In Chapter 2, Tables 2.4 and 2.5 provide pay comparisons between the SCS, the wider public sector and the private sector. The pay gap between the public and private sectors widens with increasing seniority.

<sup>4</sup> The Institute for Fiscal Studies. *The IFS Green Budget: February 2011 (p170)*. Available at: <http://www.ifs.org.uk/publications/5460> (accessed on 24 February 2012).

<sup>5</sup> Damant and Jenkins. *Estimating differences in public and private sector pay*. Office for National Statistics, 2011. Available at: <http://www.ons.gov.uk/ons/rel/lmac/public-and-private-sector-earnings/2011/estimating-differences-in-public-and-private-sector-pay.pdf> (accessed on 24 February 2012).

<sup>6</sup> The Institute for Fiscal Studies. *The IFS Green Budget: February 2012 (Chapter Five)*. Available at <http://www.ifs.org.uk/publications/6003> (accessed on 24 February 2012).

## *Inflation*

1.15 Inflation has been high throughout 2011 although the last four months have seen a fall. The Consumer Prices Index (CPI) rose from a low of 1.1 per cent in September 2009 to a peak of 5.2 per cent in September 2011. It then fell to 3.6 per cent in January 2012. The Retail Prices Index (RPI) followed a similar pattern, rising after eight months of negative inflation during March to October 2009 to reach a high of 5.6 per cent in September 2011 before falling back to 3.9 per cent in January 2012. The Monetary Policy Committee's best collective judgement is that inflation will continue to fall to around the target of 2 per cent by the end of 2012.

## **The effects of the pay freeze and other policies on our remit groups**

1.16 We asked our secretariat to look at how the pay freeze and other Government policies such as changes to income tax and National Insurance contributions, combined with the effects of inflation, had affected our remit groups. The effects are by no means uniform across the groups, but depend on salary and pay system. In particular, many members of our remit groups are affected by the withdrawal of the personal income tax allowance which leads to them effectively paying 62 per cent of earnings between £100,000 and £114,950 in income tax and National Insurance contributions.

1.17 Another reason for the differing impact of Government policy is that pay of the judiciary and VSMs has not increased since the 1.5 per cent increase applied with effect from April 2009, while for the SCS average pay has actually decreased because the percentage of the paybill used for non-consolidated, performance-related payments has fallen from 7.4 per cent in 2008-09 to 2.8 per cent in 2010-11. In contrast, members of the senior military benefitted from the final part of a three-year restructuring of their pay scales and the removal of the bottom step of the 2-star scale with effect from April 2010, and those not at the top of those scales have continued to benefit from increments (although double increments have been suspended during the pay freeze, as we reported last year).

**Table 1.1: Effects of pay freeze, tax and NI changes and inflation on sample members of our remit groups 2009-10 – 2011-12**

<b>Remit group and gross pay in 2009-10</b>	<b>Take-home pay 2009-10 £</b>	<b>Take-home pay 2011-12 after tax and NI changes and inflation<sup>3</sup> £</b>	<b>Percentage change 2009-10 – 2011-12 %</b>
NHS VSM £83,000	55,843	48,860	-12.5
SCS Pay Band 1 £67,000 <sup>1</sup>	49,990	40,661	-18.7
Circuit Judge £128,296	82,567	69,428	-15.9
4-star officer <sup>2</sup> £165,445	104,485	92,420	-11.5

Sources: Office of Manpower Economics and HM Revenue and Customs

Notes:

1 This SCS member is assumed to be placed in the 36th percentile for performance against objectives and therefore will receive non-consolidated performance-related pay in 2009-10 but not in 2011-12.

2 This 4-star officer is on the second scale point in 2009-10.

3 This calculation for inflation is based on the change in the RPI between April 2009 and December 2011.

1.18 The full calculations are set out in Appendix C. Of course all workers paid comparable amounts are affected in the same way by the changes in tax and NI contributions and many private sector workers were subject to pay freezes during the recession (though these have largely ended since 2010). Our remit groups are by no means unique in having experienced real and substantial falls in their real pay, but we think it important to quantify those falls and draw them to the attention of the Government and public.

## Pensions

1.19 The figures in Table 1.1 take no account of increased pension contributions which most members of our remit groups will pay from April 2012. Our current understanding of those contributions is set out in the following Table 1.2. These increased contributions will of course further reduce the take-home pay of members of our remit groups.

**Table 1.2: Additional contribution rates for pension schemes by remit group, 2012-13 to 2014-15**

Remit group	Additional contribution rates					
	2012-13		2013-14 <sup>1</sup>		2014-15 <sup>1</sup>	
	In year	In total	In year	In total	In year	In total
SCS <sup>2, 3</sup>	2.4%	2.4%	2.4%	4.8%	1.2%	6%
Senior military	nil	n/a	nil	n/a	nil	n/a
Judiciary <sup>4, 5</sup>	1.28%	1.28%	1.28%	2.56%	0.64%	3.2%
VSMs <sup>6</sup>	2.4%	2.4%	2.4%	4.8%	1.2%	6%

Sources: Cabinet Office, Ministry of Defence, Ministry of Justice and Department of Health

Notes:

- 1 Contribution rates for 2013-14 and 2014-15 have not been agreed, but we understand these are the proposed rates (or, in the case of the judiciary, the likely rates).
- 2 SCS members paid less than £60,000 (full-time equivalent) will pay a lower additional rate of 2.0 per cent rather than 2.4 per cent.
- 3 For the SCS this is in addition to existing contribution rates which are 1.5 per cent for classic members and 3.5 per cent for premium, classic plus and nuvos members.
- 4 These contributions would be additional to contributions, typically 1.8 per cent of salary, that judges already pay for widows'/widowers' and dependants' benefits.
- 5 The judicial pension schemes are not registered for tax purposes and therefore lower rates are proposed as the judiciary will not be eligible for tax relief on their contributions.
- 6 For VSMs this is in addition to existing contribution rates which are 6.5 per cent for those earning less than £69,932, 7.5 per cent for those earning between £69,932 and £110,273 and 8.5 per cent for those earning more than £110,273.

1.20 The Government is currently in negotiations to change most public sector pension schemes, in particular to move them from a final salary basis to career average revalued earnings and to align normal retirement age with state pension age. However, the schemes will still reflect the different circumstances of different groups (for example, the judiciary already mostly have a compulsory retirement age of 70, the armed forces, police and fire service necessarily have lower normal retirement ages than other public sector schemes). We expect that the future shape and cost of pensions for our remit groups will be settled by the end of 2012 and we shall be able to take stock of the value of the new schemes and their contribution to total reward in our report next year. In doing so we shall of course have regard to developments in pensions elsewhere, including in the private sector where defined benefit schemes have virtually disappeared for new entrants and have increasingly been closed to existing employees for future service.



## More market-based pay at local level

- 1.21 In his Autumn Statement on 29 November 2011<sup>7</sup> the Chancellor of the Exchequer announced that the Government would ask the independent pay review bodies how public sector pay can be made more responsive to local labour markets. Subsequent letters from the Chancellor and departmental Ministers set out remits for four review bodies to examine this question. We have been asked to look at the issue for VSMs. We shall conduct enquiries, taking evidence from the parties. In addition, the Office of Manpower Economics (OME) has issued a general call for evidence on behalf of the four review bodies looking at this issue. That call for evidence and the Government's letters are on the OME's website.<sup>8</sup> We have been asked to submit initial findings on VSMs by 17 July 2012.
- 1.22 Local market-facing pay will form part of the wider reform of SCS reward and the Minister for the Cabinet Office and Paymaster General expects Cabinet Office officials to work with us on this during the next few months. The Government has said it will cover local pay for the SCS in its evidence to us in the autumn. The judiciary and senior military are not part of this exercise.

## Principles for the pay of our remit groups

- 1.23 During the pay freeze we have been giving some thought to the pay of our remit groups once the current constraints, imposed as a consequence of the economic situation and the Government's policy of reducing the fiscal deficit, are lifted. In his Autumn Statement the Chancellor of the Exchequer announced that the Government will set public sector pay awards at an average of 1 per cent for each of the two years after the current pay freeze comes to an end. For our remit groups this means the years 2013-14 and 2014-15. Nevertheless, given that the pay systems for the SCS and VSMs are currently under review and that the Government has not yet responded to our proposals on the judiciary, we think it would be useful to set out here some overarching principles which we believe should govern remuneration structures for our remit groups. In subsequent chapters we describe further considerations specific to each remit group.
- 1.24 We are of course bound by our terms of reference, set out in full at the beginning of this report. The following four principles are designed to be consistent with those terms of reference as well as with our Draft Code of Practice on top-level reward in the public sector.<sup>9</sup>
- 1.25 Our first general principle is that reward systems should be designed to support a workforce strategy which in turn aims to support the relevant organisation's strategy or objectives. The workforce strategy should therefore be defined before the detailed reward system. The managers of a remit group may choose to staff that group entirely with people promoted from lower ranks (as with the senior military), almost entirely with people recruited from outside, with little promotion (as with the judiciary), or somewhere in between, as with the SCS and VSMs. The respective pay and pension systems need to be tailored to these different ways of operating, as well as to the challenges of the individual roles and the nature of the workforce.

---

<sup>7</sup> HM Treasury. *Autumn Statement 2011*. Cm 8231. TSO, 2011. Available at: [http://cdn.hm-treasury.gov.uk/autumn\\_statement.pdf](http://cdn.hm-treasury.gov.uk/autumn_statement.pdf) (accessed on 24 February 2012).

<sup>8</sup> <http://www.ome.uk.com>

<sup>9</sup> The Code is in our Seventy-Fourth Report. Review Body on Senior Salaries. *Initial report on Public Sector Senior Remuneration 2010*. Cm 7848. TSO, 2011. Available at <http://www.ome.uk.com/Document/Default.aspx?DocumentUid=9E5A0B80-9769-4036-8BD8-C59FA2CA8935> (accessed on 24 February 2012).

- 1.26 Our second guiding principle is that 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. What is enough will vary across occupations and specialisms and may be hard to determine when there is not a transparent market. Moreover, a failure to recruit, retain or motivate is likely to emerge only gradually and may be masked in the short term by economic conditions which generally facilitate recruitment and discourage leavers. The quality of recruits may fall, rather than the numbers, as the best people perceive the relative decline in reward and choose to make their careers elsewhere. Therefore, once it becomes apparent that an organisation is no longer able to recruit or retain sufficient people of sufficient quality for leadership roles, this will be difficult to correct quickly without substantial pay increases and possibly other steps. This could be a particular problem for the senior military where all posts are filled by promotion from lower ranks. To prevent failures to recruit or retain, the Government needs to put in place reliable and objective early warning mechanisms to identify real problems with recruitment, retention or motivation, looking at quality as well as numbers.
- 1.27 It is easy to assert that failure to increase pay, for example to keep pace with comparator groups or with inflation, will adversely affect the ability to recruit, retain and motivate sufficient numbers of suitably qualified people. Although we have heard such assertions at various times, the only hard evidence we have seen this year of genuine difficulties with recruitment is in respect of a small number of posts in the senior judiciary. Given that most of our remit groups are currently seeing reductions in numbers and given too the depressed state of the economy, any more widespread problems of recruitment and retention are unlikely to emerge until the labour market improves.
- 1.28 Our terms of reference require us to have regard to affordability (“the funds available to departments as set out in the Government’s departmental expenditure limits”). If pay is too low, however, then sooner or later the remit groups will start to suffer from inadequate numbers, quality or performance, and possibly all three. To some extent the interest and job satisfaction of work in our remit groups can compensate for lower total reward than in other occupations, but if the gap becomes too great, then increasing numbers of the most able and suitable people will be deterred from joining or remaining in our remit groups. It would be seriously damaging for the country as a whole if the quality and motivation of leadership in key parts of the public sector were to suffer because those posts had come to be regarded as inferior occupations.
- 1.29 Our third general principle is that the treatment of SSRB remit groups should be fair in comparison to other public sector groups. Their pay should not be held down for political reasons, such as ‘setting an example’, or because there is no problem with retention since many remit group members would find it hard to switch careers. This applies particularly to judges who are not able to return to private legal practice. For some occupations the Government is effectively a monopsony employer and can use that power to hold down pay below the level of comparable occupations where there is competition for labour. We believe we should draw attention to any evidence, should we find it, of abuse of such monopsony power.
- 1.30 If young people choosing careers – or in some cases older people contemplating a move into one of the remit groups – perceive that those groups are repeatedly subject to pay freezes or smaller pay increases than the rest of the public sector, that will ultimately affect the ability to recruit and retain people of sufficient quality. For the civil service and armed forces, such a perception could affect recruitment at fast stream and junior officer levels and hence gradually damage quality throughout the organisations.

- 1.31 Our terms of reference allow us to make recommendations “to ensure that, as appropriate, the remuneration of the remit groups relates coherently to that of their subordinates” but in recent years Governments have pursued policies of holding down senior public sector pay and concentrating resources on the lowest paid. (The current public sector pay freeze applies only to those paid over £21,000 a year.) In the long run this can lead to compressed and overlapping pay scales which reduce the motivation to strive for promotion. This is very difficult to correct other than by major revision of the pay structure, which is usually costly.
- 1.32 As a fourth general principle, reward should be related to performance, where appropriate. This is also part of our terms of reference.<sup>10</sup> This can mean differential pay awards according to effectiveness and ultimately sanctions for those who underperform. Reward systems can be designed to create incentives to achieve targets, or to provide retrospective individual recognition to the workers who have performed best over a period. In the long run this can help an organisation to retain its best employees, which may be the most valuable outcome from a performance-related reward system.
- 1.33 The design and size of performance pay and management systems must reflect each organisation’s needs. As an example, for the senior military and, to a limited extent, the judiciary, the main reward for performance may be through promotion rather than differential pay. We recognise the arguments that performance-related pay would be both wrong in principle and impractical for the judiciary, and that many members of the senior military regard individual performance pay as divisive and running counter to the services’ culture.
- 1.34 The workforce strategy should come first and the purpose of reward for performance should be defined before the detail is decided. The design of a performance reward system must reflect an organisation’s broader strategy and needs to address specific issues. For example, is it meant to be an incentive to achieve specific objectives or a retrospective merit reward? Should it be consolidated or not? Does it have to be a monetary reward? Are group rewards appropriate and consistent with the organisation’s culture? Should awards be paid immediately or phased? Does the employee appraisal system provide the necessary objective data on which to base reward decisions? The answers are likely to be different for different groups.
- 1.35 Unfortunately the case for performance-related pay has become confused by the furore over bonuses. The redesign of the reward systems for some of our remit groups should provide an opportunity to go back to first principles and use reward to strengthen organisational capability.

### **Linkage between the judiciary, senior military and SCS**

- 1.36 One of the requirements of our terms of reference is to have regard to “the need to maintain broad linkage between the remuneration of the three main remit groups [i.e. the judiciary, SCS and senior military], while allowing sufficient flexibility to take account of the circumstances of each group”. At one time we sought to achieve this by trying to maintain broad parity between members of the three main remit groups at specific levels in the hierarchies, but this became too difficult as the pay systems diverged. So in 2004 we recommended that broad linkage should henceforth be achieved by maintaining general equivalence in salary levels at the top of the structures only. However, that policy has also become more difficult to achieve because the pay systems forced us to compare the Lord Chief Justice on a spot rate salary with the Cabinet Secretary and Head of the Home Civil Service who was eligible for both consolidated and non-consolidated performance-related awards, and the Chief of the Defence Staff on a four point incremental scale.

---

<sup>10</sup> “The Review Body may make other recommendations as it sees fit... to relate reward to performance where appropriate...”

- 1.37 The comparison has now been further complicated by the Government's decision to split the posts, previously combined, of Cabinet Secretary and Head of the Home Civil Service. The new incumbents of those posts have been appointed on a much shortened salary range of £195,000 to £215,000<sup>11</sup> and are therefore each paid substantially less than either the Lord Chief Justice or the Chief of the Defence Staff.
- 1.38 We shall discuss this aspect of our terms of reference with the Government with a view to returning to it in our next annual report.

---

<sup>11</sup> However the Permanent Secretary salary range maximum remains £277,349.

## Chapter 2

### The Senior Civil Service

#### Introduction

- 2.1 In our Thirty-Third Report<sup>12</sup> we made no recommendations for the Senior Civil Service (SCS) remit group because, as noted in Chapter 1, the Government had announced a two-year pay freeze for public sector workers paid more than £21,000 a year. The SCS will therefore be subject to a three-year pay freeze, ending in March 2013, since we ourselves recommended no general increase for any of our remit groups in 2010-11. The Government now has announced that it intends to limit average public sector pay increases to 1 per cent for each of the following two years. In addition, the Government has reduced both the proportion of SCS members eligible for and the money available for non-consolidated performance-related payments. This has had the effect of reducing average SCS pay.
- 2.2 In our last report we said that we attached great importance to the design of a new reward structure for the SCS. We understand that the Cabinet Office has started work on a new pay system which will build on both the Normington<sup>13</sup> and Hutton<sup>14</sup> reviews and underpin the emerging SCS workforce strategy. We first called for an SCS workforce strategy in our 2007 report and the resulting 2008 Normington review made a number of recommendations for a future workforce and reward strategy and included a timetable which aimed to introduce the new structure from 1 April 2011. Therefore, we believe that the design and implementation of this structure is now a matter of urgency and later in this chapter we offer some thoughts on issues we think need to be addressed in drawing up the strategy and reward structure, in addition to the principles set out in Chapter 1.
- 2.3 As 2012-13 will be the second year of the Government's pay freeze for our remit groups, we make no recommendations for changes to SCS salaries in this report. However, as we said last year, we continue to monitor the SCS and our other remit groups. We consider information about recruitment, retention and motivation and other relevant issues to ensure we can return to the full range of our work when the pay freeze ends.

#### The SCS remit group

- 2.4 Our remit group comprises all the SCS members in Great Britain and numbered 3,801 in 2011. This was a reduction of 552 (12.7 per cent) from the previous year's total of 4,353: see Table 2.1. This is the lowest number of SCS members since 2003. The decrease in SCS numbers in 2011 follows the reduction of departmental budgets set out in the Spending Review in 2010 and consequent review of the civil service workforce to which we referred in our last report. Across the civil service as a whole, numbers decreased by 4 per cent in the same year.

---

<sup>12</sup> Review Body on Senior Salaries. *Thirty-Third Report on Senior Salaries 2011*. Cm 8026. TSO, 2011. Available at: [http://www.ome.uk.com/SSRB\\_Reports.aspx](http://www.ome.uk.com/SSRB_Reports.aspx) (accessed on 24 February 2012).

<sup>13</sup> Senior Civil Service Workforce And Reward Strategy – Report of the Steering Group to the Cabinet Secretary, November 2008. Available at: <http://www.fda.org.uk/nmsruntime/saveasdialog.aspx?IID=1379&slD=1403> (accessed on 24 February 2012).

<sup>14</sup> Hutton, W. *Hutton Review of Fair Pay in the public sector: final report*. March 2011. Available at: [http://www.hm-treasury.gov.uk/indreview\\_willhutton\\_fairpay.htm](http://www.hm-treasury.gov.uk/indreview_willhutton_fairpay.htm) (accessed on 24 February 2012).

**Table 2.1: Total SCS staff in post for the last ten years**

Year	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
SCS in post	3,507	3,700	3,893	3,906	4,031	4,072	4,212	4,271	4,353	3,801
% change on previous year	n/a	5.5	5.2	0.3	3.2	1.0	3.4	1.4	1.9	-12.7
% change since 2002	-	5.5	11.0	11.4	14.9	16.1	20.1	21.8	24.1	8.4

Source: Cabinet Office

## The SCS pay system

### Base pay

2.5 The SCS is divided into three main pay bands below the level of Permanent Secretary, numbered 1 to 3 in ascending order of seniority. There is also an additional pay band (PB), 1A, which lies between PB1 and PB2 and is used by a few departments, mainly where there are unusually large management spans or for some specialist posts. Table 2.2 gives the ranges, median salaries and number of staff in pay bands for 2011. The median salaries for each pay band are almost identical to those for 2010 recorded in our 2011 report. The lack of change is not surprising in the current pay freeze. It remains to be seen how much the medians are affected in 2012 by the large number of leavers in the last year, many of whom are likely to have been long-serving and hence more highly paid.

