



# Review Body on Senior Salaries

REPORT No. 68

## Thirty-First Report on Senior Salaries 2009

*Chairman:* Bill Cockburn, CBE TD



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

March 2009

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# 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; and*

*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 executive, in: Strategic Health Authorities, Special Health Authorities, Primary Care Trusts and Ambulance 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*  
Mark Baker, CBE  
Mary Galbraith  
Professor David Greenaway  
Mei Sim Lai, OBE DL  
Mike Langley  
Jim McKenna  
Sir Peter North, CBE QC  
Richard Pearson  
Paul Williams

The Secretariat is provided by the Office of Manpower Economics.

This report was submitted to the Government on 11 March 2009

# Summary of recommendations

## The senior civil service

**Recommendation 1:** We recommend:

- that SCS base pay be increased by 2.1 per cent on average, to which can be added 0.8 per cent of recycling savings;
- individual SCS base pay increases in the range 0 – 9 per cent, dependent on assessment of performance; and
- an increase of 2.1 per cent (rounded to the nearest £100) to the minima and maxima of the pay ranges for Pay Bands 1, 1A, 2 and 3:

Pay Band	Pay range minima	Pay range maxima
1	£58,500	£118,400
1A	£68,000	£129,700
2	£83,300	£163,400
3	£102,100	£209,300

**Recommendation 2:** We recommend that the proportion of the SCS pay bill available for non-consolidated, performance-related payments remain at 8.6 per cent for 2009-10.

**Recommendation 3:** We recommend, from 1 April 2009:

- that Permanent Secretaries' base pay be increased by 2.1 per cent on average, to which can be added 0.8 per cent of recycling savings;
- that individual increases be in the range 0 – 9 per cent, dependent on assessment of performance;
- an increase of 2.1 per cent (rounded to the nearest £100) to the minima and maxima of the pay range, resulting in a new range of £142,700 to £279,000; and
- that the proportion of the Permanent Secretaries' pay bill available for non-consolidated, performance-related payments in respect of the year 2009-10 be 8.6 per cent of pay bill.

## Senior officers in the armed forces

**Recommendation 4:** We recommend that MoD produce further evidence on the job evaluation exercise of the senior military, including 4-star officers, in their written submission for our next report.

**Recommendation 5:** We recommend that MoD continue to monitor carefully the quality of 1-star officers, together with the numbers of and reasons for premature departures from this group, and to include resulting information in annual evidence to us.

**Recommendation 6:** We recommend that the pay scales below apply for 2- and 3-star officers with effect from 1 April 2009<sup>1, 2</sup>:

2-star	2009-10	2010-11 <sup>3</sup>	3-star	2009-10	2010-11 <sup>3</sup>
7	£117,065	£119,167			
6	£114,655	£116,877	6	£151,609	£152,595
5	£112,244	£114,631	5	£146,821	£148,218
4	£109,831	£112,429	4	£142,030	£143,969
3	£107,420	£110,270	3	£137,243	£138,522
2	£105,400	£108,154	2	£129,669	£132,037
1	£103,873	£106,079	1	£122,095	£125,861

**Recommendation 7:** We recommend that the pay scales below apply for 4-star officers with effect from 1 April 2009<sup>2</sup>:

4-star	2009-10	2010-11 <sup>3</sup>
6	£179,084	£185,184
5	£175,571	£181,553
4	£172,130	£177,993
3	£168,754	£173,652
2	£165,445	£169,416
1	£162,212	£165,284

**Recommendation 8:** We recommend the following pay scales for CDS with effect from 1 April 2009<sup>2</sup>:

CDS	2009-10	2010-11 <sup>3</sup>
4	£247,427	£252,698
3	£242,576	£247,743
2	£237,819	£242,885
1	£233,157	£238,123

<sup>1</sup> The pay scales for 2- and 3-star officers include X-factor at the rate of £2,336, 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 2009.

<sup>2</sup> Figures reflect last year's scales to the nearest pound (as published), the uplift is applied, and then the new scales are rounded to the nearest pound.

<sup>3</sup> These are the revalorised rates for the final year of the restructuring programme, to be further revalorised in line with our recommended award for 2010-11.

**Recommendation 9:** We recommend that X-factor be paid to 2- and 3-star officers at a rate of 25 per cent of the cash value at the top of the OF4 scale with effect from 1 April 2009.