**Table 2.2: SCS staff in pay bands, median salaries and pay ranges, 2011**

Pay band	No. in band	Pay range	Median salary	Mid-point of range
Permanent Secretaries <sup>1</sup>	38	£141,800 - £277,300	£169,489	£209,550
3	133	£101,500 - £208,100	£133,000	£154,800
2	667	£82,900 - £162,500	£99,959	£122,700
1A	187	£67,600 - £128,900	£83,292	£98,250
1	2,646	£58,200 - £117,800	£72,649	£88,000
Total <sup>2</sup>	3,671		£77,022	

Source: Cabinet Office

Notes:

1 The maximum and the minimum of the range for Permanent Secretaries are rounded to the nearest £100.

2 The above total of SCS members is lower than the total staff currently in post (3,801). The difference consists of SCS members in non-standard pay bands and with non-standard contracts, e.g. those paid at NHS rates.

2.6 Members of the SCS have in recent years been eligible for annual, consolidated increases to base pay, subject to performance. However, we recommended no base pay increase for 2010-11, other than an increase of the PB1 minimum which the Government rejected. As this was followed by the two-year pay freeze, no SCS members have received base pay increases (other than on promotion or in a very few exceptional cases, for example where there were equal pay issues) since 1 April 2009.

2.7 In past years, base pay increases were linked to the performance appraisal system. SCS members were ranked on their performance within their management units and, until this year, allocated to one of four performance groups for which the Cabinet Office issued a target distribution. Since 2008 this distribution had been:

- Group One (highest performance): 25 per cent;
- Group Two: 40 per cent;
- Group Three: 25 – 30 per cent; and
- Group Four (lowest): 5 – 10 per cent.

Prior to the pay freeze, SCS members would have received a differentiated base pay increase according to their group allocation. Those in Group Four normally received no increase.

2.8 Last year, the Cabinet Office advised us that the SCS performance appraisal system was being revised and that a new system would be in place for the current year. We received the details of this proposed three box performance scheme in October 2011.

- Top: 25 per cent.
- Achieving: 65 per cent.
- Low/must improve: 10 per cent.

The main change from the previous structure is that Groups Two and Three have effectively been combined. However, during the pay freeze there are no base pay increases so the performance allocation affects only non-consolidated, performance-related pay.

#### *Non-consolidated, performance-related pay*

2.9 Members of the SCS are eligible for non-consolidated, performance-related payments (NCPRP) which are not pensionable. When the system of variable pay awards was first introduced, the then Government said it envisaged that the proportion of the SCS paybill allocated to these payments would rise gradually to 10 per cent by 2008. This pot was funded by moving money from pensionable base pay awards. However, the highest proportion of the paybill earmarked for NCPRP was 8.6 per cent which we recommended in our 2008 report – and the highest amount actually paid out was 7.4 per cent of paybill (in 2008-09). Last year, the Government capped the total payments at 5 per cent of the paybill (from 2009-10) of which only 4.7 per cent was used. Subsequently, the Government decided to limit the payments to a maximum of 25 per cent of the SCS (from 2010-11) and consequently NCPRP payments in 2010-11 totalled only 2.8 per cent of the paybill. Therefore the “average” SCS member has had a substantial real pay cut because of this change. The changes to the proportion of SCS receiving NCPRP and the cost for the last five years are given in Table 2.3.

**Table 2.3: The percentage of SCS members receiving NCPRP, the cost and the available bonus pot (as percentages of the total paybill), 2006-07 to 2010-11**

Year	2006-07	2007-08	2008-09	2009-10	2010-11
Percentage of SCS members receiving NCPRP	71	66	73	58	24
Total cost (as a percentage of the base paybill)	7.1	7.1	7.4	4.7	2.8
Available pot (as a percentage of the base paybill)	7.6	8.6	8.6	5.0 <sup>1</sup>	5.0 <sup>1</sup>

Source: Cabinet Office

Note:

<sup>1</sup> Limits were placed on the individual amounts available (see paragraph 2.10) in addition to the pot being capped at 5 per cent.

2.10 The Cabinet Office informed us that arrangements for NCPRP awards for 2011-12 are to be the same as the previous year – limited to the top 25 per cent of performers, with the maximum amounts capped at £10,000 for PB1 and PB1A, £12,500 for PB2, £15,000 for PB3 and £17,500 for Permanent Secretaries. Therefore, we expect NCPRP to cost a similar proportion of the paybill (it was 2.8 per cent in 2010-11). Additionally, the arrangements for 2011-12 include a change to the eligibility conditions for an award. Only those in the top 25 per cent of performers may receive an award. Previously, while awards were limited to at most 25 per cent of SCS members, this could include SCS members without a top box marking (for 2010-11 10 per cent of those receiving NCPRP did not have a top box marking).

## SCS pay and the external markets

### *Pay comparators in the wider public and private sector markets*

2.11 The SCS median salaries by pay band along with those for market comparators in the wider public sector and the private sector are given in Table 2.4. Unsurprisingly, the private sector comparator median salary is the highest, followed by that for the wider public sector then finally that for SCS. Pay for the wider public sector, while lower than that for the private sector, shows the same pattern when compared to the civil service – the pay gap widens as the seniority increases.

**Table 2.4: SCS median salary by pay band compared with external markets, 2011**

Pay band	SCS median salary	Median salary – wider public sector comparator	Wider public sector as percentage of SCS %	Median salary – private sector comparator	Private sector as percentage of SCS %
3	£133,000	–	n/a	£299,250	225.0
2	£99,959	£146,343	146.4	£168,318	168.4
1A	£83,292	£100,000	120.1	£109,886	131.9
1	£72,649	£82,425	113.5	£93,019	128.0

Sources: Cabinet Office and Hay Group

Note: Pay Band 3 data are not available for the wider public sector comparator as figures are not provided for small groups of people.

2.12 The Cabinet Office told us it has been monitoring the relationship between civil service, wider public sector and private sector pay and bonus to see if the gaps are changing. Data provided to Cabinet Office by the Hay Group show that SCS reward has fallen even further behind private sector pay in recent years. Median SCS PB1 pay and bonus is now only 68 per cent of the median private sector pay and bonus (down from 84 per cent in 2007) while median SCS PB3 pay and bonus is now only 37 per cent of the median for those in jobs of comparable weight in the private sector (down from 50 per cent in 2007). Table 2.5 shows the relative decline of SCS remuneration compared to the private sector.



**Table 2.5: Median SCS base pay plus bonus as percentage of the private sector base pay plus bonus for jobs of comparable weight, 2007 – 2011**

Pay band	2007 %	2008 %	2009 %	2010 %	2011 %
3	50	42	41	37	37
2	57	56	52	49	47
1	84	85	80	74	68

Sources: Cabinet Office and Hay Group

### *Pay comparisons across the economy*

2.13 The Annual Survey of Hours and Earnings (ASHE)<sup>15</sup> is the most comprehensive source of information on the structure and distribution of earnings in the United Kingdom. It is therefore a useful source of information when making pay comparisons with the whole economy. Comparing recent trends in ASHE data and SCS pay, between 2005-06 and 2010-11, annual pay<sup>16</sup> for the 95th percentile and the 98th percentile of the whole economy increased by more than median SCS salaries for PB1 and PB2. The increases for the five year period are:

- 16 per cent for the 95th percentile (which was £70,000 in 2011) and 12 per cent for the 98th percentile (£102,460 in 2011), and
- 5 per cent for the median of PB1 in the SCS (which was £72,649 in 2011) and 6 per cent for the median PB2 in the SCS (£99,959 in 2011).

These data show that SCS pay has been increasing at a slower rate over the last five years than jobs elsewhere in the economy paid similar salaries.

### *Total reward*

2.14 Total reward for private sector employees at equivalent levels to the SCS consists not only of higher base pay but frequently includes a range of benefits, from bonus payments to company cars, not available to most civil servants. Information from the Cabinet Office on pay comparability and research<sup>17</sup> conducted in 2010 for the Review Body on Doctors' and Dentists' Remuneration and SSRB suggests that, even though civil service pension schemes are more valuable as a percentage of salary than those in the private sector, total reward (including benefits such as cars, health insurance and long-term incentives) is significantly higher overall in the private sector for jobs comparable to those in the SCS.

2.15 The Cabinet Office said that the SCS total reward package includes items such as pension, flexible working patterns and opportunities to earn non-consolidated performance-related pay and direct comparison to other sectors did not necessarily produce an accurate view. It said that the SCS is still able to attract and recruit high level candidates, both internally and externally (see paragraph 2.36). Therefore there is currently no long-term strategic aim for SCS pay to match or exceed the private sector.

### *The two-tier recruitment market*

2.16 SCS members are recruited from two different markets. The first is the internal market: promotion from within the civil service. The second is the external market: appointments

<sup>15</sup> It is based on a 1 per cent sample of employee jobs drawn from HM Revenue and Customs Pay As You Earn (PAYE) records.

<sup>16</sup> This does not include incentive pay.

<sup>17</sup> Towers Watson. *Research into total reward offered by comparator sectors*. Office of Manpower Economics, 2010. Available at: [http://www.ome.uk.com/SSRB\\_Research\\_Papers.aspx](http://www.ome.uk.com/SSRB_Research_Papers.aspx) (accessed on 24 February 2012).

from the wider public sector and the private sector. The Cabinet Office provided us with the median salaries for internal and external recruits to the SCS by pay band. These are compared in table 2.6. The gap between the median salaries for internal and external recruits for PB1 and PB2 is smaller in 2011 than in the previous two years (as recorded in our 2009 and 2010 reports). This gap has decreased because the median salary for external recruits has reduced over the three-year period while that for internal recruits has remained the same. However, we note there is still a difference in pay between internal and external candidates.

**Table 2.6: SCS median salary by pay band and origin, 2011**

Pay band	Median salary – internally promoted	Median salary – external recruits	Difference between external recruits and internally promoted %
3	£129,628	–	n/a
2	£88,289	£110,000	24.6
1A	£79,148	£82,082	3.7
1	£67,342	£81,658	21.3

Sources: Cabinet Office and Hay Group

Note: Pay Band 3 data are not available for the median salary of external recruits as figures are not provided for small groups of people.

2.17 Data provided by the Cabinet Office on the performance group distribution for internal and external recruits suggests little difference in their performance once in the job – see Table 2.7. **We should like more information about what causes the overall pay gap between internal and external candidates.**

**Table 2.7: Performance group distribution by origin for SCS with less than three years of service, 2011**

Origin	Performance group 1	Performance group 2	Performance group 3	Performance group 4
Internal recruits	25.3%	46.5%	24.7%	3.5%
External recruits	19.0%	51.1%	27.2%	2.7%
All	23.8%	47.6%	25.3%	3.4%

Source: Cabinet Office

Note: Performance group one contains the highest performing SCS and group four contains the lowest.

2.18 The Cabinet Office said that median starting salaries of external recruits to the SCS were lower in every pay band than the median salaries of their private sector and wider public sector comparators. It also referred to evidence showing that the starting salaries of SCS external recruits had fallen while salaries in external markets had not. The Cabinet Office saw this as evidence that departments continued to get value for money and that the SCS was still able to fill posts at a lower median salary than the private sector and the wider public sector. Presumably external recruits place value on benefits such as working conditions, job interest or perhaps long-term career value of experience in the SCS. However, we are concerned that the gap between SCS salaries and those in the wider public and private sectors is continuing to widen and we will continue to monitor it and to try to establish whether it affects recruitment.

## Equal pay

### *Pay for men and women*

- 2.19 Men and women in the same employment have the right to equal pay for work of the same value. According to the Office for National Statistics, the pay gap between men and women for the whole economy fell below 10 per cent for the first time in April 2011. The gap between men's and women's median full-time hourly earnings excluding overtime was down to 9.1 per cent in April 2011 from 10.1 per cent in April 2010. The gap had been over 15 per cent a decade earlier.<sup>18</sup> In comparison, Cabinet Office data show the pay gap between male and female SCS members was 5.0 per cent in 2010-11, down slightly from 5.1 per cent in 2009-10. However, while smaller than that for the whole economy, there has been little change to the SCS pay gap since 2001-02 and it has fluctuated between 4 and 5 per cent over this ten-year period.
- 2.20 In our last report, we asked why externally recruited men were, on average, given starting salaries significantly higher than women, since this appeared to increase the total SCS pay gap. The Cabinet Office told us that it was very possibly a reflection of pay differences between men and women in the wider public and private sectors and also of the types of posts filled by external candidates. The Cabinet Office said individual departments, which conduct the recruitment exercises for their own staff, may be in a better position to answer this. **We ask the Cabinet Office to request this information from departments and provide their responses in evidence to us next year.** Table 2.8 shows that this year the external gap has decreased from 10.1 per cent to 4.3 per cent although the internal gap has increased from zero to 3.2 per cent.

**Table 2.8: Difference between median starting salaries of men and women in SCS in 2009-10 and 2010-11**

Route to post	Female median 2010-11	Male median 2010-11	Difference (as % of male median)	Female median 2009-10	Male median 2009-10	Difference (as % of male median)
Internal	£73,328	£75,724	-3.2	£73,480	£73,480	0.0
External	£82,244	£85,948	-4.3	£85,000	£94,500	-10.1

Source: Cabinet Office

### *Pay by age group*

- 2.21 As in previous years, the Cabinet Office provided us with data on the breakdown by age group of the numbers of SCS members placed in each performance group, and the numbers receiving NCPRP. The figures, reproduced in part as Table 2.9, suggest that younger members of the SCS continue to be more likely to be placed in performance group one and to receive NCPRP. We commented on this in our last two reports and urged departments to monitor closely data on age and performance but we have received no further information on this subject. Our remit asks us to have regard to anti-discrimination legislation and to ensure remuneration is consistent with the Government's equal opportunities policy. Therefore, **we again request that departments analyse data on age and performance and report back on the causes of significant differences in performance measures between age groups.**

<sup>18</sup> These figures were based on data from the Annual Survey of Hours and Earnings (ASHE) from the Office for National Statistics (ONS). These data were published on 23 November 2011. Available at: [http://www.ons.gov.uk/ons/dcp171778\\_241497.pdf](http://www.ons.gov.uk/ons/dcp171778_241497.pdf) (accessed on 24 February 2012).

**Table 2.9: SCS median salary, performance group one markings and percentage receiving NCPRP by age group, 2010-11**

Age	Median salary	% of age band in performance group one <sup>1, 2</sup>	% of age band receiving non-consolidated payment <sup>2</sup>
<30	£58,200	25 <sup>3</sup>	20.0 <sup>3</sup>
30-34	£63,052	41	39.1
35-39	£69,002	39	35.9
40-44	£73,084	32	32.2
45-49	£76,500	30	31.3
50-54	£80,047	22	25.9
55-59	£82,423	19	23.7
60-64	£84,421	16	19.1
65+	£123,236	0	–

Source: Cabinet Office

Notes:

- 1 Percentages of age bands placed in performance group one are derived from totals which exclude those listed as 'not applicable' in Cabinet Office information.
- 2 From 2011-12 only those in performance group one will be eligible for non-consolidated payments.
- 3 There are only four SCS in the <30 category and therefore this category cannot be properly compared with the others over time.

### *Correcting pay discrepancies*

2.22 In our last report, we noted that departments are able to use what are known as 'recyclable savings'<sup>19</sup> (estimated in 2010-11 at 0.8 per cent of the paybill – approximately £2.6 million) for exceptional repositioning of salaries where there is a clear misalignment between job weight or role and the current salary offered for that post. Last year the Cabinet Office provided some evidence on such repositioning. It told us that a few departments had identified as anomalies both long-serving high performers whose pay had fallen behind that of newer recruits, and staff who had taken on increased responsibility (within the same pay band). The Cabinet Office said that some departments also reported disparities caused by individuals recruited on higher salaries then moving into non-specialist roles but retaining their pay premium. The Cabinet Office told us that money from recyclable savings was used by a small number of departments to make pay adjustments for some of these staff, subject to strict criteria, and only with its permission.

2.23 The Cabinet Office explained that, this year, the SCS recyclable savings put aside to deal with pay anomalies had been little used because of the application of strict criteria by HM Treasury to prevent departments from circumventing the pay freeze. However, we heard from SCS members this year that there are still some pay anomalies. **Therefore, we urge departments to make use of this money next year to deal with such anomalies.**

### **Diversity**

2.24 Civil Service departments and agencies monitor their workforces by sex, ethnic origin, age, disability and working patterns. Work is also under way to monitor sexual orientation and religion/belief. The Government has put in place targets to help measure how equality and diversity are managed and valued, and how well they are being integrated

<sup>19</sup> Recyclable savings are defined by the Cabinet Office as savings made to the paybill when higher paid members of staff leave, often through retirement, and are replaced by individuals on lower pay.

into business and workforce planning. Table 2.10 shows the Government's progress towards its diversity targets. The aim is to reach the main targets by 2013, with a 'stretch target' of achieving them by 2011. We note that progress has been made since 2007 and await the 2011 data with interest.

- 2.25 The Civil Service Commission makes appointments on merit on the basis of fair and open competition and therefore contributes to the values and diversity of the civil service. The Commission told us that this year, for the first time, more women than men were appointed at Senior Leadership Committee<sup>20</sup> (SLC) level and there was also an increase, although less marked, in women appointed below SLC level.

**Table 2.10: Diversity in the SCS, 2007 – 2010**

Measure	Apr 2007	Apr 2008	Mar 2009	Mar 2010	Sep 2010	2013 Target
% of women in SCS	32.1	32.6	34.3	35.2	35.6	39
% of top management posts <sup>1</sup> held by women	27.5	25.5	27.2	28.8	29.2	34
% of SCS from ethnic minority backgrounds	3.2	3.6	4.0	4.2	4.3	5
% of SCS with disabilities	2.8	3.1	3.2	3.4	3.3	5

Source: <http://www.civilservice.gov.uk/about/resources/monitoring-diversity>

Note:

1 A top management post is defined as any post at Director level (Pay Band 2) or above.

## The SCS pension schemes

- 2.26 Most SCS members are currently still in final salary pension arrangements (the Classic, Classic Plus and Premium schemes) which provide benefits in retirement linked to salary in the best of the last three years before leaving the civil service. The normal retirement age for these schemes is 60. These final salary schemes have all been closed to new entrants since 30 July 2007. Since that date entrants to the civil service have mostly joined the 'Nuvos' scheme, which offers a pension based on career average revalued earnings from a normal retirement age of 65. The value of the new scheme is slightly lower than that of the earlier schemes.
- 2.27 In past years, actuarial evidence from consultants indicated that the value of SCS pensions to the individual members was, on average, around 22 per cent of salary.<sup>21</sup> However, this was before the Government changed from using the Retail Prices Index (RPI) to the Consumer Prices Index (CPI) to uprate public sector pensions. This change, which took place in April 2011, is likely to have reduced the value of pensions; the most recent assessment from the Office for Budget Responsibility<sup>22</sup> is that the average gap in the long-term value between RPI and CPI will be 1.4 percentage points, so the size of the pension after retirement (when this change of uprating takes effect) will be 1.4 per cent

<sup>20</sup> The First Civil Service Commissioner sits on the Senior Leadership Committee. This advises the Cabinet Secretary on Permanent Secretary, Director General and 'Top 200' appointments.

<sup>21</sup> This is the value of the benefits to be accrued over the next year of service, allowing for future increases in pay up to the expected age of retirement or earlier exit from the pension scheme, expressed as a percentage of salary. Expressing the pension value as a percentage of salary enables it to be added to salary and other quantifiable benefits to arrive at total reward. The method used to assess the value of pension provisions is called the "projected unit method". The calculations for the SSRB assumed RPI (not CPI) would be used for revaluing pensions.

<sup>22</sup> "Since March, the OBR has revisited its assessment of the long-run difference between RPI and CPI inflation. In the long run, we now expect annual RPI inflation to be around 1.4 percentage points higher than CPI inflation." (paragraph 3.111). Office for Budget Responsibility. *Economic and fiscal outlook – November 2011*. Cm 8218. TSO, 2011. Available at: <http://budgetresponsibility.independent.gov.uk/economic-and-fiscal-outlook-november-2011/> (accessed on 24 February 2012).

less each year than the year before. The implication is that a pension is likely to be worth almost 25 per cent less after 20 years of uprating by CPI rather than RPI. In addition, revaluing Nuvos members' earnings each year by CPI rather than RPI will almost certainly result in significantly lower pensionable earnings at the point of retirement.

### *The future of public pension schemes*

- 2.28 The Independent Public Service Pensions Commission (IPSPC), chaired by Lord Hutton, was asked to make recommendations on public sector pension arrangements while having regard to a number of factors, the first of which was the growing disparity between public service and private sector pension provision. As the IPSPC noted, in the last few decades, pension provision in the private sector has increasingly diverged from the public service model, in response to increasing longevity, changes in the business environment and investment risk. This has led to a sharp decrease in the provision of defined benefit schemes and an increase in the number of private sector employees with no occupational pension provision. The IPSPC completed its review in March 2011 and the Government is now in the process of reforming all public sector pension schemes.
- 2.29 The Government announced in the Spending Review 2010 that it planned to increase public sector workers' pension contributions over the next three financial years. It has proposed an average increase in employee contributions of 3.2 per cent of salary across all public sector pension schemes. The increase is to be phased in with an average contribution of 1.28 per cent of salary in 2012-13, rising to 2.56 per cent in 2013-14 and then to 3.2 per cent in 2014-15 (i.e. 40 per cent of the total in year one, 80 per cent of the total in year two and the full amount, 3.2 per cent of salary on average, in year three). For most public sector schemes the Government has proposed that lower paid workers should pay no, or reduced, additional contributions with higher paid workers paying up to 5 or 6 per cent of salary more in order to achieve the overall 3.2 per cent average. In the longer term, the Government has proposed the introduction from 2015 of career average schemes and a retirement age equal to that for the state pension for most public sector workers.<sup>23</sup>

### *The future of civil service pension schemes*

- 2.30 The proposed additional contribution rates for the civil service for 2012-13 range from zero for those earning under £15,000 to 2.4 per cent of salary for those earning over £60,000.<sup>24</sup> We expect almost all SCS members to be in the top bracket and therefore to have to pay an additional contribution of 2.4 per cent of salary before tax. This is likely to be followed by another 2.4 percentage points increase in 2013-14 and 1.2 percentage points in 2014-15, bringing the total additional contribution to 6 per cent or 3.6 per cent after tax relief at 40 per cent). In the longer term, the Government has proposed that the civil service should have a career average scheme with an annual accrual rate of 1/44th of salary, revalued each year in line with the CPI<sup>25,26</sup> and normal pension age in line with the state pension. As noted in Chapter 1, we propose to take stock of all the changes to our remit groups' pension schemes and the effects on total reward in our next report.

---

<sup>23</sup> Further information can be found at: [http://www.hm-treasury.gov.uk/tax\\_pensions\\_proposed\\_changes.htm](http://www.hm-treasury.gov.uk/tax_pensions_proposed_changes.htm) (accessed on 24 February 2012).

<sup>24</sup> Cabinet Office. Principal Civil Service Pension Scheme: *Consultation on proposed increases to employee contribution rates effective from April 2012 – Government response*. 15 December 2011. Available at: <http://www.civilservice.gov.uk/pensions/reform/governments-response-contribution-consultation> (accessed on 24 February 2012).

<sup>25</sup> Further information can be found at: <http://www.civilservice.gov.uk/pensions/reform/key-elements> (accessed on 24 February 2012).

<sup>26</sup> The current Nuvos accrual rate is 2.3 per cent of salary (roughly 1/43).

## Permanent Secretaries

2.31 There are now five groups of Permanent Secretaries excluding the Cabinet Secretary and the Head of the Home 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.

2.32 Following the retirement of Sir Gus O'Donnell at the end of 2011, the roles of Cabinet Secretary and Head of the Home Civil Service were separated. The new Cabinet Secretary is the most senior policy adviser to the Prime Minister and Deputy Prime Minister and also Secretary to the Cabinet, responsible to all Ministers for the running of Cabinet Government. The new Head of the Civil Service has responsibility for providing professional and corporate leadership to the civil service and combines that role with being Permanent Secretary at the Department for Communities and Local Government. Both the Cabinet Secretary and the Head of the Civil Service report directly to the Prime Minister. The Head of the Civil Service also reports to the Minister for the Cabinet Office. These two posts have been placed on a new base salary range of £195,000 to £215,000. This means that the Cabinet Secretary and Head of the Civil Service are in a separate pay range from those listed in paragraph 2.31 and it is possible for a few Permanent Secretaries, for example in specialist or advisory roles, to be paid more than the Cabinet Secretary and the Head of the Civil Service.

## Evidence

2.33 The Cabinet Office and the Civil Service Commission provided us with written information this year. The FDA and Prospect unions provided joint written evidence which included the results of a survey of their members. We did not take oral evidence this year but we did hold discussion groups with members of the SCS. A full list of those who provided evidence is at Appendix A. We are grateful to all those who provided us with their views.

## Recruitment

2.34 The Civil Service Commission reports annually<sup>27</sup> on the results of recruitment exercises which it has chaired for senior positions in the SCS and provides these data to us. 'Senior positions' are those at Permanent Secretary, Pay Band 3 or Pay Band 2 where the competitions are open to applicants outside the civil service, and Top 200 positions<sup>28</sup> including those where eligibility is restricted to existing civil servants. Table 2.11 shows the relative proportions of those recruited to senior positions in the SCS from the civil service, the wider public sector, the private sector and the third sector.<sup>29</sup> These data show the proportion of appointments from within the civil service was higher in 2010-11 than in any of the preceding four years while the proportion of appointments from the private sector was the smallest. However, these proportions have proved volatile over the five

---

<sup>27</sup> Civil Service Commission. *Annual Report 2010-11*. HC1180. TSO, 2011. Available at: <http://civilservicecommission.independent.gov.uk/downloads/annual-report/cs-annual-report10-11.pdf> (accessed on 24 February 2012).

<sup>28</sup> The Top 200 was set up in March 2006 as the corporate leadership group for the civil service. It is made up of the most senior civil service leaders, permanent secretaries and director generals. The Top 200 Protocol sets out the way in which appointments to these most senior posts in the civil service are handled. Appointments to the Top 200 can be by external recruitment, internal recruitment or managed moves on level transfer. More details available at: <http://www.civilservice.gov.uk/about/leadership/top-200> (accessed on 24 February 2012).

<sup>29</sup> The third sector is also called the voluntary sector, the community sector and the non-profit sector.

years and the total number of appointments in 2010-11 was small so it is not yet clear whether there has been a change to the previous recruitment pattern.

**Table 2.11: Origin of appointments to senior positions<sup>1</sup> in the SCS, 2006-07 to 2010-11**

Year	Civil service	Wider public sector	Private sector	Third sector	Total <sup>2</sup>
2006-07	36 (40%)	21 (22%)	33 (39%)	n/a	90
2007-08	43 (41%)	23 (22%)	39 (37%)	n/a	105
2008-09	62 (63%)	13 (13%)	23 (23%)	n/a	98
2009-10	32 (43%)	12 (16%)	30 (41%)	n/a	74
2010-11	21 (66%)	4 (13%)	6 (19%)	1 (3%)	32

Source: Civil Service Commission

Notes:

1 'Senior positions' are those at Permanent Secretary, Pay Band 3 or Pay Band 2 where the competitions are open to applicants outside the civil service, and Top 200 positions where eligibility is restricted to existing civil servants.

2 Percentages may not sum to 100 due to rounding.

2.35 Table 2.12 shows the starting salaries of those appointed from the civil service, wider public sector and the private sector, to Pay Band 2 of the SCS. Again, the small numbers of appointments in each group for 2010-11 mean that little can be deduced about a change of trend from the most recent year of data.

**Table 2.12: Average starting pay of those appointed<sup>1</sup> to SCS Pay Band 2 by origin<sup>2</sup>, 2006-07 to 2010-11**

Year	Civil service	Wider public sector	Private sector
2006-07	£98,900	£118,900	£128,500
2007-08	£102,000	£131,800	£130,600
2008-09	£108,800	£115,700	£115,400
2009-10	£106,400	£129,800	£125,600
2010-11	£121,000 <sup>3</sup>	£106,000 <sup>4</sup>	£125,000 <sup>4</sup>

Source: Civil Service Commission

Notes:

1 These figures are based only on competitions carried out by the Civil Service Commission and not all appointments so are not comparable with those presented in Table 2.4 or Table 2.6.

2 The third sector is not included because there was only one appointment in 2010-11.

3 Some of these appointments were for specialist posts which may have contributed to the average starting salary being higher than in recent years.

4 These figures are based on five or fewer observations and should be treated with caution.

2.36 As noted above, the Cabinet Office told us that the SCS was still able to attract and recruit high level candidates from both the internal and external markets. Therefore it had no current long-term strategic aim for SCS pay to match or exceed the private sector. However, the Civil Service Commission told us that not all the competitions held were successful in filling vacancies. In the latest year for which figures are available (2010-11) 57 competitions were held and there was no appointment made in eight of these (14 per cent). In the previous year 84 competitions were held and there was no appointment made in eight of these (9 per cent). We are concerned that the proportion of failed competitions is increasing even though the total number of competitions has reduced. We were given no



reasons for this increased failure rate. However, the Civil Service Commission told us that there had continued to be good quality fields in terms of size for most of the competitions it chaired. The Civil Service Commission did say that anecdotal feedback from departments suggested that, on some occasions, remuneration was an issue when recruiting suitable people, with fields limited by candidates' expectations.

### *Retention*

2.37 The Cabinet Office provided us with a time series of leavers and turnover in the SCS; this information is reproduced as Table 2.13. Unsurprisingly, it shows that there was a large increase in those taking early departure in the most recent year (2010-11). The Cabinet Office told us that departments conducted exit interviews with leavers but recorded only the circumstances (e.g. retirement, voluntary resignation) and not the underlying reasons, so we have no information on, for example, whether people left to increase their pay. The Cabinet Office is planning additional work in this area and hopes to include early findings in its evidence to us next year. We welcome this as we believe it is important to build a time series of data on underlying reasons for departure and on leavers' performance levels. In addition, we believe that the Cabinet Office should collect more data centrally on other elements of recruitment and retention, not least in order to be able to judge whether the workforce and reward strategy is achieving its aims.

**Table 2.13: Percentage of SCS leavers by circumstances, 2006-07 to 2010-11**

Percentage of leavers by circumstances	2006-07	2007-08	2008-09	2009-10	2010-11
Retired	31	22	27	22	17
Early departure <sup>1</sup>	17	20	12	25	40
Resigned	23	30	27	29	18
End of secondment/contract	10	10	12	5	5
Deceased	1	0	0	0	0
End of temporary promotion	10	9	16	12	12
Other	8	9	6	6	7
Total <sup>2</sup>	100	100	100	100	100
<b>Leavers – headcount</b>	<b>496</b>	<b>420</b>	<b>443</b>	<b>431</b>	<b>670</b>
<b>Turnover<sup>3</sup> rate</b>	<b>12.2%</b>	<b>10.1%</b>	<b>10.4%</b>	<b>10.0%</b>	<b>16.4%</b>

Source: Cabinet Office

Notes:

1 This includes those leaving on the voluntary early departure scheme, voluntary redundancy scheme and compulsory redundancy scheme under the new terms. Under the old terms, this includes approved early retirement, compulsory early retirement, compulsory early severance, flexible early retirement, flexible early severance, voluntary early retirement and voluntary early severance.

2 Total may not add up to 100 due to rounding.

3 Turnover is calculated as leavers during the year divided by the average number of staff in post during the year.

2.38 In response to a request from us, the Cabinet Office provided information on fast stream retention this year. It said 28 fast streamers left the civil service in 2009-10 representing an annual turnover rate of 1.9 per cent. Since 1 January 2005 119 fast streamers had left permanently, equating to 5.9 per cent of all entrants over that period. The Cabinet Office said it will continue to collect these data in future years. We will monitor this information as fast streamers are a key internal source of candidates for the senior civil service. **We ask the Cabinet Office to continue to collect and update records on fast stream**

entrants which, in future, can be used for charting their complete working history in the civil service.

### *Motivation*

- 2.39 The Cabinet Office information referred to results of the annual “People Survey” carried out across the civil service to measure staff attitudes and experiences of work. It said that the SCS scored “on average 15 percentage points above the benchmark”. In response to a request from us, the Cabinet Office provided more detailed results for the SCS that we could compare with the civil service as a whole. These detailed results show very little change in SCS attitudes and experiences of work between 2010 and 2011; this is in line with the civil service overall. The main change between 2010 and 2011 is in perceptions of pay and benefits which are down 10 percentage points. The non-SCS score dropped by 6 percentage points. The Cabinet Office provided no other information about motivation or morale in the SCS.
- 2.40 If SCS numbers are cut without corresponding overall reductions in work then SCS members’ individual workloads will increase. We are concerned that this, combined with the pay freeze and pension scheme changes, risks seriously demotivating the remaining SCS members, many of whom have acquired additional responsibilities even where departments have ceased or reduced non-priority work. Such changes to the working conditions of SCS members should be measured, possibly by collecting data on hours worked and motivation (the “People Survey” may be suitable for this purpose). **We urge the Cabinet Office and departments to monitor and, if necessary, respond to these risks.**
- 2.41 The FDA surveyed its SCS members<sup>30</sup> about a number of issues relating to motivation and morale.
- Only 16 per cent said they were satisfied with their pay arrangements while 84 per cent were dissatisfied (34 per cent of all respondents were very dissatisfied).
  - Four per cent said their morale had increased while 83 per cent said it had decreased in the last year. The remainder said it had stayed the same. This question was also asked in 2009 when 14 per cent said their morale had increased while 44 per cent said it had decreased and 41 per cent said it was unchanged.
  - When asked which issues affected their motivation and morale the most (more than one option could be selected), the top two responses were pensions (70 per cent) and the pay freeze (65 per cent).
  - As part of the survey results, the evidence included a number of the comments made by FDA members in answer to a request for more general information.<sup>31</sup> These comments covered a number of issues including: the general (depressed) atmosphere in the workplace; the lack of pay consistency within the SCS due to higher starting pay for external recruits; respondents being paid less than grade 6s and 7s; the lack of public support; and the lack of support from Ministers.
- 2.42 We found these survey results interesting and are grateful to the FDA for sharing them. We consider it striking that the SCS were less dismayed by bonus changes – effectively a pay cut of around 5 per cent for an average SCS member – than by pension changes and the pay freeze. However, we had previously heard that many SCS members were dissatisfied with the design and administration of NCPRP. Most of the issues raised in the survey – such as the overlap with grade 6 and 7 pay – are likely to arise again because the pay freeze means there will be no change to the pay structure this year.

---

<sup>30</sup> The survey had a 35 per cent response rate.

<sup>31</sup> “Please let us know if there are more general points you want to make about your morale, motivation and commitment to the Senior Civil Service in the current environment.”

- 2.43 Many of the issues recorded in the FDA survey were also raised in our discussion groups with members of the SCS. SCS members in those groups similarly reported negative media comment, that there was a lack of pay consistency (current pay was usually more strongly related to starting pay than subsequent performance) and that the pay overlap between PB1 and non-SCS grades 6 and 7 (some of whom receive contractual increments) was unfair. SCS members also told us that workload and responsibility had increased since the reduction in SCS numbers through workforce restructuring. When asked about the performance appraisal system, some SCS members commented that the current pay arrangements were not objective, fair or transparent and most thought that the current system for awarding NCPRP failed as it was not motivating. SCS members generally agreed that an effective reward system required transparency, consistency and feedback.
- 2.44 We conclude that motivation is lower than in previous years because of the pay freeze, pension changes and workload increases since restructuring. As these causes continue to apply, we do not expect motivation to improve significantly in the short term and we remain concerned about the impact on recruitment and retention. We are keen to receive further information about motivation in the SCS in future years.

### *Other*

- 2.45 The Cabinet Office provided us with information about sick absence. Sick absence in the SCS is an average of two working days per year and has remained broadly unchanged since the data series began in quarter four of 2007. In comparison, sick absence in the wider civil service has dropped from roughly ten to eight days per year over the same period. These results for the civil service compare with a public sector rate of 9.1 and a private sector rate of 7.1 days per year.<sup>32</sup> The SCS thus has a comparatively low rate of sick absence.

### **Review of the SCS pay system**

- 2.46 As noted in paragraph 2.2 above, we have been calling on the Government to draw up a workforce strategy for the SCS since 2007, as an essential precursor to a reformed pay system. There is a need for action, not least because the Government has curtailed the size and number of NCPRP which were a core part of the pay system introduced in 2002. That system reduced the amount of money available for rises in pensionable base pay and created the possibility for non-consolidated bonuses, paid for from the money saved on base pay. These non-consolidated bonuses, as noted above, were originally intended to rise to 10 per cent of the SCS paybill by 2008 and to lead to a system where reward was better related to individual performance.

### *A workforce strategy for the SCS*

- 2.47 We have set out in previous reports, most notably our Twenty-Ninth, Thirtieth and Thirty-First reports in 2007, 2008 and 2009, why we thought a workforce strategy for the SCS was needed and what key elements it should contain. We welcomed the recommendation of the Normington report that the Cabinet Office should develop both an overarching workforce strategy and a reward strategy for the SCS. It is disappointing that, three years later, this has still not been done, though we recognise that the change of Government in 2010 has led to new priorities for the Cabinet Office, notably on public sector pensions.
- 2.48 We provided an outline of what we thought should be in a workforce strategy for the SCS in our 2009 report:

---

<sup>32</sup> Chartered Institute of Personnel and Development in association with Simplyhealth, *Absence Management 2011*.

“We believe a workforce strategy should contain:

- a succinct statement of the Government’s objectives as employer of the SCS;
- a clear statement of the purpose(s) of the SCS;
- a clear view of the planned size and composition of the SCS and the typical ratio of SCS to non-SCS civil servants (while accepting that there will be considerable variation according to function: policy development will usually require a higher ratio of senior civil servants while administrative delivery, e.g. of benefits or documents, will have a much flatter pyramid);
- a plan for meeting the expected skills needs of the SCS, specifying the extent to which skills are to be developed internally or recruited from outside; and
- a summary of the strategy for communication to the SCS themselves.”

### *An SCS reward strategy*

2.49 In Chapter 1 we explain why we believe that pay systems should be designed to support a workforce strategy which in turn aims to support the relevant organisation’s business strategy or objectives. We think the general principles in Chapter 1 should apply to a new reward strategy for the SCS. In addition, there are issues specific to the SCS which also need to be borne in mind:

- coherence with the pay systems for the rest of the civil service (this must include tackling the problem of overlap between SCS PB1 and Grades 6 and 7, as well as other inconsistencies such as loss of overtime payment on promotion to SCS);
- how to ensure SCS members are flexible and prepared to move jobs quickly as political priorities change – this either argues against a pay system that provides large rewards for performance in current job and hence deters sideways moves, or requires a mechanism to deal with this issue;
- how to motivate people many of whom realistically have no prospect of promotion and can expect to spend decades at the same grade – in other words, is there a case for some sort of pay progression and if so, on what basis?
- the need to shorten ranges (as we proposed in our Review of Northern Ireland Senior Civil Service Pay<sup>33</sup>) to avoid unrealistic expectations on progression as well as improving the correlation between pay and performance and going some way to addressing the two-tier market;
- how to use the pay system to signal priorities, and reward those who perform well, without leaving behind a large group of demotivated staff. Organisational performance benefits more from improving the average performance rather than either extreme of the distribution. Ideally the pay system should aim to improve everyone’s performance;
- how to measure performance fairly and objectively across a very wide range of activities – or is forced ranking within units the only answer?
- how to deal with the problem that jobs differ: some are more heavily loaded, some offer more opportunity to stand out, some are unglamorous but necessary;
- what role is there for job evaluation? Should it be used simply to check jobs are in the right band or to define pay more precisely?
- should departmental performance be reflected in individual SCS members’ pay?

---

<sup>33</sup> Review Body on Senior Salaries. *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> (accessed on 24 February 2012).

- how to make pay more responsive to local labour markets;
- how to recruit, retain and reward specialists – a need for a job family approach.

2.50 In our last report we emphasised the importance of designing a new reward structure for the SCS which both meets the Government's requirements and priorities, and ensures that the civil service can continue to recruit, retain and motivate sufficient people of the necessary quality to fill SCS posts. We repeat our willingness to cooperate with the Government and SCS trade unions to achieve that goal.

## Chapter 3

### Senior officers in the armed forces

#### Our remit group

3.1 This year our senior military remit group comprises 128 officers at 2-star level and above, a decrease of three from the previous year. Table 3.1 provides a breakdown by rank of senior military numbers since 2007. Pay scales for the senior military are in Table 3.2 below.

Table 3.1: Number of senior officers as at 1 July, 2007 – 2011

All services	2007	2008	2009	2010	2011	Net change 2010-2011
4-star	12	10	14	10	10	0
3-star	32	29	33	28	23	-5
2-star	93	91	89	93	95	+2
Total	137	130	136	131	128	-3

Source: Ministry of Defence

Table 3.2: Pay scales effective from 1 April 2010<sup>1</sup>

Scale point	2-star <sup>2</sup> £	3-star <sup>2</sup> £	4-star £	CDS <sup>3</sup>
6	119,214	152,642	185,184	–
5	116,924	148,265	181,553	–
4	114,678	144,016	177,993	252,698
3	112,476	138,569	173,652	247,743
2	110,317	132,084	169,416	242,885
1	108,201	125,908	165,284	238,123

Source: Ministry of Defence

Notes:

1 The salaries of the senior military have not been increased since 1 April 2010.

2 The scales for 2- and 3-star officers include X-Factor 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 NATO rank code OF4 pay scale (Commander/Lieutenant Colonel/Wing Commander) as proposed by the Armed Forces Pay Review Body from 1 April 2010. X-Factor is an adjustment to military pay that recognises the relative disadvantage of conditions of service experienced by members of the armed forces compared to those in the civilian sector.