**Recommendation 10:** We recommend that senior MODOs be paid in accordance with the table below with effect from 1 April 2009:

Rank	2009-10	2010-11
MODO 3-star	5 per cent above the base pay for 2-star MODOs	5 per cent above the base pay for 2-star MODOs
MODO 2-star	7.5 per cent above the base pay for level 7 of 1-star MODOs	10 per cent above the base pay for level 7 of 1-star MODOs

**Recommendation 11:** We recommend that X-factor be paid to senior MODOs at a rate of 25 per cent of the cash value at increment level 22 of the Consultant pay scale with effect from 1 April 2009.

## The judiciary

**Recommendation 12:** We recommend that County Court judges in Northern Ireland should continue to be paid at salary group 5 for 2009-10 only and that the Northern Ireland Court Service carry out a review to establish what proportion of County Court judges' time is now spent on 'Diplock' trials and include the results of that review in evidence to us for the next round.

**Recommendation 13:** We recommend that the administrations in England and Wales, Scotland, and Northern Ireland make collection of information on job weight a priority and continue to work with the judiciary to collect meaningful data to show whether job weight at different levels is changing over time.

**Recommendation 14:** We recommend that with effect from 1 April 2009 the salaries for the judiciary should be:

Group	Salary
Group 1	£242,400
Group 1.1	£216,500
Group 2	£209,100
Group 3	£198,800
Group 4	£174,600
Group 5	£140,000
Group 6.1	£129,700
Group 6.2	£121,700
Group 7	£104,000

## Very Senior Managers in the National Health Service

**Recommendation 15:** We recommend that the automatic application of the 'D' rating for all VSMs in an organisation that does not meet its financial target should cease, with the Remuneration Committee having the discretion to award an annual uplift consolidated into base salary if the individual's performance merits it.



**Recommendation 16:** We recommend that the Department of Health carry out job evaluation as soon as possible and provide us with regular updates on progress.

**Recommendation 17:** We recommend that Remuneration Committees be given greater autonomous power as soon as is practicable.

**Recommendation 18:** We recommend that the level of the bonus pot remain at 5 per cent of the VSM pay bill for 2009-10.

**Recommendation 19:** We recommend that from 1 April 2009 the pay of VSMs covered by the pay framework should increase by 2.4 per cent.

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# Chapter 1

## Introduction and economic evidence

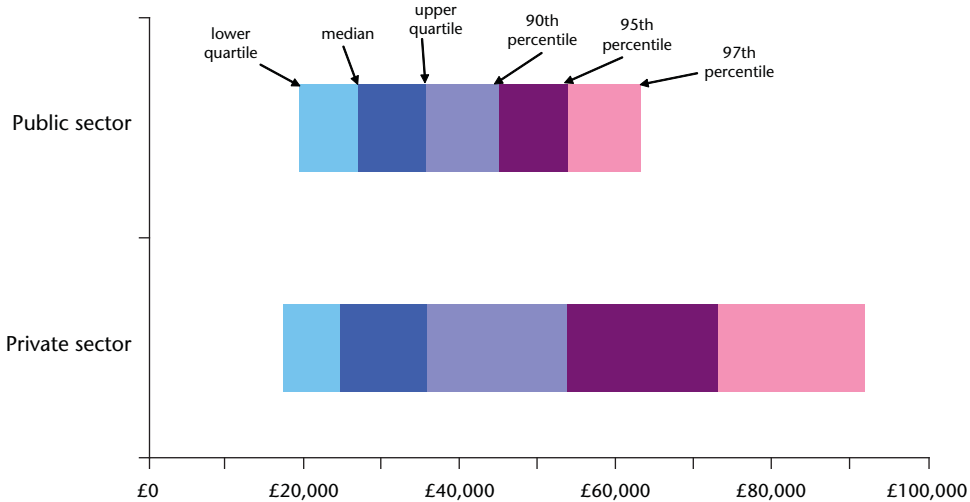
### Introduction

1.1 In our thirty-first annual report we make recommendations on annual pay increases for the senior civil service (SCS), senior officers in the armed services, the judiciary and senior managers in certain National Health Service (NHS) organisations in England. As is our normal practice, we devote a separate chapter to each of those remit groups. In this introductory chapter we set out the general background and considerations, including information on the economic situation, which have informed our specific recommendations in the subsequent chapters.