3 The Chief of Defence Staff.

3.2 Between 2010 and 2011 19 officers were promoted into our remit group, two left prematurely and 20 retired. The SSRB remit group continues to be all male. However, there were six female 1-star officers on 1 July 2011, an increase of one on the previous year.

#### Senior Medical and Dental Officers

3.3 In addition, as of July 2011, there were five senior Medical Officers and Dental Officers (MODOs) – four 2-stars and one 3-star. The 2-star rate of pay is 10 per cent above the base pay for level 7 of the MODO 1-star plus X-Factor, and the 3-star MODO is paid 5

per cent above 2-star MODO base pay plus X-Factor. The salaries payable inclusive of X-Factor are shown in Table 3.3.

**Table 3.3: Rates of pay for senior officers in the Defence Medical Services**

	Annual (£)
2-star Medical and Dental officer	145,232.76
3-star Medical and Dental officer	152,304.84

Source: Ministry of Defence

Note: These figures include £3,792 X-Factor, equivalent to 25 per cent of the cash value of X-Factor payable to Level 22 Accredited Consultants in the Defence Medical Service.

## Our last report

3.4 In our Thirty-Third Report<sup>34</sup> we made no pay recommendations for the senior military because the Government had announced a two-year pay freeze for public sector workers paid more than £21,000 a year. However, we did recommend that the Ministry of Defence (MoD) review the Performance Management and Pay System (PMPS) to define the objectives of performance-related pay in the senior military and consider whether the existing system can be improved. The MoD carried out that review and submitted its conclusions to us in January 2012. We discuss the review in paragraphs 3.19 – 3.22 below.

## Transforming Defence programme

3.5 In our last report we noted that the MoD expected the Coalition Government's new policies to have far-reaching consequences for our remit group. Since then the MoD has told us that there are likely to be reductions in the overall number of senior military officers as a consequence of the Government's Transforming Defence<sup>35</sup> programme and in particular the Levene Report.<sup>36</sup> The Levene Report included recommendations that:

- the three 4-star Commander-in-Chief posts<sup>37</sup> should be abolished but one new 4-star post, Joint Forces Command, should be created;
- the number of 3-star posts in MoD Head Office should reduce by at least one;
- the Chief of Defence Staff (CDS) should be the single military adviser on the Defence Board<sup>38</sup>;
- the post of Vice-Chief of Defence Staff should be reviewed in 2013; and
- the length of tenure of most senior posts should be increased to four to five years (up from two to three).

Further reductions in the senior military are likely in line with MoD and service plans.

## Evidence

3.6 As it was the second year of the public sector pay freeze, the MoD did not propose changes to pay but instead provided us with information on developments affecting the

<sup>34</sup> Review Body on Senior Salaries. *Thirty-Third Report on Senior Salaries 2011*. Cm 8026. TSO, 2011. Available at: [http://www.ome.uk.com/SSRB\\_Reports.aspx](http://www.ome.uk.com/SSRB_Reports.aspx) (accessed on 24 February 2012).

<sup>35</sup> 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).

<sup>36</sup> The Ministry of Defence. *Defence Reform – an independent report into the structure and management of the Ministry of Defence*. June 2011. Available at: [http://www.mod.uk/NR/rdonlyres/B4BA14C0-0F2E-4B92-BCC7-8ABFCFE7E000/0/defence\\_reform\\_report\\_struct\\_mgt\\_mod\\_27june2011.pdf](http://www.mod.uk/NR/rdonlyres/B4BA14C0-0F2E-4B92-BCC7-8ABFCFE7E000/0/defence_reform_report_struct_mgt_mod_27june2011.pdf) (accessed on 24 February 2012).

<sup>37</sup> Commanders-in-Chief of Fleet, Land and Air.

<sup>38</sup> Previously the Vice-Chief of Defence Staff, Chief of Naval Staff, Chief of General Staff and Chief of Air Staff (all 4-star military officers) were also on the Defence Board.

remit group. In these circumstances we did not hold our usual oral evidence session. However, we did hold two sets of discussions, one with officers representing about a seventh of our remit group and the other with representatives of the ‘feeder’ group of more junior officers who were attending staff courses at the Defence Academy (see paragraphs 3.11 – 3.13 overleaf).

3.7 In addition to providing an update on the broader context referred to above, the MoD’s information covered:

- numbers and deployment of senior officers;
- recruitment and retention;
- the PMPS;
- attitude surveys; and
- pensions.

### Recruitment and retention

3.8 Overall, the MoD reported that staffing levels within the SSRB remit group have remained constant and that voluntary outflow is steady. Table 3.4 shows the numbers leaving the ‘feeder’ ranks (OF4-OF6) voluntarily between 2006 and 2011.

**Table 3.4: Officers in senior military ‘feeder’ grades (OF4-OF6) leaving the services voluntarily, July 2006 – June 2011**

Rank	July 2006- June 2007	July 2007- June 2008	July 2008 - June 2009	July 2009 - June 2010	July 2010 - June 2011
OF6 (1-star)	23 (7%)	17 (5%)	22 (7%)	21 (7%)	23 (7%)
OF5 & OF4	– <sup>1</sup>	284 (6%)	262 (6%)	162 (3%)	209 (4%)

Source: Ministry of Defence

Note:

<sup>1</sup> Accurate data not available for 2006-07.

We have previously urged the MoD to establish whether those leaving voluntarily from the ‘feeder’ ranks included officers with the potential to rise to 2-star and above. In its submission this year the MoD stated:

“...there remains no clear evidence that all those leaving in the OF4-OF6 ‘feeder’ groups are the officers most likely to reach 2-star and above. Nevertheless, any future increased outflow risks reducing the quality of those available to serve at the highest levels.”

3.9 The MoD provided us with the reasons given by 1-star officers leaving the services prematurely in the last year. Most (18 of 23) had decided to take up civilian job offers. However, the MoD was not able to tell us about the motivation of those departing individuals, nor whether these officers were of the highest calibre and potentially destined for more senior roles. Last year it told us that the 11 who left for civilian employment had become “disillusioned with the lack of prospects”.

3.10 We recognise that, as with most organisations, the structure within the armed forces is a pyramid and that many officers will inevitably leave before reaching the top, particularly at a time when the number of senior military posts is likely to shrink. Nevertheless, given the particular challenges facing the services, it is arguably even more important now that the most promising officers are brought through to the highest levels of command. We therefore urge the MoD to reinforce its efforts to monitor the effectiveness of its retention



strategies by measuring the quality of both groups - those leaving prematurely as well as those retained.

- 3.11 In this context we particularly welcomed the MoD's suggestion that we meet 'feeder' group members in order to gain an insight into the complex range of factors which may determine whether they stay in the military. As a result we visited the Defence Academy in Shrivenham to hold discussions with course delegates from the Higher Command and Staff Course (HCSC) for levels OF5 and 6 and the Advanced Command and Staff Course (ACSC) for levels OF3 and 4. Consequently we were able to learn more about the elements (both pay and non-pay) which might encourage 'feeder' group officers to stay and seek promotion. We are grateful to both organisers and participants for this worthwhile event.
- 3.12 Many of the officers we met at Shrivenham said they had already considered leaving the services or that they did not expect to be in the military in five years' time. We heard of four officers who had resigned after being nominated for but before starting the current HCSC. We also heard of officers who had resigned despite having been told they were about to be promoted to command positions, regarded by ACSC participants as the high point of military careers.
- 3.13 In the past, retention had not been an issue because the intrinsic interest of OF3 and OF4 postings had compensated for the negative aspects of the job. However, the steady erosion of the package, for example the prospect of lower pension values and longer periods away from family, were making officers question whether to stay. At OF5 and 6 level, where the work became more desk-based, officers could make easy comparisons with civilian posts which tended to be seen as less demanding and better paid. Leaving then became a practical decision, especially for those with dependants, because with only one posting guaranteed at 2-star level and the expectation of declining pension provision, there was still time to have a second career (and build up a second pension).
- 3.14 On a separate occasion we held wide-ranging discussions with a group of established officers from our remit group. The main subjects covered were pay, pensions, recruitment and retention, and possible reform of the PMPS. Again we wish to thank those who took part and gave us their frank and thoughtful views.
- 3.15 Members of both groups raised concerns that the future of the military might involve fewer opportunities and would operate within tighter resource constraints, in an atmosphere of increased uncertainty and where the total package of reward and allowances has diminished significantly. We conclude that it will be essential to monitor very closely whether the services continue to recruit and retain sufficient numbers of suitable officers to fill the most senior posts, and to act quickly if evidence starts to suggest they can no longer do so.

### **Performance Management and Pay System**

- 3.16 The Performance Management and Pay System (PMPS) for the senior military was introduced in April 2001. Its aims were to:
- continue to support the established processes for the evaluation and identification of officers for future promotion;
  - continue to give feedback and guidance to the individual; and
  - for the first time, add a requirement for objective-setting to provide a basis for judgement of performance from which differentiated pay awards could be made for the best performers.

3.17 The PMPS was designed to be consistent with the structure of pay increments which applies to almost all other service ranks. Under the PMPS, eligible officers<sup>39</sup> receive an increment subject to satisfactory performance and, until 2010-11, exceptional performers (typically a tenth of the group) received a double increment. Double increments were suspended at the start of the pay freeze in 2010. We understand that, in practice, there has been only one occasion since 2007 when an eligible officer was not awarded an increment.

3.18 In our report in 2010 we recommended<sup>40</sup> that the MoD should decide what exactly it wanted the PMPS to achieve, identifying the organisational priorities and kind of leadership and behaviour it wished to encourage. We also urged the MoD to consider redesigning the system to deliver those objectives. We repeated our recommendation in our 2011 report because the MoD had not responded.

3.19 In its review document the MoD identified the following main options for the PMPS:

- Return to PMPS after the pay freeze – reinstatement of double increments for the best performers;
- Limited pay progression through the imposition of stricter time and/or performance criteria – with or without non-consolidated performance bonuses; or
- Suspension of pay increments/introduction of rank spot rates – with or without non-consolidated performance bonuses.

3.20 The MoD's arguments against a more discriminating system of performance-related pay for the senior military are essentially that this would run counter to service culture. As the report to us put it:

“... it is the Services' view that performance pay, which by definition attaches monetary value to individual effort, is divisive – a reverse incentive – and does not sit comfortably within a military workforce whose *raison d'être* demands maximum effort from all, motivated by the needs of the group rather than personal financial gain.”

The MoD report also explained that career progression is a key motivator in the armed services, where gaining advancement through promotion and key appointments is “motivation enough”. It added that the annual PMPS process feeds into decisions on whom to promote.

3.21 The review concluded as follows:

“Maintaining the status quo would seem to be the only viable way forward in the short-to-medium term. There is no imperative to implement changes to the PMPS now, during the pay freeze period, particularly as many of the concerns expressed about the PMPS' operation seem to stem from the payment of double increments. For this reason we do not intend to re-introduce double increments once the pay freeze is lifted.

In the short-term, and whilst overall senior military numbers are expected to reduce, quality and performance levels can be expected to remain sustainable. However, as our understanding of the nature and degree of change arising from

---

<sup>39</sup> That is, those who have sufficient seniority and are not already at the top of their rank pay scale.

<sup>40</sup> Thirty-Second Report 2010, Recommendation 7 and Thirty-Third Report 2011, Recommendation 1: “We recommend that the Ministry of Defence review the Performance Management and Pay System to define the objectives of performance-related pay in the senior military and consider whether the existing system can be improved.”  
Review Body on Senior Salaries. *Thirty-Second Report on Senior Salaries 2010*. Cm 7804. TSO, 2010.  
Review Body on Senior Salaries. *Thirty-Third Report on Senior Salaries 2011*. Cm 8026. TSO, 2011.  
Both reports are available at: [http://www.ome.uk.com/SSRB\\_Reports.aspx](http://www.ome.uk.com/SSRB_Reports.aspx) (accessed on 24 February 2012).

the [Strategic Defence and Security Review] and the [Defence Reform Review] takes shape, in particular the detail of the renewed [New Employment Model] 'offer' and the pay and pension structures developed to support it, we may need to adapt the PMPS to ensure that it continues to meet MOD needs by supporting the military side of the Department's senior leadership team.

As and when change becomes necessary further evidence will be submitted to the SSRB – we are not formally seeking SSRB input on the options outlined above or any others at this time."

(The New Employment Model (NEM) programme is a review, now under way and due to report in autumn 2012, of the employment 'offer' to service personnel. The programme comprises five separate projects: Manpower Utilisation and Terms of Service; Financial and Non-Financial Conditions of Service; Future Accommodation; Training and Education; and NEM Delivery. NEM is a long-term programme which will introduce changes to terms and conditions for service personnel over a ten-year period from 2014-15. It will affect different people at different times and different stages of their careers. Significant changes are unlikely in the short term, but there will be some impact on the senior officer cohort.)

- 3.22 We have argued in the past against a system under which all eligible officers receive a single increment, regardless of relative contribution. This is not performance-related pay but effectively a system of automatic increments. Such systems, as we pointed out in a previous report, have almost entirely disappeared from the private sector and are rightly being gradually removed in the public sector. However, we accept that the culture and management practice in the services are very different from almost every other organisation and we recognise that the services are going to be subject to very substantial change over the next decade. We note the implicit willingness expressed in the report to keep the PMPS under review and to adapt it to ensure that it continues to meet the MoD's needs. We should, of course, be happy to assist with any such adaptation.

### Attitude surveys

- 3.23 Two annual surveys were conducted in 2011 to gauge attitude changes among the senior military. The first was the annual Armed Forces Continuous Attitude Survey (AFCAS)<sup>41</sup>, a sample survey run by the MoD from February to May. The response rate for this survey – 49 per cent – was a slight improvement on the last two years (42 per cent in 2009 and 45 per cent in 2010).
- 3.24 The second attitude survey was the on-line survey run in October 2011 by our secretariat in the Office of Manpower Economics (OME), in place of the MoD previous annual survey of the senior military which the MoD is now unable to undertake because of funding constraints. The OME survey asked for views on the remuneration package, working patterns, leave and motivation and was sent to all senior officers. The response rate was 44 per cent, slightly lower than for the senior military survey it replaced, which had a response rate of 49 per cent in 2009 and 45 per cent in 2010. We remain keen to find ways to increase the response rate to both surveys.
- 3.25 The MoD acknowledged that, in all ten areas covered by the first survey, satisfaction levels had shown a significant decline in comparison with 2010. Those areas with the most sizeable falls in satisfaction were: allowances; service life in general; own morale; morale of service; and pension benefits.

---

<sup>41</sup> Information about the general results from AFCAS are available at:  
[http://www.hmforces.co.uk/armed\\_forces\\_news/articles/9489-survey-shows-reduced-levels-of-morale-and-satisfaction-in-the-military](http://www.hmforces.co.uk/armed_forces_news/articles/9489-survey-shows-reduced-levels-of-morale-and-satisfaction-in-the-military) (accessed on 24 February 2012).

3.26 The MoD attributed the first survey results to the cumulative effect of measures such as the pay freeze, changes to pensions and the implementation of the changes under Transforming Defence. We welcome the fact that the MoD will continue to monitor closely the morale and engagement of senior officers as the various new initiatives take effect.

3.27 The second survey provided the following data on leave, job satisfaction and representational duties:

- Senior officers took an average of 25.4 days of annual leave in the year from a 30 day allowance. This is more than in 2009 (22.1 days) but less than in 2008 (27.1 days). (The question was asked differently in 2010, including public holidays, which allowed ambiguous responses so the result is not comparable with other years.)
- During the year, 65 per cent of senior officers who responded had to change authorised periods of leave for service reasons.
- Job satisfaction was rated as very high or high by 65 per cent of respondents, a lower percentage than in previous years and a sudden reverse in trend (72 per cent in 2008, 83 per cent in 2009 and 88 per cent in 2010).
- The amount of time that respondents had to spend on representational duties was rated as "about right" by 78 per cent of respondents, only slightly lower than in previous years (85 per cent in 2008, 86 per cent in 2009 and 84 per cent in 2010).

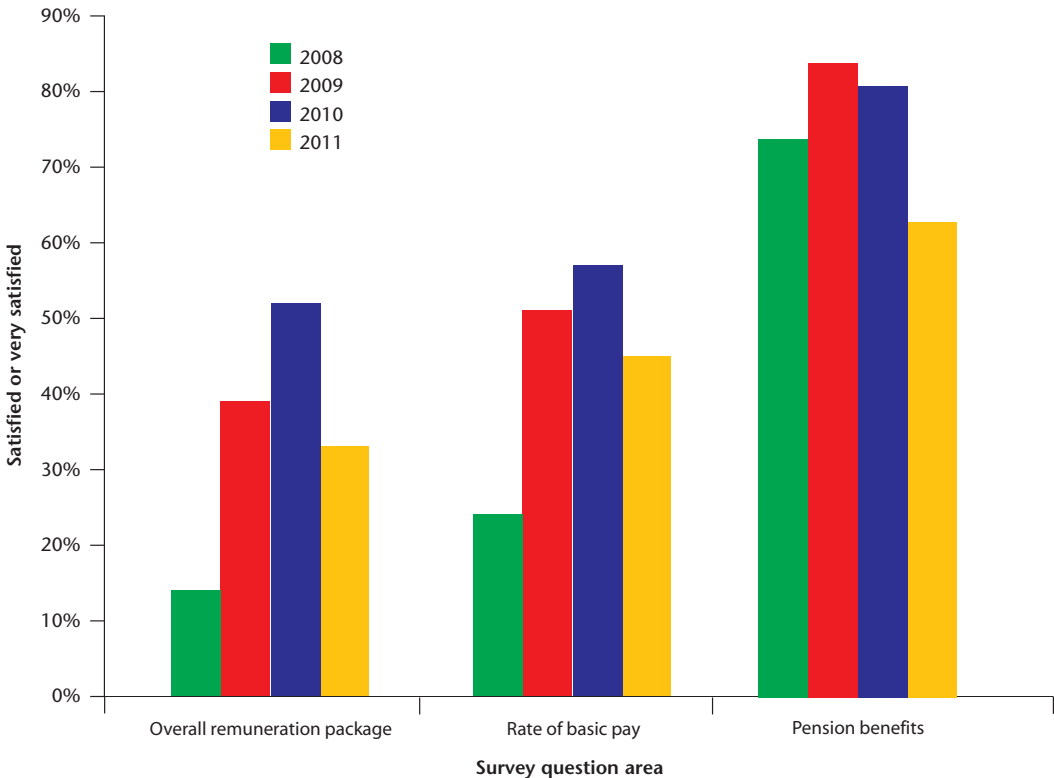
3.28 For the first time, the second survey also asked respondents to rate their motivation between 1 (low) and 10 (high). The median score was 9.

- 30 per cent rated their motivation at 10.
- 64 per cent rated motivation in the 7-9 categories.
- The remaining 6 per cent rated motivation as 5 or 4.

We shall monitor responses to this question in future years in order to see how perceived motivation evolves.

3.29 Figure 3.1 shows changes in satisfaction with pay, pension and overall remuneration as recorded in both surveys from 2008 to 2011.

**Figure 3.1: Changes in satisfaction with pay, pension and the overall remuneration package recorded in the attitude surveys, 2008 - 2011**



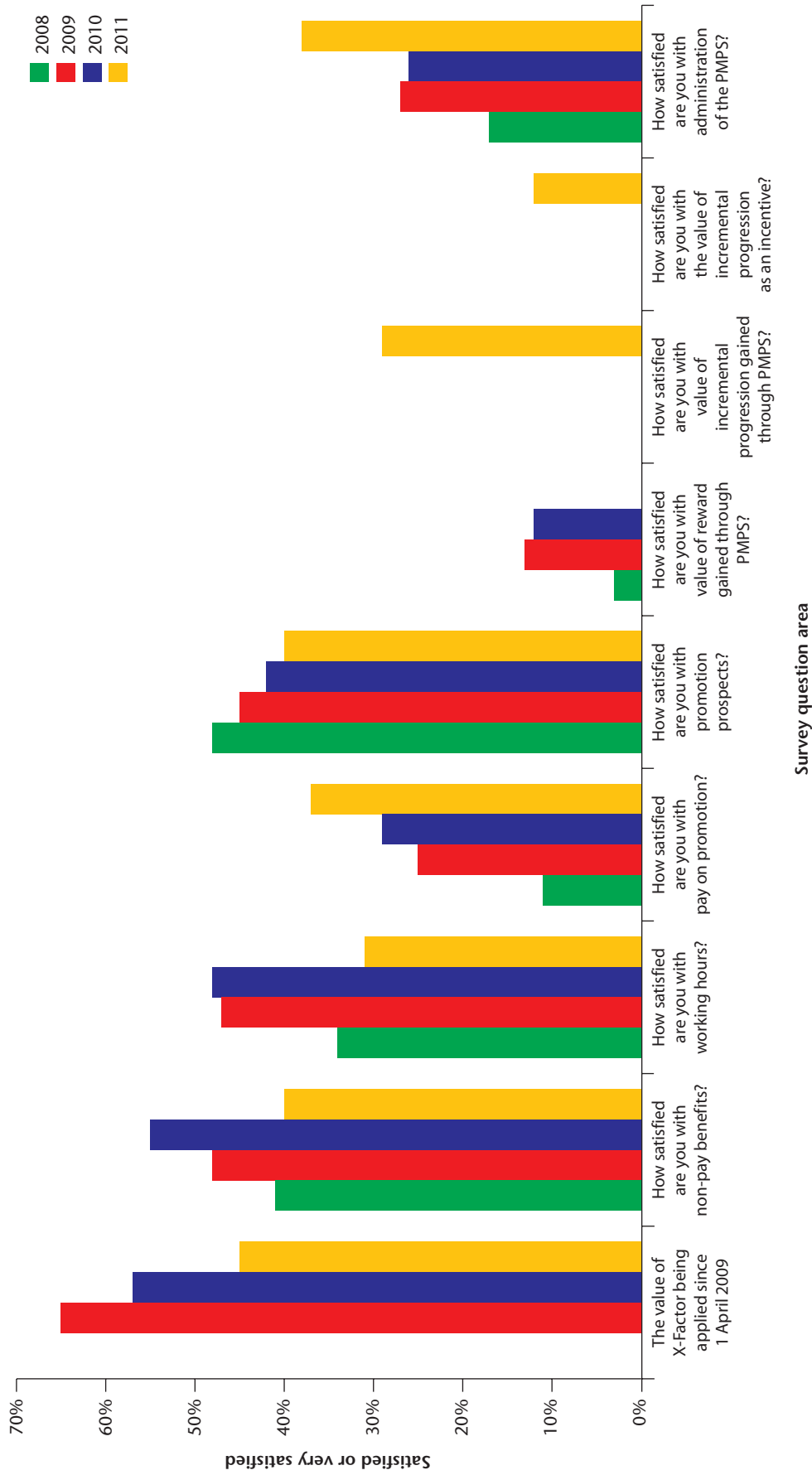
Sources: Ministry of Defence and Office of Manpower Economics

Note:

1 The number of respondents to the senior officers/on-line survey which asked for satisfaction with the overall package is such that 10 per cent represents, roughly, 5-6 people.

3.30 Figure 3.2, based on both surveys, shows general changes in satisfaction levels for other elements. These include X-Factor, non-pay benefits, the PMPS system and working hours. Again, satisfaction with many elements would appear to have decreased over the last year. The main exceptions are pay on promotion and administration of the PMPS. From 1 April 2010 the MoD implemented the recommendation in our Thirty-Second report, published in March 2010, that officers receive at least a 10 per cent increase in base pay (excluding X-Factor) on promotion to 2-star. Suspension of double increments followed our recommendation in the same report that the MoD review the PMPS. The process for allocating double increments had been lengthy so suspension allowed increments to be paid more quickly.

Figure 3.2: Changes in satisfaction in other elements recorded by officers in the attitude surveys, 2008 - 2011



Source: Ministry of Defence and Office of Manpower Economics

Notes:

- 1 The number of respondents to the senior officers/on-line survey is such that 10 per cent represents, roughly, 5-6 people. This varies with year and question.
- 2 Not all questions were asked in all years; "How satisfied are you with value of reward gained through PMPs?" was replaced by two new questions in 2011 – "How satisfied are you with value of incremental progression gained through PMPs?" and "How satisfied are you with the value of incremental progression as an incentive?"

## Pensions

- 3.31 As is the case for the rest of the services, the senior military have access to a non-contributory, defined benefit Armed Forces Pension Scheme (AFPS). The AFPS is widely regarded as a high quality pension with a very positive effect on retention.
- 3.32 In its evidence this year the MoD stated that changes to pension tax allowances are a likely cause of the marked decline in satisfaction levels recorded in both surveys. The MoD said that those at OF3<sup>42</sup> and above are likely to be affected by the reduction in the Annual Allowance for tax relieved pensions savings (in force from 6 April 2011) from £255,000 to £50,000 while those at OF7<sup>43</sup> and above are also likely to be affected by the change in Lifetime Allowance (in force from April 2012) from £1.8 million to £1.5 million. We should welcome further analysis from the MoD of the possible impact of pension changes on retention.
- 3.33 The Independent Public Service Pensions Commission report in 2010 recommended that the AFPS should remain a non-contributory scheme for the time being. However, it did foresee a move to a career average scheme for the armed forces. The senior military are concerned that eligibility for Immediate Pension and Early Departure Payments may be affected by the reforms. Also, as for all other public sector pensions, the indexation of the AFPS in payment has changed from RPI to CPI. This affects the military to a greater extent than other groups because they tend to draw their pensions for longer.

## Conclusion

- 3.34 This year we see a possible threat emerging to recruitment (from lower ranks), retention and motivation of this remit group as a consequence of the radical changes to the armed forces combined with the effects of pay restraint and the impact on the higher paid of some measures to reduce the fiscal deficit, as described in Chapter 1. Already morale is lower, there is particular uncertainty and concern about pension provision and increasing numbers of officers are leaving prematurely. It is important to ensure that the remuneration package for senior officers continues to enable the services to recruit, retain and motivate sufficient numbers of suitably able and qualified people.

---

<sup>42</sup> These are officer ranks Lieutenant Commander, Major and Squadron Leader.

<sup>43</sup> These are 2-star officers.

# Chapter 4

## The judiciary

### Introduction

- 4.1 In our Thirty-Third Report<sup>44</sup>, we made 14 recommendations for changes to the judicial salary structure following completion of our major review. Our recommendations allocated new roles to salary groups, addressed problems with the current structure and revisited salaries in the light of up to date evidence relating to our remit. The full list of recommendations is at Appendix H. The Prime Minister responded in a Written Ministerial Statement: “Given in particular the two-year pay freeze that will be in place for public servants earning over £21,000 from April 2011, the Government are not announcing any immediate changes to judicial salaries, but are considering the detail of the report overall and will respond at an appropriate time.”<sup>45</sup>
- 4.2 Since the Written Ministerial Statement was made, two of our recommendations have been addressed. Firstly, we are pleased to report that the Scottish Government has formally requested that the Office of Stipendiary Magistrate in Scotland be included within our remit. The Scotland Cabinet Secretary for Justice wrote to us on 12 July 2011 confirming that these were salaried judiciary posts and were therefore covered by recommendation 5<sup>46</sup> in our 2011 report. Secondly, we recommended last year that pay arrangements for County Court Judges in Northern Ireland continue while the non-jury trial provisions remain in force and the Government has followed this approach. Since 1988, County Court Judges have been placed in salary group 6.1 but paid at salary group 5 on the grounds that they have increased responsibility from presiding over non-jury, ‘Diplock’ trials dealing with terrorism-related offences. The Ministry of Justice (MoJ) said in written evidence last year that its “preferred option would be to retain the salary uplift while the non-jury trial provisions of the Justice and Security (NI) Act 2007 remain in force” and it has acted accordingly since our report. While not a formal acceptance of our recommendation<sup>47</sup>, the MoJ’s approach does agree with the proposal we made.
- 4.3 However, **the rest of our recommendations have not yet been addressed.** We understand why the Government has not implemented recommendations for salary increases during the pay freeze but where job evaluation has shown that posts are wrongly graded, we cannot see why this should not be corrected immediately.
- 4.4 We are particularly disappointed that our proposals for posts which had been created since our previous major review and were not previously job evaluated have not been implemented. These posts should be correctly placed within the existing structure immediately.
- 4.5 Similarly, we note that the Government did not respond to the recommendations which would have resulted in a small reduction in the paybill:

---

<sup>44</sup> Review Body on Senior Salaries. *Thirty-Third Report on Senior Salaries 2011*. Cm 8026. TSO, 2011. Available at: [http://www.ome.uk.com/SSRB\\_Reports.aspx](http://www.ome.uk.com/SSRB_Reports.aspx) (accessed on 24 February 2012).

<sup>45</sup> Written Ministerial Statement, on Monday 21 March 2011. Available at: <http://www.publications.parliament.uk/pa/cm201011/cmhansrd/cm110321/wmstext/110321m0001.htm> (accessed on 24 February 2012).

<sup>46</sup> Recommendation 5: We recommend that all salaried judicial office holders in the United Kingdom be covered by our recommendations in future.

<sup>47</sup> 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.



- 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 with management responsibilities for other judges at the same level should be 5 per cent.

4.6 We proposed that the Government should implement new salary groups once this was consistent with public sector pay policy. The new groups are shown in Table 4.1. Evidence presented to us this year demonstrates that the key issue this new structure aimed to start to address, namely a growing difficulty in recruiting suitable candidates at High Court and equivalent level throughout the UK, still exists and may be becoming more acute. Therefore, we see this new structure as our starting point for considering salary levels when the pay freeze ends.

**Table 4.1: Proposed salary groups and rates**

Current salary group	New salary group	Salary
1	A	£245,000
1.1	B <sup>1</sup>	£235,000
	C	£225,000
2	D	£215,000
3	E	£205,000
4	F	£180,000
5	G	£140,000
6.1	H	£130,000
6.2	I	£115,000
7	J	£103,000

Note:

<sup>1</sup> Salary group B contains the post of Lord President of the Court of Session in Scotland which has gained considerable additional responsibilities since our last major review. Salary group C contains all the other posts which were within salary group 1.1.

**4.7 We urge the Government to address all the outstanding recommendations from the major review of the judicial salary structure as soon as possible.**

4.8 We make no recommendations for changes to judicial salaries for 2012-13. This is because, as discussed in Chapter 1, this is the second year of the Coalition Government's pay freeze for public servants paid over £21,000 a year. Given that we ourselves recommended no general increase for any of our remit groups in 2010-11, by March 2013 the judiciary will have had no pay increase for three years. The last increase was in April 2009 and so by March 2015, members of the judiciary are likely to have received only two 1 per cent annual increases during a period of five years.

4.9 Although we make no pay recommendations this year, we continue to monitor our remit groups, both in order to detect any developments in recruitment, retention and motivation, and so that we are equipped to resume our normal work when the pay freeze ends.

## The judicial remit group

4.10 Our remit group consists of full-time and part-time salaried judicial office holders in the courts and tribunals of the United Kingdom.<sup>48</sup> The fee-paid judiciary members are not part of our standing remit although many fees are set by reference to the salary for the corresponding full-time post. There were 2,212 salaried members on 31 March 2011, a decrease of 28 (1 per cent) on the previous year but an increase of 95 (4 per cent) over the four years 2007 – 2011.

4.11 The remit group comprises around 90 different roles, divided into salary groups of which there are currently nine (Appendix G lists the posts by salary group). As we discussed in paragraph 4.6, on concluding our major review of the judicial salary structure last year, we proposed that there should in future be ten salary groups.<sup>49</sup> The current salary structure and numbers in post are set out in Table 4.2.

**Table 4.2: Judicial salaries and numbers in post**

Salary group <sup>1</sup>	Salary from 1 April 2009 <sup>2</sup>	Numbers in post <sup>3</sup>					Change in numbers in post 2010-11 <sup>4</sup>
		2007	2008	2009	2010	2011	
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	49	48	49	49	47	-2
4	£172,753	141	144	143	140	141	1
5	£138,548	84	87	88	96	96	0
6.1	£128,296	806	818	824	860	831	-29
6.2	£120,785	20	20	20	36	37	1
7	£102,921	997	1,014	1,007	1,039	1,036	-3
Stipendiary magistrates <sup>5</sup>	£70,562	n/a	n/a	n/a	n/a	4	4
<b>Total</b>		<b>2,117</b>	<b>2,151</b>	<b>2,151</b>	<b>2,240</b>	<b>2,212</b>	<b>-28</b>

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 The main differences between 2010 and 2011 are caused by numbers of vacant posts for which a recruitment exercise was being or will be held.

5 Stipendiary Magistrates were in post on 1 April, but not added to the remit until 12 July 2011.

## Pensions

4.12 In past years we have drawn attention to the value of judicial pensions and their importance in recruiting judicial office holders who are paid spot rates and do not receive any form of performance-related pay or other benefits. Actuarial evidence indicated

<sup>48</sup> This does not include coroners in England and Wales who are appointed by individual Local Authorities.

<sup>49</sup> The proposed new groups correspond to the current groups with the exception of the current salary group 1.1 which would be divided into a group containing the single role of the Lord President of the Court of Session in Scotland and a group containing the other three roles now in group 1.1.

that judicial pensions were worth 35-40 per cent of salary to the individual members.<sup>50</sup> However, this was before the Government changed from using the retail prices index (RPI) to the consumer prices index (CPI) for uprating public sector pensions. This change is likely to have reduced the value of judicial pensions. We have not received an estimate of this reduction for our remit group from the MoJ or from elsewhere. However, the most recent assessment from the Office for Budget Responsibility<sup>51</sup> is that the average gap in the long term between RPI and CPI will be 1.4 percentage points, so after the first year of retirement (when this change of uprating takes effect) pensions are likely to be worth on average 1.4 per cent less each year than if they had been uprated by RPI. This would imply that the pension is likely to be worth almost 25 per cent less after 20 years of uprating by CPI rather than RPI.

### *The future of public pension schemes*

4.13 The Government is reforming all public sector pension schemes following the completion of the Independent Public Service Pensions Commission's fundamental structural review of public service pension provision (chaired by Lord Hutton). The Government announced in the Spending Review 2010 that it planned to increase contributions over the next three financial years. It has proposed an average increase in employee contributions of 3.2 per cent of salary across public sector pension schemes (apart from the armed forces pension schemes). The increase is to be phased in with an average contribution of 1.28 per cent of salary in 2012-13, likely to rise to 2.56 per cent in 2013-14 and then to 3.2 per cent in 2014-15 (i.e. 40 per cent of the total in year one, 80 per cent of the total in year two and the full amount, 3.2 per cent of salary on average in year three). For most public sector schemes the Government has proposed that lower paid workers should pay no, or reduced additional contributions, with higher paid workers paying up to 5 or 6 per cent of salary more in order to achieve the overall 3.2 per cent average. For the longer term, the Government has proposed the introduction of career average schemes with a retirement age equal to that for the state pension for most public sector workers from 2015.<sup>52</sup> These proposed changes are currently being discussed with trades unions and other groups.

### *The future of judiciary pension schemes*

4.14 As members of a public sector scheme, the judiciary will also be asked to pay increased contributions starting in April 2012. The MoJ told us that the Lord Chancellor has proposed personal contributions of 1.28 per cent of salary in 2012-13 and was seeking the views of the judiciary on whether the contribution rate should be the same for all judges in 2012-13 or whether there should be some form of differentiation between the judicial salary groups. Because the judicial pension scheme is not registered for tax purposes (see our Thirtieth Report<sup>53</sup> for details), judges will not be eligible for tax relief on their contributions. The MoJ advise that if all judges contribute an additional 3.2 per cent of salary towards their pensions by 2014-15, this would be equivalent to a rate of 5.33 per cent for those who pay income tax at the higher marginal rate (40 per cent) and

---

<sup>50</sup> This is the value of the benefits to be accrued over the next year of service, allowing for future increases in pay up to the expected age of retirement or earlier exit from the pension scheme, expressed as a percentage of salary. Expressing the pension value as a percentage of salary enables it to be added to salary and other quantifiable benefits to arrive at total reward. The method used to assess the value of pension provisions is called the "projected unit method". The calculations for the SSRB assumed RPI (not CPI) would be used for revaluing pensions.

<sup>51</sup> "Since March, the OBR has revisited its assessment of the long-run difference between RPI and CPI inflation. In the long run, we now expect annual RPI inflation to be around 1.4 percentage points higher than CPI inflation." (paragraph 3.111). Office for Budget Responsibility. *Economic and fiscal outlook – November 2011*. Cm 8218. TSO, 2011. Available at: <http://budgetresponsibility.independent.gov.uk/economic-and-fiscal-outlook-november-2011/> (accessed on 24 February 2012).

<sup>52</sup> Further information can be found at: [http://www.hm-treasury.gov.uk/tax\\_pensions\\_proposed\\_changes.htm](http://www.hm-treasury.gov.uk/tax_pensions_proposed_changes.htm) (accessed on 24 February 2012).

<sup>53</sup> Review Body on Senior Salaries. *Thirtieth Report on Senior Salaries 2008*. Cm 7388. TSO, 2008. Available at: [http://www.ome.uk.com/SSRB\\_Reports.aspx](http://www.ome.uk.com/SSRB_Reports.aspx) (accessed on 24 February 2012).

6.4 per cent for those paying income tax at the highest 50 per cent rate. The MoJ argues that additional contributions of 3.2 per cent of salary are broadly in line with the extra 5 or 6 per cent before tax relief that higher earners in other public sector schemes will be required to pay. These contributions would be additional to contributions, typically 1.8 per cent of salary, that judges already pay for widows'/widowers' and dependants' benefits.

- 4.15 Judges receive a lump sum on retirement as part of the pension benefit. This is either twice the pension for members of the 1981 scheme or 2.25 times the pension for members of the 1993 scheme. In addition, judges receive a service award on retirement. This is designed to leave them in the same net position as applied before 6 April 2006 when the Finance Act 2004 came into force and is equivalent (after tax) to the amount of tax payable on the lump sum because the pension scheme is not registered for tax purposes. The MoJ told us that it had not made any proposals for judicial pension reform but that these will follow in due course.
- 4.16 The three heads of the judiciary – the Lord Chief Justice of England and Wales, the Lord President of the Court of Session and the Lord Chief Justice of Northern Ireland – all expressed concern that changes to the pension scheme could lead to recruitment problems. In addition, evidence from across the judiciary suggested that a decrease in the value of the pension would impact adversely on motivation and that the current uncertainty was already lowering the morale and motivation of our remit group. We recognise these concerns and we will monitor the situation. We hope to receive further information about the proposals for judicial pension reform and their effect on total reward for the judiciary in the coming year.

## **Constitutional and other changes to the judicial system**

### *Integration of the courts and tribunals*

- 4.17 On 1 April 2011 courts and tribunals in England and Wales were brought together in Her Majesty's Courts and Tribunals Service. This new government agency is overseen by a partnership of the Lord Chancellor and the Lord Chief Justice of England and Wales. The Lord Chief Justice confirmed that the planned formal integration of the courts and tribunals requires an amendment to the current legislation which the Government will need to take forward. The Lord Chief Justice told us that the judiciary is very aware of the recommendation from the Advisory Panel on Judicial Diversity in 2010 that there should be maximum opportunities for movement across the various jurisdictions. He said the recent launch of Her Majesty's Courts and Tribunals Service has helped start to create the basis for that more flexible deployment. The Lord Chief Justice confirmed that the judiciary would continue to work with the Judicial Appointments Commission (England and Wales) (JAC(E&W)) on implementing the Advisory Panel's recommendations.

### *Implementation of the Judiciary and Courts (Scotland) Act 2008*

- 4.18 The Lord President of the Court of Session informed us that the changes to the office of Lord President and Sheriff Principal, which he expected from the implementation of the Judiciary and Courts (Scotland) Act 2008, have been put in place. There has been no unexpected effect on other judicial offices, although implementation took place only 18 months ago and Scotland is still some way from a "steady state". The Lord President also informed us that some Court of Session judges now undertake significant administrative responsibilities in addition to their judicial duties, although this is not a direct result of the Act.

### *Devolution of responsibility for justice in Northern Ireland*

- 4.19 The Lord Chief Justice of Northern Ireland gave us information about the consequences of devolution in his jurisdiction since the major review. His office has taken on extra

responsibilities in areas such as drafting court rules and sentencing guidance. The Lord Chief Justice has created and is responsible for a Sentencing Group which will set guidelines in Northern Ireland. Additionally, four judges now sit as observers on the Northern Ireland Courts and Tribunals Service Board.