### The role and relative pay of our remit groups

- 1.2 As we have said before, the people covered by our remit are critically important to society and have considerable responsibility for the security and well-being of us all. They provide leadership of the armed forces, constitute the independent judiciary, provide leadership to parts of the National Health Service and, in the Senior Civil Service, provide vital advice and support to Ministers in running the country. In total, our remit covers around 8,000 people, representing less than 0.2 per cent of all public servants in the United Kingdom, a small number in relation to the considerable breadth and depth of their influence and accountabilities.
- 1.3 The public sector is fortunate that it can attract and retain people of considerable ability and dedication, whose first priority is not generally financial reward and many of whom, if they so chose, could attract higher rewards elsewhere. They do not have collective bargaining arrangements and the judiciary and senior military have no trade union representation. Surveys repeatedly suggest that they are motivated more by job satisfaction and a desire to serve the public than by financial reward. However, that is not to say they are fully satisfied with their lot, as is apparent from the feedback we receive from our discussion groups and the evidence. On some issues the feelings run high. Against that background our message to the Government is that it should value our remit groups' commitment and loyalty and not take advantage of it.
- 1.4 Past experience shows that there is never a propitious moment to take corrective action on senior public sector pay, even when justified by evidence, mainly because our remit groups attract the media and political spotlight. It is also true that, in general, there is no difficulty recruiting and retaining senior people. Moreover, as the Government claims, there are both tangible and intangible benefits of working in the public sector, such as pensions, job security, job interest and work-life balance. That said, however, the fact is that successive independent job evaluation exercises and other evidence show widening gaps between public and private sector reward for senior staff.

Figure 1.1: National pay distribution in 2008



Source: Office for National Statistics (Annual Survey of Hours and Earnings)  
 Note: Basic pay for all public and private sector employees at April 2008.

1.5 This is also apparent in the rates of pay that have to be conceded to attract senior qualified recruits into the SCS from the private sector (and, increasingly, from other parts of the public sector). As we have reported previously, it is a cause of great resentment when internal candidates compete successfully with external candidates for posts but are then paid significantly less than would have been available for an external candidate. We are pleased that the Government evidence states there has been an improvement in this area and the Cabinet Office is “working on developing stronger, better guidance on recruitment and pay and disseminating better practice”. We also note in this context that the Normington report, discussed in Chapter 2, recommends stricter control over the differences between rates advertised for a post and the salary offered to the successful candidate, with internal and external recruits treated in the same way. Nevertheless, the latest figures still show a large gap between the pay of those promoted internally and those recruited from outside (see Chapter 2).

1.6 In its evidence to us this year the Government argues that:

*“the weaker private sector labour market may lead to the public sector becoming relatively more attractive, thus improving further the public sector’s ability to recruit and retain staff”.*  
 (Government evidence, Annex A)

In the short term we think it likely that the Government’s analysis will prove correct and that our remit groups will face no serious difficulties of recruitment and retention. Nevertheless, we remain concerned that if, once economic recovery begins, the gap between public and private senior salaries widens further, then the problems we have already seen, for example with the differentials needed for external recruitment into the SCS, will simply worsen. We do not argue for parity between the public and private sectors. We believe most people who choose to work in the public sector accept that there is a ‘public sector discount’, for a variety of reasons, including pensions on which we say more below. But, as we contended in our last report, the members of our remit groups expect recognition of the value of what they do, respect for their commitment to public service and fair pay. Failure to meet those expectations in the longer term would, we believe, seriously affect the ability to recruit and retain people of sufficiently high quality for our remit groups.

## Economic and affordability evidence

- 1.7 Our consideration of the evidence and pay recommendations this year has taken place against a background of rapid and dramatic deterioration in the economy. The context has changed almost out of recognition since the time of our last review. Figures from the Office for National Statistics (ONS) confirm that the UK economy is now in a 'technical' recession, with negative GDP growth in both the third and fourth quarters of 2008. Further quarters of negative growth are expected, with the median of independent forecasts<sup>1</sup> for GDP at -2.8 per cent for 2009 as a whole. HM Treasury expects growth over 2009 in total to fall in the range -1.25 per cent to -0.75 per cent, but forecasts it to pick up in the second half of the year<sup>2</sup>. However, other forecasters are more pessimistic and do not expect the economy to start growing again before 2010<sup>3</sup>.
- 1.8 The effects of the recession are apparent in a range of economic indicators such as retail sales, business confidence and household consumption, as well as the main labour market measures. Employment was at a record level in the summer of 2008, but has since fallen back. Unemployment has risen sharply on the Government's preferred broad International Labour Organisation (ILO) definition, where it stood at 1.971 million (6.3 per cent) in the three months to December, and on the narrower claimant count measure, which was 1.233 million (3.8 per cent) in January. Other data also point to markedly weakening labour demand, with the latest figures showing a large increase in the redundancy rate coupled with the lowest level of vacancies since that series began in 2001. Some forecasters expect unemployment on the ILO measure to rise to over 3 million by the end of 2009, while the median of independent forecasts has the claimant count at 1.9 million in the fourth quarter, some 750,000 up on the current position.
- 1.9 Over the last few months the rate of inflation has slowed. The Consumer Prices Index (CPI) was above target throughout 2008, peaking at 5.2 per cent in September. However, expectations about the outlook for 2009 changed substantially as the year progressed, with the central projection in the latest Bank of England *Inflation Report* implying a sharp fall in inflation during 2009, with the rate below target from the summer onwards<sup>4</sup>. The Governor of the Bank of England notes three main downward pressures on inflation: lower global commodity prices, especially for oil and gas; the slowdown in economic activity and resulting spare capacity; and the reduction in VAT rates from 1 December 2008<sup>5</sup>. CPI has slowed sharply since September, and had fallen to 3 per cent in January. It is expected to fall further. HM Treasury forecasts CPI to be 0.5 per cent in the fourth quarter of 2009, slightly higher than the median of independent forecasts (0.3 per cent). While inflation as measured by the CPI is expected to remain marginally positive during 2009, the all items Retail Prices Index (RPI) appears set for a period of negative growth as a result of additional downward pressures on the index from lower mortgage interest payments and house prices, which are not included in CPI. HM Treasury forecasts RPI to fall below -2 per cent in the third quarter of this year, which is close to the median of independent forecasts (-1.9 per cent). While HM Treasury suggests the period of deflation will be relatively brief, some other forecasters