## Evidence

- 4.20 For this round we received written and oral evidence from the Lord Chief Justice of England and Wales. We received written evidence from the Lord President of the Court of Session, the Lord Chief Justice of Northern Ireland (who also gave oral evidence in his role as the Chairman of the Northern Ireland Judicial Appointments Commission (NIJAC)), the Upper Tribunal Judges of the Administrative Appeals Chamber, the Tax and Chancery Chamber and the Immigration and Asylum Chamber, the Association of Her Majesty's District Judges and the Council of Her Majesty's District Judges (Magistrates' Courts). We received written information from the MoJ (which included information from the Northern Ireland Courts and Tribunals Service) and the Scottish Government. We received both written and oral evidence from the three judicial appointments organisations. A full list of those who supplied evidence and information is at Appendix A.
- 4.21 Members of the Review Body visit courts every year in order to observe the workings of the justice system, to gain an impression of judges' working environments, and to hear views on pay and related issues directly from members of the judiciary. This year we visited the Birmingham Crown Court and the Central London County Court and we are grateful to our hosts and to all those who helped us with the visit arrangements.

## Our major review recommendations

- 4.22 Some of the evidence sent to us this year provided further information in response to some of our recommendations from last year's major review of the judicial salary structure.

### *Circuit Judges dealing with fraud at Southwark Crown Court and Resident Judges*

- 4.23 In our last report we considered the evidence for moving Circuit Judges dealing with fraud at Southwark Crown Court to salary group 5 and for paying an allowance to Resident Judges who were not Senior Circuit Judges. We made no recommendation for change in either case and asked the Lord Chief Justice of England and Wales to consider these issues and provide further evidence to us.
- 4.24 The Lord Chief Justice said in evidence that work was still in progress on both these issues. He told us that a related issue of concern to him was the expansion in the administrative tasks of the judiciary over the last 20 years and its impact on the overall workload of judiciary members. He will discuss these issues further with the Lord Chancellor and the various judicial associations and inform us when a final view is reached.

### *Stipendiary Magistrates*

- 4.25 As we stated at the start of this chapter, the Scottish Government has asked us to include Stipendiary Magistrates within our remit. Stipendiary Magistrates sit alone within the Justice of the Peace Court in Glasgow. They deal with the same types of summary cases as Sheriffs; examples include drink driving, dangerous driving and assaults. Stipendiary Magistrates can impose periods of imprisonment up to one year and fines of up to £10,000. All Sheriffs Principal have powers to appoint Stipendiary Magistrates but at present they exist only in the jurisdiction of Glasgow and Strathkelvin. There are currently four salaried Stipendiary Magistrates who are paid 55 per cent of the Sheriff salary. These four Stipendiary Magistrates, in post prior to the unification of the court system in December 2008, were recruited by Glasgow City Council which had responsibility

for what was then the District Court in Glasgow. Consequently, the Sheriff Principal for Glasgow and Strathkelvin has no information about past recruitment exercises for this role. However, his office has informed us that a recruitment exercise held last year for fee-paid Stipendiary Magistrates was successful in filling five posts. Now that salaried Stipendiary Magistrates have been included in our remit we shall consider them alongside our other remit groups in future reports and recommend on the pay of these posts. As for other judiciary posts, this role will require job evaluation in the future in order for the role to be properly placed in the judicial salary structure.

### *Coroners in England and Wales*

- 4.26 In written evidence this year the MoJ repeated its view that coroners in England and Wales should remain outside our remit, although it did not respond formally to our recommendation that all salaried judicial office holders in the United Kingdom be covered by our recommendations in future. The MoJ stated that in its view the nature of coroners' work was different from that of the mainstream judiciary and they were appointed and paid in a different way. We continue to believe that all salaried judiciary should be within our remit and are disappointed by this indication that coroners in England and Wales are not likely to be added in the near future.

### *Other*

- 4.27 The Association of Her Majesty's District Judges and the Council of Her Majesty's District Judges (Magistrates' Courts) both commented on our proposed salary groups and rates, comparing them with our 2009 recommendations and inflation since that report. We responded to their detailed points in writing. The Upper Tribunal Judges of the Administrative Appeals Chamber, the Tax and Chancery Chamber and the Immigration and Asylum Chamber commented on the recommendation we made with respect to the role of Judge of the Upper Tribunal last year<sup>54</sup> and provided us with details of changes since last year which have affected their roles.

## **Judiciary roles added to our remit**

### *Chief Coroner*

- 4.28 The Government has confirmed that the new post of Chief Coroner will be created. The Coroners and Justice Act 2009 states that: "To be eligible for appointment as the Chief Coroner a person must be...a judge of the High Court or a Circuit judge." The Chief Coroner role will therefore be within the SSRB's remit. The Chief Coroner will provide national leadership to coroners, who will continue to be appointed by the relevant local authorities but with a new layer of national oversight.

### *Tribunals' roles*

- 4.29 The Tribunals, Courts and Enforcement Act 2007 created a new judicial and legal framework headed by the Senior President of Tribunals which brought together individual tribunals into a new, unified tribunals structure. Over the last five years we have observed that the majority of those individual tribunals have now been included in what is now Her Majesty's Courts and Tribunals Service, but there are still some in the process of being added. In addition, we are aware that new posts are being created within the Tribunals. Where such salaried judicial posts are being created or added, they will need to be placed within the salary structure as described in the Government's response to our *Review of Tribunals' Judiciary Remuneration 2008*<sup>55</sup> report or job evaluated if they fall outside of the roles covered within that report.

---

<sup>54</sup> That the role of Judge of the Upper Tribunal be moved from salary group 6.1 to salary group 5.

<sup>55</sup> Tribunals Service, Government response to the SSRB Review of Tribunals' Judiciary Remuneration 2008 (Report No. 66), July 2009. This is available at: [http://www.tribunals.gov.uk/tribunals/Documents/Publications/GovernmentResponsetothe\\_SSRBReportNo66\\_16Jul09.pdf](http://www.tribunals.gov.uk/tribunals/Documents/Publications/GovernmentResponsetothe_SSRBReportNo66_16Jul09.pdf) (accessed on 24 February 2012).

### *Salaried Medical Members, Social Entitlement Chamber*

- 4.30 The new role of salaried Medical Member in the Social Entitlement Chamber of the First-tier Tribunal has been created since our last report. There are currently six of these Members. The first was appointed on 17 October 2011. There is also a single vacant post and a new recruitment exercise will be run during 2012 to fill this. These salaried Medical Members will hear and decide appeals within the Social Entitlement Chamber of the First-tier Tribunal that concern medical issues, sitting with a judge and other tribunal members where appropriate. In addition these members will assist with the appraisal of fee-paid medical members and the development and delivery of training. We have been advised that this new role will automatically be in the SSRB remit. Medical Members are currently paid a salary of £81,620 (220 x £371 – a multiple of the fee for fee-paid medical members) which is 79 per cent of the group 7 salary. These posts will require job evaluation in the future in order for the role to be properly placed in the judicial salary structure.

## **Recruitment and retention**

### *Salary group 4*

- 4.31 We reported last year that both the Judicial Appointments Board (JAB) in Scotland and the NIJAC experienced difficulties recruiting to posts in salary group 4. The evidence we received this year from the JAB showed that, for the first time, it has been unable to fill a vacancy for a Senator of the College of Justice. In oral evidence, the JAB Chairman expressed his concern at this failure and said that the JAB would be re-running the competition early in 2012. The Lord President of the Court of Session told us a senior advocate had suggested that uncertainty about future pension arrangements had dissuaded senior members of the Faculty of Advocates from seeking judicial office in the last competition.
- 4.32 The Lord Chief Justice of Northern Ireland is also the Chairman of the NIJAC and, in his evidence to us, he repeated the concerns he raised last year, recorded in our 2011 report, about attracting the highest quality candidates for senior posts. He referred to both the widening pay gap between private earnings and judicial salaries and to the effect of changes to the pension on total reward as factors affecting recruitment. The NIJAC is about to run a High Court recruitment exercise for three vacancies, out of a total of ten posts, and the Lord Chief Justice said he was concerned that the competition might fail to secure the necessary calibre of candidate.
- 4.33 The JAC(E&W) does not have similar concerns about recruiting to the High Court Bench at this time. Previous exercises have always produced sufficient suitable candidates. However, the Lord Chief Justice stated in evidence this year that he felt the goal should always be to “recruit the best possible candidates” at every level of the judiciary and that the combination of the pay freeze and the changes to the pension scheme might affect future recruitment. He said the Government needed to show that it valued the judiciary by at least maintaining the level of remuneration in real terms, particularly for the High Court. Appropriate reward and public respect for the office were important to encourage the best candidates to apply.
- 4.34 We are concerned by the failure to recruit to salary group 4 in Scotland and by the suggestion that this may also be an issue in Northern Ireland. The new structure we proposed last year included an increased salary differential for group 4 to signal the importance of attracting high quality lawyers to the most senior levels of the judiciary. Our proposal to increase the group 4 salary was intended to help to address, within the constraints placed upon us, the recruitment concerns that had been raised. Therefore, we see the latest evidence as strengthening the case for our proposal.

- 4.35 We shall monitor the results from the new recruitment exercises in both jurisdictions and expect further evidence from the judicial appointments organisations and the government departments on these exercises next year. In addition, we shall be interested in the results of a selection exercise launched by the JAC(E&W) for the Chancery Division (the first to be advertised since the pay freeze and pension changes were announced) which aims to fill five vacancies out of a total of 18 posts.

### *Sheriffs Principal*

- 4.36 In his evidence to us, the Lord President of the Court of Session raised concerns about the recruitment of suitable candidates for the role of Sheriff Principal. The Lord President said that the £10,000 difference between our recommended salary for the Sheriff Principal role and that for the Sheriff role did not seem sufficient to reward the significant additional responsibilities of Sheriffs Principal in comparison with Sheriffs. He said that it would be increasingly important to attract good quality applicants to fill the posts and noted that the recent recruitment exercise attracted only eight applications, including just one from a practising member of the Scottish Bar and none from practising solicitors. However, the JAB informed us that the two Sheriffs Principal vacancies were filled without difficulty. We accept that sufficient suitable candidates were found this year, but we note the Lord President's concerns and we shall monitor results from recruitment exercises for future vacancies.

### *Employment Judges*

- 4.37 In the recruitment exercise for salaried Employment Judges (England and Wales), the JAC(E&W) did not receive sufficient applications of the required quality to make recommendations for all vacancies. The JAC(E&W) made 8.5 full-time equivalent recommendations for 14 full-time equivalent posts. The JAC(E&W) explained that the shortfall was probably because it sought to fill a relatively high number of vacancies just over twelve months after the previous competition and the pool of suitable candidates had been depleted. The JAC(E&W) told us that it had discussed this with the MoJ. The MoJ said it was content to manage with the lower number of appointments and would leave a longer period before asking the JAC(E&W) to run an exercise for these posts again. We shall monitor this situation.

### *Other roles*

- 4.38 None of the three judicial appointments organisations reported any difficulty in recruiting to other groups within the salaried judiciary. Table 4.3 shows the results of recruitment exercises, highlighting promotions by professional background within the judiciary. These data show that only a small proportion of those appointed are already judicial office holders;<sup>56</sup> the majority are from outside the judiciary.

---

<sup>56</sup> For most of those appointed from the judiciary this will be promotion, although it could include "level transfer" moves from other jurisdictions.



**Table 4.3: Successful candidates by professional background**

Competition	Solicitors		Barristers		Judicial Office Holders <sup>1</sup>		Other/Unknown		Total	
	Numbers	%	Numbers	%	Numbers	%	Numbers	%	Numbers	%
High Court 2006-07	0	0	16	76	5	24	0	0	21	100
High Court 2008	0	0	20	91	2 <sup>2</sup>	9	0	0	22	100
High Court 2010	0	0	10	77	1	8	2	15	13	100
Sheriff Principal 2010	0	0	0	0	2 <sup>3</sup>	100	0	0	2	100
Circuit 2006-07	6	6	87	85	9	9	0	0	102	100
Circuit 2008	5	6	67	80	10 <sup>4</sup>	12	2	2	84	100
Circuit 2010-11	0	0	19	63	1	3	10 <sup>5</sup>	33	30	100
Sheriff 2011 <sup>6</sup>	6	67	3	33	6 <sup>7</sup>	67	0	0	9	100
County Court 2010	0	0	1	50	1	50	0	0	2	100

Sources: Judicial appointments organisations

Notes:

- 1 For some competitions there are details of the former occupation of judicial office holders.
- 2 One was a former barrister; one was a former solicitor.
- 3 One was a former barrister; one was a former solicitor.
- 4 Five were former barristers; five were former solicitors.
- 5 This category of ten included six who were from an "Other" professional background and four who did not declare their background.
- 6 Some posts are counted twice as some appointees were recorded as solicitors or barristers and as (part-time) judicial office holders; we do not know which solicitors or barristers were also judicial office holders.
- 7 The successful candidates included five part-time Sheriffs and a Duty Immigration Judge.

## Motivation

4.39 The Lord Chief Justice told us that the increase in workload when combined with declining reward in real terms in the form of pay and pensions was likely to lead to progressive dissatisfaction as well as recruitment problems. As we have said previously, we see a danger that the perception that judges are undervalued could be exacerbated by what amounts to a three-year pay freeze coupled with changes which reduce the value of judicial pensions. We are keen to monitor motivation over this time frame and in the longer term. The Office of Manpower Economics (OME) which provides our secretariat has carried out research on measuring motivation with the aim of producing a set of standard motivation questions which could be adapted by any remit group of a pay review body. We are exploring the possibility of running a motivation survey tailored to the judiciary based on this research. We shall discuss this further with the three judicial offices.

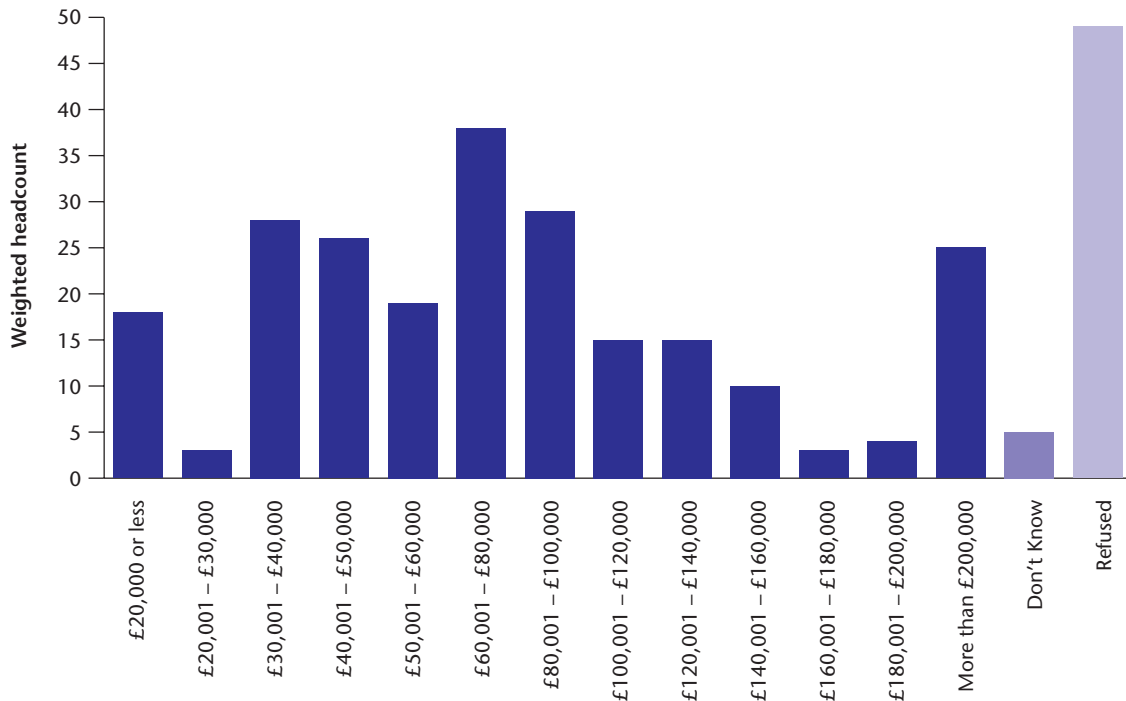
## Pre-appointment earnings

### *Solicitors' earnings*

4.40 We noted in our report last year that we had agreed with the Law Society of England and Wales to include questions on earnings in its 2011 omnibus survey which is sent out to a random sample of its members. These questions covered years of post-qualification experience (PQE), whether the respondent was full-time or part-time, salary and salary range. We have now received the results from this survey. While many respondents did specify their earnings, a significant number did not, preferring only to indicate the range. We therefore present results using ranges as this enables us to include a larger sample

size. For full-time solicitors with between 16 and 35 years' PQE, the usual experience of those applying for appointment to the judiciary, median earnings were in the range £60,000 to £80,000. The full distribution is given in Figure 4.1.

**Figure 4.1: Earnings bands of those in the 16-35 years' PQE group, full-time solicitors 2011**



Source: The Law Society (England and Wales)

Note: Sample responses have been weighted to reflect accurately the population proportions of solicitors in each of three sectors (commerce and industry, government and private practice).

4.41 The National Centre for Social Research (NatCen) survey carried out for the major review included judges who were practising as solicitors prior to judicial appointment. Table 4.4 compares earnings of solicitors with between 16 and 35 years' PQE from the Law Society survey with the pre-appointment earnings identified in the NatCen survey of judges who previously worked as solicitors. While this is not a like-for-like comparison, it does imply that solicitors appointed as judges typically came from among the higher earners of the group with 16 to 35 years' PQE. Also the results suggest that most of the solicitors with between 16 and 35 years' PQE group would have received a pay rise if appointed to the judiciary. This evidence reinforces our view that, taking the value of the pension into account, there should be no difficulty in attracting candidates to salary group 7 posts. We hope to repeat this data collection by adding questions to the next Law Society omnibus survey when it takes place. This will enable us to track the earnings of solicitors over time.

**Table 4.4: Comparing the results of the Law Society survey of solicitors with the NatCen survey of the pre-appointment earnings of judges**

Full-time earnings point	Law Society survey respondents with 16 – 35 years PQE (range)	NatCen survey pre-appointment earnings of all judges who were previously solicitors
Lower quartile	£40,001 – £50,000	£74,953
Median	£60,001 – £80,000	£98,418
Upper quartile	£100,001 – £120,000	£142,951
<i>Valid sample size</i>	237	52

Sources: The Law Society (England and Wales) and the National Centre for Social Research (NatCen).

Note: The Law Society referred to annual earnings in the 2009-10 period and the NatCen Survey was a three-year average updated to April 2009.

### *Collecting annual data on pre-appointment earnings*

4.42 As we have mentioned in previous annual reports, the NIJAC has provided us with pre-appointment earnings data of applicants on a confidential basis for some years. Following discussions, we agreed with the JAC(E&W) to carry out three pilot collections of earnings data from three recruitment exercises in late 2011 and early 2012 at different stages in the recruitment process. The first of these pilot surveys was sent to applicants to the High Court (Chancery Bench). The survey will also be sent to Circuit Bench candidates called for interview and to Upper Tribunal candidates called for interview. If these pilots are successful, we shall continue to collect earnings data from other England and Wales recruitment exercises and we plan similar pilots with the JAB in Scotland. This process of data collection is currently in progress and we welcome the responses we have received to date.

### **Conclusion**

4.43 In Chapter 1 we set out our thinking on the principles to consider next year. We expect to make recommendations for changes to judicial pay in our next annual report, to take effect from 1 April 2013. In making those proposals we shall need to consider the Government's response to our major review recommendations; the new structure will be our starting point for consideration of rates of pay for 2013-14. We expect that we shall also need to have regard to the Government's policy of keeping pay increases to an average of 1 per cent, as announced in the Autumn Statement 2011.

4.44 As we have said in previous reports, our legal system – and the wider state – cannot function properly in the absence of judges with the necessary levels of skill, knowledge and motivation. This means that the total reward for judicial posts must be sufficient to ensure that suitable candidates are attracted to judicial office. We are approaching the third consecutive year of a pay freeze for the judiciary. As we said in Chapter 1, this freeze is happening at a time when inflation is high and changes to national insurance rates and tax allowances mean that take-home pay for judges has reduced. Our evidence suggests that this, combined with the uncertainty surrounding changes to the pension scheme, could be damaging recruitment as well as retention and motivation within the judiciary.

4.45 All the evidence we received this year has supported our conclusions from the major review of the judicial salary structure and the recommendations we made. The recruitment problems for salary group 4 in Scotland and Northern Ireland have increased since our major review. We note that for the first time the JAB has been unable to fill a vacancy at this level. When we made our new salary structure recommendations last year, we proposed an increase in the salary for group 4 because of the concerns already raised about recruitment. In contrast we proposed no significant increase in the salary for group 7 as there were no difficulties in recruiting those judges. Evidence this year shows that this is still the case. We urge the Government to address the outstanding major review recommendations as soon as possible.

## Chapter 5

### Very Senior Managers in the National Health Service

#### Introduction

5.1 Certain ‘very senior managers’, known as VSMs, working in the National Health Service (NHS) in England were added to our remit in July 2007. The VSM remit group includes chief executives, executive directors and other senior managers with board-level responsibility who report to the chief executives in Strategic Health Authorities (SHAs), Primary Care Trusts (PCTs), Ambulance Trusts and Special Health Authorities (SpHAs). SpHAs are a type of Arm’s Length Body (ALB) which provide a specific service at national (England) level to the NHS or the public (for example, NHS Blood and Transplant).

#### Our remit group

5.2 Currently around 500 VSMs in NHS organisations in England are in our remit group. This is around half the estimated number of VSMs last year. Under the Government’s plans for reorganisation of the NHS<sup>57</sup> the number of VSMs employed by SHAs, PCTs and ATs will continue to decrease until the SHAs and PCTs are abolished (expected in April 2013) and all the ATs become NHS foundation trusts.<sup>58</sup> Table 5.1 below provides an estimated number of VSMs at November 2011 in the NHS organisations covered by our remit. The Department of Health (DH) has not been able to provide us with a precise number of VSM posts in all organisation types.

**Table 5.1: Estimated number of VSMs employed in the health organisations covered by the existing VSM pay framework – November 2011**

Organisation type	PCT	SpHAs	AT	SHA	Total
Number of organisations	50	8	8	4	70
Number of VSMs	300	46	64	28	438

Source: Department of Health

#### Our last report

5.3 This is clearly a time of great change and uncertainty for VSMs. In our Thirty-Third Report<sup>59</sup> we included information from the DH that by the end of the planned NHS reorganisation there would be “well below 100” VSMs. However, we have since learned that the number will be significantly higher. This is because abolition of most of the present employers of VSMs will be offset by the creation of a number of new NHS ALBs, both SpHAs and Executive Non-Departmental Public Bodies (ENDPBs), which are expected to employ significant numbers of VSMs.

5.4 Of the VSMs currently in our remit group, only those in SpHAs will remain from April 2013. However, the DH and SSRB are due to agree an extension of SSRB’s remit to include the VSMs within ENDPBs. This change will be reflected in the evidence the DH will put to us for our next pay round and in our next annual report.

5.5 The DH has not been able to provide the number of VSMs posts that will be in SSRB’s remit at the end of the reorganisation. This is understandable in the circumstances

<sup>57</sup> This reorganisation is part of the Health and Social Care Bill 2011.

<sup>58</sup> Foundation trusts set their own pay structures for VSMs and so are not covered by us.

<sup>59</sup> Review Body on Senior Salaries. *Thirty-Third Report on Senior Salaries 2011*. Cm 8026. TSO, 2011. Available at: [http://www.ome.uk.com/SSRB\\_Reports.aspx](http://www.ome.uk.com/SSRB_Reports.aspx) (accessed on 24 February 2012).

as some of the new ALBs do not yet exist and in the case of the NHS Commissioning Board, which was established as an SpHA on 31 October 2011, its senior structure is still being determined. Nevertheless, based on information the DH shared with us, we list at Appendix I the NHS organisations expected to employ VSMs and be covered by us in future, together with those currently employing VSMs which are to be abolished.

5.6 Our last report made no pay recommendations for the VSM remit group. As 2012-13 will be the second year of the two-year pay freeze for our remit groups, we make no recommendations for changes to VSM salaries in this report. However, as we stated last year, we continue to monitor changes to the VSM remit group.

## VSM remuneration

5.7 Current remuneration arrangements for VSMs include:

- base pay;
- annual performance bonus;
- recruitment and retention premia;
- additional payments for additional responsibilities;
- development pay; and
- pension.

As the DH is proposing a new pay structure (see paragraphs 5.13 to 5.16 below) we make no further comments here on the current structure.

## Pensions

5.8 Changes to the NHS pension scheme in England and Wales came into effect on 1 April 2008. Existing NHS staff could choose to transfer to the new scheme. Both schemes are defined benefit schemes linked to final salary but the new scheme has higher minimum and normal pension ages and a higher accrual rate but no automatic lump sum. Further details are set out in Table 5.2 below.

**Table 5.2: NHS pension schemes available to VSMs**

	NHS pension scheme prior to 1 April 2008	NHS pension scheme from 1 April 2008
Accrual rate	1/80th	1/60th
Lump sum	3/80ths of pension for each year of service	Option to exchange part of pension for cash at retirement, up to 25 per cent of capital value. Some members may have a compulsory amount of lump sum.
Normal pension age	60	65
Minimum pension age	50	55
Employer contribution	14 per cent	14 per cent

Source: NHS Business Services Authority

5.9 Until 1 April 2008, VSMs contributed 6 per cent of their earnings to the pension scheme. The new scheme introduced tiered employee contributions depending on salary level as set out in Table 5.3 overleaf.

**Table 5.3: NHS pension scheme contribution rates applicable to VSMs from 1 April 2011**

Contribution rate	Pensionable pay (full-time equivalent) paid in 2010-11
8.5 per cent	Earning £110,274 plus
7.5 per cent	Earning £69,932 - £110,273
6.5 per cent	Earning less than £69,932

Source: NHS Business Services Authority

5.10 Following completion of Lord Hutton's review of public sector pensions in 2010,<sup>60</sup> the Government consulted NHS Pensions Scheme members on increased employee contribution rates<sup>61</sup> and proposed a set of tiered employee contribution rates for implementation from 1 April 2012.<sup>62</sup> Those which will apply to VSMs are set out in Table 5.4 below:

**Table 5.4: Proposed NHS pension scheme contribution rates applicable to VSMs from 1 April 2012**

Pensionable pay (full-time equivalent) paid in 2010-11	Current contribution rate	Proposed contribution rate from 1 April 2012	Contribution increase (percentage points)
Earning £110,274 plus	8.5 per cent	10.9 per cent	2.4
Earning £69,932-£110,273	7.5 per cent	9.9 per cent	2.4
Earning less than £69,932	6.5 per cent	8.9 per cent	2.4

Source: Department of Health/HM Treasury

5.11 The DH is discussing with trade unions further proposed increases to employee contributions in 2013-14 and 2014-15. Work is also underway on a revised NHS Pension Scheme for introduction in 2015 for which the Government has proposed:

- a career average scheme;
- an accrual rate of 1/54ths;
- revaluation each year in line with the CPI plus 1.5 percentage points; and
- pension age linked to the State Pension Age.<sup>63</sup>

We will take all the changes to VSMs' pensions into account when we next assess the value of their total reward.

<sup>60</sup> HM Treasury. Independent Public Service Pensions Commission. *Final Report*. 10 March 2011. Available at: [http://cdn.hm-treasury.gov.uk/hutton\\_final\\_100311.pdf](http://cdn.hm-treasury.gov.uk/hutton_final_100311.pdf) (accessed on 24 February 2012).

<sup>61</sup> Department of Health. *NHS Pension Scheme Consultation on proposed increases to employee contribution rates effective from April 2012* (28 July 2011- 21 October 2011). DH, 128799, July 2011. [http://www.dh.gov.uk/prod\\_consum\\_dh/groups/dh\\_digitalassets/documents/digitalasset/dh\\_128799.pdf](http://www.dh.gov.uk/prod_consum_dh/groups/dh_digitalassets/documents/digitalasset/dh_128799.pdf) (accessed on: 24 February 2012).

<sup>62</sup> NHS Business Services Authority. *NHS Pension Scheme – Consultation on Draft Regulations – 8 December 2011 News Article*. Available at: <http://www.nhsbsa.nhs.uk/3511.aspx> (accessed on 24 February 2012).

<sup>63</sup> Further information can be found at: [http://www.hm-treasury.gov.uk/tax\\_pensions\\_proposed\\_changes.htm](http://www.hm-treasury.gov.uk/tax_pensions_proposed_changes.htm) (accessed on 24 February 2012).

## Evidence

5.12 This year we received written information jointly from the DH and NHS Employers and evidence from Managers in Partnership (MiP) but we did not hold oral evidence sessions. Nor did we receive formal evidence from the DH since the Government had made clear that it would not accept any pay recommendations from us during the second year of the public sector pay freeze.

### *New pay framework*

5.13 In its informal update, the DH included information on the new pay framework that it is developing for all VSMs in the new NHS structure, including those employed in existing and future ALBs. Based on a combination of our method for setting pay for ENDPB Chief Executives<sup>64</sup> and job evaluation to set individual VSM salaries, the new framework is expected to retain performance pay arrangements and some other elements similar to the existing pay framework.

5.14 The DH said it intends to ensure that the new pay framework and the job evaluation scheme on which it is based are fit for purpose across all NHS ALBs. We have learned that the DH intends to control closely the pay of the VSMs covered by us and in that respect the framework may remain fairly rigid. In contrast, NHS Foundation Trusts<sup>65</sup> will not be covered by the new framework and will retain the freedom to set their own pay rates for their VSMs. Therefore we question whether NHS ALBs will be able to compete with Foundation Trusts to recruit and retain suitably able and qualified managers. While it appears that the new VSM pay framework may not be as flexible as we had hoped, we welcome the use of our method of ENDPB banding and the introduction of job evaluation for all VSM posts below Chief Executive. This should make the determination of pay less arbitrary than under the current system which sets base pay according to a less sensitive banding mechanism and takes no account of actual job weight.

5.15 We are pleased that the DH has addressed the issue of overlap with Agenda for Change by evaluating a number of VSM posts using both job evaluation systems to confirm consistency and compatibility. We also welcome the removal of the blanket rule that no individual high-performing VSMs can be rewarded if their employing organisation has missed its financial targets. Both moves accord with our previous recommendations on the existing VSM pay framework which we found to be rigid and unwieldy. We understand from the DH that MiP has been closely involved in all stages of development of the new pay framework and we look forward to seeing it in detail. At the time of writing, the DH told us that the new pay framework still required formal Ministerial approval but that it hoped to obtain this soon.

5.16 We believe the priorities for the new pay framework should be to:

- achieve consistency with Agenda for Change and other NHS pay reforms; and
- balance effective central control of pay with the ability to respond quickly to particular needs, such as short-term recruitment or retention issues.

It will be important to monitor VSM recruitment and retention regularly in order to detect any longer-term problems caused by comparators, for example in Foundation Trusts, being offered higher rates of reward.

---

<sup>64</sup> Review Body on Senior Salaries. *Report on a pay structure for NDPB chief executives*. July 2011. Available from: [http://www.ome.uk.com/NDPB\\_Report.aspx](http://www.ome.uk.com/NDPB_Report.aspx) (accessed on 24 February 2012).

<sup>65</sup> According to Monitor, the Independent Regulator of NHS Foundation Trusts, there were 141 Foundation Trusts on 1 December 2011.



### *Motivation and morale*

5.17 Last year we heard that the uncertainty caused by the abolition of many NHS organisations and the prospect of redundancies had already affected VSMs' motivation and morale. This year MiP, the trade union for senior managers in the NHS, reported for the first time a 'marked decline' in morale among VSMs. It cited a recent MiP pensions reform survey in which only 50 per cent of respondents (compared with 79 per cent in 2009) stated that they would recommend a career in the health service to family or friends. MiP attributed this change largely to pension reform and to an expected increase in pension contributions by 2014-15. MiP added that pension changes which will further reduce take-home pay already affected by the pay freeze and increases in the cost of living had generated an unprecedented amount of feedback from members. MiP also referred to the high level of 'insecurity and stress' among VSMs caused by the NHS redundancy programme.

### **Locality pay**

5.18 In December 2011 we received a remit from the Secretary of State for Health to advise how the VSM pay framework can be made more flexible and responsive to local labour markets. Currently the draft pay framework and job evaluation system for VSMs do not recognise or provide for any local differentiation beyond the discretionary award of recruitment and retention premia. The Chancellor of the Exchequer has asked for our initial findings by 17 July so we shall take evidence on this issue in the spring.

### **Conclusion**

5.19 We shall continue to monitor closely the impact of the changes in the NHS on the motivation and morale of VSMs. We shall also examine the operation of the new VSM pay structure to ensure that it supports the recruitment and retention of suitably qualified staff in NHS organisations. We hope that once the current reorganisation is completed, the DH will collect and provide to us much better information on VSMs, for example to tell us how many VSMs there are in our remit group. We would also expect the DH to focus particularly on information relevant to recruitment, retention and motivation, for example by arranging for systematic exit interviews to be conducted with VSMs who voluntarily leave their organisations, to find out why they are leaving and where they are going.

# Appendix A

## List of those who gave evidence and information to the SSRB

### The senior civil service

#### *Oral evidence:*

Executive Director of Civil Service Workforce Reform  
Senior civil service discussion groups (eight attended)  
HR Directors' discussion group (five attended)

#### *Written evidence and information:*

The Cabinet Office  
Civil Service Commissioners  
FDA and Prospect (joint union evidence)

### Senior officers of the armed forces

The Ministry of Defence  
Senior military discussion group (three 3-star officers and six 2-star officers)  
'Feeder' group discussions (54 officers from OF3 to OF6)

### The judiciary

#### *Oral and written evidence:*

The Right Honourable The Lord Judge, Lord Chief Justice of England and Wales, and Sir Andrew Morritt, Chancellor of the High Court.

#### *Those providing oral and/or written evidence and information to the Judicial Sub-Committee:*

Judicial Appointments Commission (England and Wales)  
Judicial Appointments Board  
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)  
Birmingham Crown Court (12 judges attended)  
Central London County Court (17 judges attended)

### Very Senior Managers in the National Health Service

#### *Written evidence and information:*

Department of Health and NHS Employers (joint evidence)  
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](http://www.ome.uk.com/SSRB_Reports.aspx)

Information submitted to the SSRB by the Cabinet Office

<http://www.civilservice.gov.uk/recruitment/working/pay-and-reward/scs-pay>

Information submitted to the SSRB by the FDA/Prospect

<http://www.fda.org.uk/>

Information submitted to the SSRB by the Ministry of Justice

<http://www.justice.gov.uk/downloads/publications/corporate-reports/Moj/2011/senior-salaries-review-body.pdf>

Written evidence from Managers in Partnership

[http://www.miphealth.org.uk/home/Senior\\_managers\\_pay.aspx](http://www.miphealth.org.uk/home/Senior_managers_pay.aspx)

## Appendix C

### Take-home pay – full calculations

The calculations in this appendix have been produced on spreadsheet and are presented here rounded to the nearest pound (for amounts of money) or to three decimal places.<sup>66</sup>

**Example 1:** 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 (NCPRP)).

*Note: pension contributions are also paid from gross pay but are unchanged between 2009-10 and 2011-12.*

#### **In 2009-10**

##### Gross income

Base pay = £83,000

NCPRP = £0

Total gross pay = £83,000

##### Tax

The first £6,475 is untaxed,

the next £37,400 is taxed at the 20 per cent rate, and

the remaining £83,000 – (£37,400 + £6,475) = £39,125 is taxed at the 40 per cent rate.

##### National Insurance

The first £5,715 does not have NI paid on it,

the next £43,875 – £5,715 = £38,160 has NI paid at the 11 per cent rate,

the remaining £83,000 – £43,875 = £39,125 has NI paid at the 1 per cent rate and the rebate is given between £40,040 – £4,940 = £35,100 at the 1.6 per cent rate.

##### Gross pay to take-home pay

Total gross pay = £83,000

Income tax = (£37,400 × 0.2) + (£39,125 × 0.4) = £23,130

National Insurance = (£38,160 × 0.11) + (£39,125 × 0.01) + (£35,100 × -0.016)  
= £4,027

Therefore

**Take-home pay = £83,000 – (£23,130 + £4,027) = £55,843**

#### **In 2011-12**

##### Gross income

Base pay = £83,000

NCPRP = £0

Total gross pay = £83,000

##### Tax

The first £7,475 is untaxed,

the next £35,000 is taxed at the 20 per cent rate, and

the remaining £83,000 – (£35,000 + £7,475) = £40,525 is taxed at the 40 per cent rate.

<sup>66</sup> The calculations assume that individuals are aged under 65, are employees liable for Class 1 NICs and that their income is made up of earnings (i.e. it is taxable and NICable).

### National Insurance

The first £7,225 does not have NI paid on it,  
the next £42,475 – £7,225 = £35,250 has NI paid at the 12 per cent rate,  
the remaining £83,000 – £42,475 = £40,525 has NI paid at the 2 per cent rate and the rebate is given between £40,040 – £5,304 = £34,736 at the 1.6 per cent rate.

### Gross pay to take-home pay

Total gross pay = £83,000

Income tax = (£35,000 x 0.2) + (£40,525 x 0.4) = £23,210

National Insurance = (£35,250 x 0.12) + (£40,525 x 0.02) + (£34,736 x -0.016)  
= £4,485

Therefore

**Take-home pay** = £83,000 – (£23,210 + £4,485) = **£55,305**

This is £537 (1.0 per cent) less than two years earlier.

Taking account of inflation, current purchasing power = £55,305 / change in RPI

April 2009 – December 2011 = £55,305 / 1.132 = **£48,860**.

This is a total **decrease of 12.5 per cent** (1 – (£48,860 / £55,843)) since April 2009.

**Example 2:** 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 (NCPRP)).

*Note: pension contributions are also paid from gross pay but are unchanged between 2009-10 and 2011-12.*

### **In 2009-10**

NCPRP – 56 per cent of pay band 1 were awarded NCPRP. The average value for pay band 1 NCPRP was £6,080.

### Gross income

Base pay = £67,000

NCPRP = £6,080

Total gross pay = £73,080

### Tax

The first £6,475 is untaxed,

the next £37,400 is taxed at the 20 per cent rate, and

the remaining £73,080 – (£37,400 + £6,475) = £29,205 is taxed at the 40 per cent rate.

### National Insurance

The first £5,715 does not have NI paid on it,

the next £43,875 – £5,715 = £38,160 has NI paid at the 11 per cent rate,

the remaining £73,080 – £43,875 = £29,205 has NI paid at the 1 per cent rate and the rebate is given between £40,040 – £4,940 = £35,100 at the 1.6 per cent rate.

### Gross pay to take-home pay

Total gross pay = £73,080

Income tax = (£37,400 x 0.2) + (£29,205 x 0.4) = £19,162

National Insurance = (£38,160 x 0.11) + (£29,205 x 0.01) + (£35,100 x -0.016)  
= £3,928

Therefore

**Take-home pay** = £73,080 – (£19,162 + £3,928) = **£49,990**

### In 2011-12

NCPRP – 25 per cent of pay band 1 will be awarded NCPRP. Therefore, this SCS member, although completing objectives to the same standard, no longer receives NCPRP.

#### Gross income

Base pay = £67,000

NCPRP = £0

Total gross pay = £67,000

#### Tax

The first £7,475 is untaxed,  
the next £35,000 is taxed at the 20 per cent rate, and  
the remaining £67,000 – (£35,000 + £7,475) = £24,525 is taxed at the 40 per cent rate.

#### National Insurance

The first £7,225 does not have NI paid on it,  
the next £42,475 – £7,225 = £35,250 has NI paid at the 12 per cent rate,  
the remaining £67,000 – £42,475 = £24,525 has NI paid at the 2 per cent rate and the rebate is given between £40,040 – £5,304 = £34,736 at the 1.6 per cent rate.

#### Gross pay to take-home pay

Total gross pay = £67,000

Income tax = (£35,000 × 0.2) + (£24,525 × 0.4) = £16,810

National Insurance = (£35,250 × 0.12) + (£24,525 × 0.02) + (£34,736 × -0.016)  
= £4,165

Therefore

**Take-home pay** = £67,000 – (£16,810 – £4,165) = **£46,025**

This is £3,965 (7.9 per cent) less than two years earlier.

Taking account of inflation, current purchasing power = £46,025 / change in RPI

April 2009 – December 2011 = £46,025 / 1.132 = **£40,661**.

This is a total **decrease of 18.7 per cent** (1 – (£40,661 / £49,990)) since April 2009.

**Example 3:** A Circuit Judge on a salary of £128,296.

*Note: pension contributions are also paid from gross pay but are unchanged between 2009-10 and 2011-12.*

### In 2009-10

#### Gross income

Pay = £128,296

#### Tax

The first £6,475 is untaxed,  
the next £37,400 is taxed at the 20 per cent rate, and  
the remaining £128,296 – (£37,400 + £6,475) = £84,421 is taxed at the 40 per cent rate.

#### National Insurance

The first £5,715 does not have NI paid on it,  
the next £43,875 – £5,715 = £38,160 has NI paid at the 11 per cent rate,  
the remaining £128,296 – £43,875 = £84,421 has NI paid at the 1 per cent rate and the rebate is given between £40,040 – £4,940 = £35,100 at the 1.6 per cent rate.

Gross pay to take-home pay

Total gross pay = £128,296

Income tax = (£37,400 × 0.2) + (£84,421 × 0.4) = £41,248

National Insurance = (£38,160 × 0.11) + (£84,421 × 0.01) + (£35,100 × -0.016)  
= £4,480

Therefore

**Take-home pay** = £128,296 – (£41,248 + £4,480) = **£82,567**

**In 2011-12**

Gross income

Pay = £128,296

Tax

There is no personal allowance for this salary.

The first £35,000 is taxed at the 20 per cent rate, and

the remaining £128,296 – £35,000 = £93,296 is taxed at the 40 per cent rate.

National Insurance

The first £7,225 does not have NI paid on it,

the next £42,475 – £7,225 = £35,250 has NI paid at the 12 per cent rate,

the remaining £128,296 – £42,475 = £85,821 has NI paid at the 2 per cent rate and the rebate is given between £40,040 – £5,304 = £34,736 at the 1.6 per cent rate.

Gross pay to take-home pay

Total gross pay = £128,296

Income tax = (£35,000 × 0.2) + (£93,296 × 0.4) = £44,318

National Insurance = (£35,250 × 0.12) + (£85,821 × 0.02) + (£34,736 × -0.016)  
= £5,391

Therefore

**Take-home pay** = £128,296 – (£44,318 + £5,391) = **£78,587**

This is £3,980 (4.8 per cent) less than two years earlier.

Taking account of inflation, current purchasing power = £78,587 / change in RPI

April 2009 – December 2011 = £78,587 / 1.132 = **£69,428**.

This is a total **decrease of 15.9 per cent** (1 – (£69,428 / £82,567)) since April 2009.

**Example 4:** A 4-star on the 2nd scale point at the start of the period (ending on the 4th scale point).

**In 2009-10**

Gross income (2nd scale point)

Pay = £165,445

Tax

The first £6,475 is untaxed,

the next £37,400 is taxed at the 20 per cent rate, and

the remaining £165,445 – (£37,400 + £6,475) = £121,570 is taxed at the 40 per cent rate.

National Insurance

The first £5,715 does not have NI paid on it,

the next £43,875 – £5,715 = £38,160 has NI paid at the 11 per cent rate,

the remaining £165,445 – £43,875 = £121,570 has NI paid at the 1 per cent rate and the rebate is given between £40,040 – £4,940 = £35,100 at the 1.6 per cent rate.

Gross pay to take-home pay

Total gross pay = £165,445

Income tax = (£37,400 x 0.2) + (£121,570 x 0.4) = £56,108

National Insurance = (£38,160 x 0.11) + (£121,570 x 0.01) + (£35,100 x -0.016)  
= £4,852

Therefore

**Take-home pay = £165,445 - (£56,108 + £4,852) = £104,485**

**In 2011-12**

Gross income (4th spine point)

Pay = £177,993

Tax

There is no personal allowance for this salary.

The first £35,000 is taxed at the 20 per cent rate,

the next £150,000 – £35,000 = £115,000 is taxed at the 40 per cent rate, and

the remaining £177,993 – £150,000 = £27,993 is taxed at the 50 per cent rate.

National Insurance

The first £7,225 does not have NI paid on it,

the next £42,475 – £7,225 = £35,250 has NI paid at the 12 per cent rate,

the remaining £177,993 – £42,475 = £135,518 has NI paid at the 2 per cent rate and the rebate is given between £40,040 – £5,304 = £34,736 at the 1.6 per cent rate.

Gross pay to take-home pay

Total gross pay = £177,993

Income tax = (£35,000 x 0.2) + (£115,000 x 0.4) + (£27,993 x 0.5) = £66,997

National Insurance = (£35,250 x 0.12) + (£135,518 x 0.02) + (£34,736 x -0.016)  
= £6,385

Therefore

**Take-home pay = £177,993 – (£66,997 + £6,385) = £104,612**

This is £127 (0.1 per cent) **more** than two years earlier.

Taking account of inflation, current purchasing power = £104,612 / change in RPI

April 2009 – December 2011 = £104,612 / 1.132 = **£92,420**.

This is a total **decrease of 11.5 per cent** (1 – (£92,420 / £104,485)) since April 2009.



## Appendix D

### Existing salaries for the four remit groups

#### Senior civil servants in pay bands, median salaries and pay ranges, 2011

Pay band	Pay range	Median salary	Mid-point of range	Number in band
Permanent Secretaries <sup>1</sup>	£141,800 - £277,300	£169,489	£209,550	38
3	£101,500 - £208,100	£133,000	£154,800	133
2	£82,900 - £162,500	£99,959	£122,700	667
1A	£67,600 - £128,900	£83,292	£98,250	187
1	£58,200 - £117,800	£72,649	£88,000	2,646
<b>Total<sup>2</sup></b>		<b>£77,022</b>		<b>3,671</b>

Source: Cabinet Office

Notes:

1 The maximum and the minimum of the range for Permanent Secretaries are rounded to the nearest £100.

2 The above total of SCS members is lower than the total staff currently in post (3,801). 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<sup>1</sup>

Scale point	Value of scale points (April 2010 – March 2012)			
	CDS	4-star	3-star <sup>3</sup>	2-star <sup>3</sup>
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
<b>Numbers in post<sup>2</sup></b>	<b>1</b>	<b>9</b>	<b>23</b>	<b>95</b>

Source: Ministry of Defence

Notes:

1 The salaries of the senior military have not been increased since 1 April 2010.

2 Numbers in post as of 1 July 2011.

3 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 <sup>1</sup>	Salary from 1 April 2009 <sup>2</sup>	Number in post on 31 March 2011
1	£239,845	1
1.1	£214,165	4
2	£206,857	15
3	£196,707	47
4	£172,753	141
5	£138,548	96
6.1	£128,296	831
6.2	£120,785	37
7	£102,921	1,036
Stipendiary magistrates <sup>3</sup>	£70,562	4
<b>Total</b>		<b>2,212</b>

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 Stipendiary Magistrates were in post on 1 April, but not added to the remit until 12 July 2011.

## Chief Executives of PCTs, ATs, SHAs and SpHAs – base pay from 1 April 2009<sup>1</sup>

	PCT Chief Executives <sup>2</sup>	AT Chief Executives <sup>3</sup>	SHA Chief Executives <sup>2</sup>
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
<b>SpHA Chief Executives (aligned to arrangements for SHA and PCT CEs)<sup>4</sup></b>			
	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.

## Appendix E

### Existing base salaries of Permanent Secretaries in £5,000 bands (as at October 2011)

Band £	Number in Band	Office Holder
235,000 – 239,999	1	Cabinet Secretary and Head of Home Civil Service
230,000 – 234,999	–	
225,000 – 229,999	1	First Parliamentary Counsel
220,000 – 224,999	–	
215,000 – 219,999	–	
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	–	
185,000 – 189,999	–	
180,000 – 184,999	7	Permanent Secretaries: – Department for Education – Department for Work and Pensions – Foreign and Commonwealth Office – Home Office – Ministry of Defence (MoD) – Ministry of Justice  National Security Adviser
175,000 – 179,999	2	Permanent Secretaries: – Scottish Government – HM Treasury
170,000 – 174,999	3	Permanent Secretaries: – HM Revenue and Customs – Department for Communities and Local Government – Department for Transport
165,000 – 169,999	3	Chief Scientific Adviser – Department for Business, Innovation and Skills  Permanent Secretaries:

Band £	Number in Band	Office Holder
		– Department of Energy and Climate Change
		– Secret Intelligence Service
160,000 – 164,999	7	Permanent Secretaries: – Department for Business, Innovation and Skills – Department for Environment, Food and Rural Affairs – Department for International Development – Department of Health – Welsh Assembly Government Second Permanent Secretary – HM Revenue and Customs Chairman of the Joint Intelligence Committee and Head of Intelligence Assessment
155,000 – 159,999	4	Permanent Secretaries: – Department for Culture, Media and Sport – Security Service Head of International Economic Affairs and Europe, Cabinet Office Treasury Solicitor
150,000 – 154,999	3	Permanent Secretaries: – Northern Ireland Civil Service – No.10 Second Permanent Secretary – HM Treasury
145,000 – 149,999	1	Permanent Secretary – Government Communications HQ
140,000 – 144,999	4	Permanent Secretary – Office for National Statistics Chief Scientific Adviser – Ministry of Defence (Second Permanent Secretary) Second Permanent Secretary – Ministry of Defence Chief Operating Officer – Cabinet Office

Source: Cabinet Office

## Appendix F

### NATO rank codes and UK service ranks – officers

NATO RANK CODES AND UK SERVICE RANKS – OFFICERS					
NATO code	UK Stars	Royal Navy	Royal Marines	Army	Royal Air Force
OF-9 <sup>1</sup>	4	Admiral	General	General	Air Chief Marshal
OF-8 <sup>1</sup>	3	Vice Admiral	Lieutenant General	Lieutenant General	Air Marshal
OF-7 <sup>1</sup>	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: Cabinet Office

<sup>1</sup> These officers belong to our remit group.

# Appendix G

## Judicial salary structure at 1 April 2011<sup>67</sup>

### 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<sup>68</sup>  
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<sup>69</sup>  
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<sup>70</sup>  
High Court Judges (Northern Ireland)<sup>71</sup>  
Outer House Judges of the Court of Session  
Vice-Chancellor of the County Palatine of Lancaster<sup>72</sup>

### 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)  
Former Chairman, Criminal Injuries Compensation Appeal Panel  
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)

---

<sup>67</sup> Alphabetical order within salary group.

<sup>68</sup> Formerly known as Vice-Chancellor until 1 October 2005.

<sup>69</sup> Post became effective on 3 October 2005.

<sup>70</sup> Includes the posts of President, Asylum and Immigration Tribunal and President, Employment Appeals Tribunal, both of whom are High Court Judges.

<sup>71</sup> High Court Judges in Northern Ireland are also known as Puisne Judges.

<sup>72</sup> Post currently held by a High Court Judge.

Judge of the First-tier Tribunal, Social Entitlement Chamber and deputy Judge of the Upper Tribunal (former Chief Asylum Support Adjudicator, Asylum Support Tribunal)<sup>73</sup>  
Permanent Circuit Judges, Employment Appeals Tribunal  
President, Employment Tribunals (Eng & Wales)  
President, Employment Tribunals (Scotland)  
President, First-tier Tax Chamber  
President, Lands Chamber of the Upper Tribunal  
Recorder of Belfast<sup>74</sup>  
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  
Chief Chancery Master  
Circuit Judges  
County Court Judges (Northern Ireland)<sup>75</sup>  
Deputy Presidents of the First-tier Tribunal (Health, Education & Social Care Chamber)  
Deputy President for Special Educational Needs and Disability Tribunal, Care Standard Tribunal and Primary Health Lists  
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)<sup>76</sup>  
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  
Senior Queen's Bench Master  
Sheriffs  
Social Security and Child Support Commissioner (Northern Ireland)  
Upper Tribunal Judges, Administrative Appeals Chamber, Immigration and Asylum Chamber<sup>77</sup> and Tax and Chancery Chamber  
Vice-President, Employment Tribunal (Scotland)

---

<sup>73</sup> This post is paid 108 per cent of the Group 5 salary.

<sup>74</sup> Current post-holder receives a salary of 108 per cent of Group 5 rate under arrangement established from 1 April 2002.

<sup>75</sup> 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.

<sup>76</sup> This role is currently carried out by a Lord Justice of Appeal.

<sup>77</sup> These judges are also called Senior Immigration Judges.

## **Group 6.2<sup>78</sup>**

Adjudicator, HM Land Registry  
Chairman, Mental Health Review Tribunal (Wales)  
Deputy Principal Judge of the First-tier tribunal, Social Entitlement Chamber (former Deputy Chief Asylum Support Adjudicator, Asylum Support Tribunal)  
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<sup>79</sup>**

Assistant Judge Advocates General  
Bankruptcy Registrars  
Chairmen, Industrial Tribunals and Fair Employment Tribunal (Northern Ireland)  
Chancery Masters  
Chief Medical Member, First-tier Tribunal, Social Entitlement Chamber and Health, Education & Social Care Chamber  
Coroners, Northern Ireland  
Costs Judges  
Deputy Adjudicators to HM Lands Registry  
District Judges  
District Judges of the First-tier Tribunal, Social Entitlement Chamber (former District Chairmen, Social Security & Child Support Appeals Tribunal)  
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)  
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<sup>80</sup>, Social Entitlement Chamber and Tax Chamber)  
Legal Member, Appeals Tribunal (Northern Ireland)  
Presiding District Judge (Magistrates' Courts) (Northern Ireland)<sup>81</sup>  
Queen's Bench Masters  
Senior Coroner, Northern Ireland<sup>82</sup>

---

<sup>78</sup> The Chairman of the Mental Health Review Tribunal (Wales) also falls in this group, but the Welsh Assembly Government is responsible for this post.

<sup>79</sup> Group 7 post holders in London are paid an additional £2,000 salary lead and an additional £2,000 London allowance.

<sup>80</sup> These judges are also called Immigration Judges.

<sup>81</sup> This post is paid at 108 per cent of the Group 7 salary.

<sup>82</sup> This post is paid at 110 per cent of the Group 7 salary.



## 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

### List of organisations expected to employ VSMs in our remit group in future

SpHA	Number of VSMs	Status (subject to legislation)
NHS Commissioning Board (NHS CB)	Not yet known – potentially up to 200 when fully functional.	SpHA on 31 October 2011. ENDPB by 1 April 2013.
Health Research Authority (HRA)	Not yet known but small number.	SpHA on 1 December 2011. ENDPB by 1 April 2013.
NHS Blood and Transplant Authority	8	
National Institute for Health and Clinical Excellence	5	ENDPB by 1 April 2013.
NHS Business Services Authority	5	
NHS Litigation Authority	4	
NHS Institute for Innovation and Improvement	5	To be abolished, with some functions transferring to the NHS CB.
NHS Health and Social Care Information Centre	6	ENDPB by 1 April 2013.
National Patient Safety Agency	5	To be abolished by the end of July 2012 with some functions transferring to the NHS CB and HRA.
National Treatment Agency	4	To be abolished with some functions transferring to Public Health England which will be established as an executive agency of the DH in April 2013.
NHS Trust Development Authority	Not yet known but up to 25-50.	SpHA in June 2012.
Health Education England	Not yet known but, including Local Education and Training Boards (LETBs), potentially up to 66.	SpHA in June 2012. Becoming an ENDPB and host for LETBs.

<b>ENDPBs</b>	<b>Number of VSMs</b>	<b>Status (subject to legislation)</b>
Care Quality Commission (CQC)	9	No change.
Monitor	9	Moving to new role as sector regulator by April 2013.
Human Fertilisation and Embryology Authority	5	To be abolished, with functions (subject to consultation) transferred to the CQC and the HRA by the end of Parliament (2015).
General Social Care Council	4	To be abolished by the end of July 2012 with regulatory functions transferring to the Health and Care Professions Council.
Council for Regulatory Healthcare Excellence	4	To be removed from the ALB sector and re-named the Professional Standards Authority between September and December 2012.
Health Protection Agency	12	To be abolished and functions transferred to Public Health England by April 2013.
Appointments Commission	3	To be abolished by the end of October 2012 with some functions transferring to the NHS Trust Development Authority and to the DH.
Human Tissue Authority	5	To be abolished with functions transferred to the CQC and the HRA (subject to consultation) by the end of this Parliament.

# Appendix J

## Glossary of terms and abbreviations

### General

Accrual rate	The rate at which future benefits in a defined-benefit pension scheme accumulate.
AFPRB	Armed Forces' Pay Review Body.
ASHE	Annual Survey of Hours and Earnings.
AWE	Average Weekly Earnings.
Base pay	Basic salary, excluding non-consolidated bonuses, allowances, value of pensions, etc.
CPI	Consumer Prices Index.
Earn-back	To place part of public sector salaries at risk and let them vary down (as well as up) by at least 10 per cent according to performance measurement. <sup>83</sup>
GDP	Gross Domestic Product.
Hutton Review of Fair Pay in the Public Sector	Led by Will Hutton, a review of pay disparity between managers and the lowest paid in the public sector.
Independent Public Service Pensions Commission (IPSPC)	Chaired by Lord John Hutton, a review of the future of pension provision in the public sector.
MPC	Monetary Policy Committee.
OBR	Office for Budget Responsibility. Formed in May 2010 to make an independent assessment of the public finances and the economy for each Budget and Pre-Budget Report.
Pay Band	A salary range with a minimum and maximum within which posts are allocated.
RPI	Retail Prices Index.
Spending Review	A Spending Review is a process by which HM Treasury sets resource limits and priorities, covering the period of a number of years. The 2010 Spending Review covers the period from 2011-12 – 2014-15.
SSRB	Senior Salaries Review Body.
<b>Senior civil service</b>	
Civil Service Commission	Oversee appointments to senior positions within the SCS to ensure fair and open competition for jobs.
Fast Stream	A recruitment, training and development scheme aimed at very able graduates, selected on the basis of their potential to reach the senior civil service.
JESP	Job Evaluation of Senior Posts.
NCPRP	Non-consolidated performance-related pay.

---

<sup>83</sup> From recommendation 7 in *Hutton's Review of Fair Pay in the Public Sector*, final report, published in March 2011. Hutton, W. *Hutton Review of Fair Pay in the public sector: final report*. March 2011. Available at: [http://www.hm-treasury.gov.uk/indreview\\_willhutton\\_fairpay.htm](http://www.hm-treasury.gov.uk/indreview_willhutton_fairpay.htm) (accessed on 24 February 2012).

Nuvos	Nuvos is an occupational defined benefit pension scheme.
Performance tranche	One of three tranches (or sets) to which individuals are allocated according to annual assessment of their performance. These are then used in a pay matrix to determine the size of individual annual increases in salary.
SCS	Senior civil service/servants.
Senior Leadership Committee (SLC)	Considers applications and appointments to the most senior SCS posts – normally those at pay band 3 and Permanent Secretary level. The Committee is chaired by the Head of the Home Civil Service and attended by the First Commissioner.

### **The armed forces**

CDS	Chief of Defence Staff.
COS	Chiefs of Staff.
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.
MoD	Ministry of Defence.
MODOs	Medical and dental officers.
NEM	The New Employment Model (NEM) programme is a review, now under way and due to report in autumn 2012, of the employment 'offer' to service personnel.
PMPS	Performance Management and Pay System.
Strategic Defence and Security Review	Published in 2010 for the period up to 2015. Details how the Armed Forces will be reshaped to tackle emerging and future threats.
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.
NatCen	National Centre for Social Research.
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.
NICTS	Northern Ireland Courts and Tribunals Service.
NIJAC	Northern Ireland Judicial Appointments Commission.
Salary group	The grouping of judicial posts, for pay purposes, according to job weight. See Appendix G.

Queen's Counsel (QC) Lawyers appointed by letters patent to be one of "Her Majesty's Counsel learned in the law". Barristers and solicitors with sufficient experience and knowledge can apply to become Queen's Counsel. QCs undertake work of an important nature and are referred to as 'silks', a name derived from the black court gown that is worn. QCs will be known as King's Counsel if a king assumes the throne.

Junior Counsel (JC) Barristers who are not Queen's Counsel.

**NHS Very Senior Managers**

ALB	Arm's Length Body.
AT	Ambulance Trust.
DH	Department of Health.
ENDPB	Executive Non-Departmental Public Body.
MiP	Managers in Partnership.
PCT	Primary Care Trust.
SHA	Strategic Health Authority.
SpHA	Special Health Authority.
VSMs	Very Senior Managers.



information & publishing solutions

Published by TSO (The Stationery Office) and available from:

**Online**

[www.tsoshop.co.uk](http://www.tsoshop.co.uk)

**Mail, Telephone, Fax & E-mail**

TSO

PO Box 29, Norwich, NR3 1GN

Telephone orders/General enquiries: 0870 600 5522

Order through the Parliamentary Hotline Lo-Call 0845 7 023474

Fax orders: 0870 600 5533

E-mail: [customer.services@tso.co.uk](mailto:customer.services@tso.co.uk)

Textphone: 0870 240 3701

**The Parliamentary Bookshop**

12 Bridge Street, Parliament Square

London SW1A 2JX

Telephone orders/General enquiries: 020 7219 3890

Fax orders: 020 7219 3866

Email: [bookshop@parliament.uk](mailto:bookshop@parliament.uk)

Internet: <http://www.bookshop.parliament.uk>

**TSO@Blackwell and other Accredited Agents**

ISBN 978-0-10-182972-4



9 780101 829724