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<sup>1</sup> *Forecasts for the UK economy: a comparison of independent forecasts*. HM Treasury, February 2009. Available from: <http://www.hm-treasury.gov.uk/d/200902forecomp.pdf>

<sup>2</sup> HM Treasury. *Pre-Budget Report. Facing global challenges: supporting people through difficult times*. Cm 7484. TSO, November 2008. Available from: [http://www.hm-treasury.gov.uk/prebud\\_pbr08\\_repindex.htm](http://www.hm-treasury.gov.uk/prebud_pbr08_repindex.htm)

<sup>3</sup> See, for example: Vicky Redwood. How to spot a recovery – the evidence from past recessions. *UK Economics Focus*, 18 December 2008.

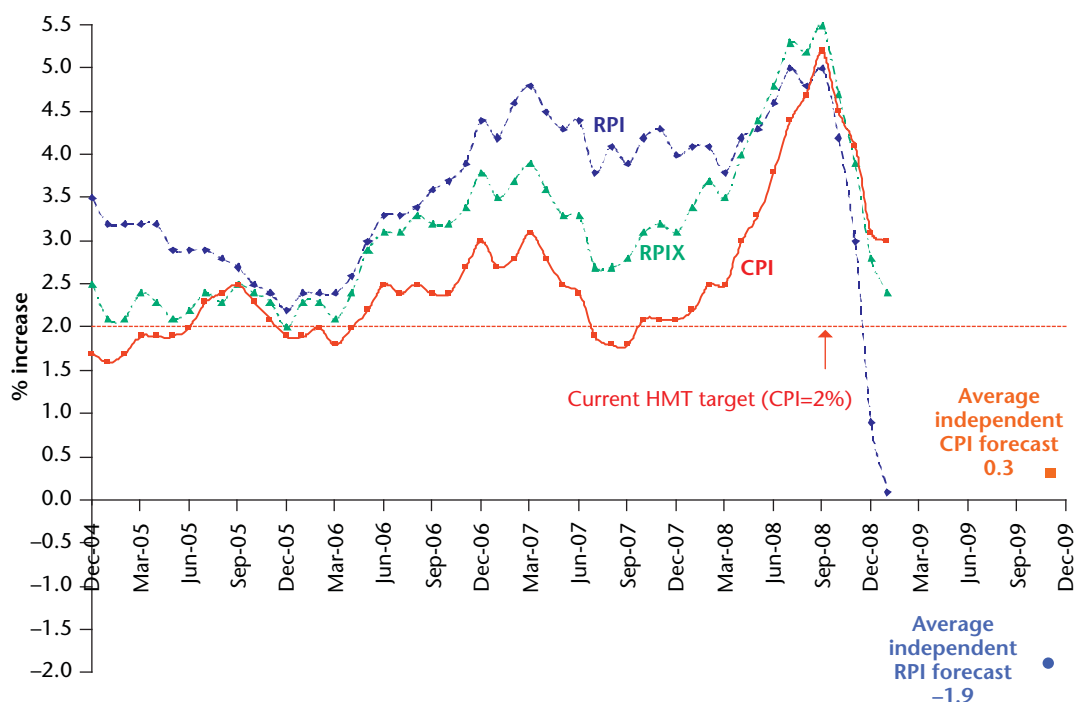
<sup>4</sup> *Inflation Report*. Bank of England, February 2009. Available from: <http://www.bankofengland.co.uk/publications/inflationreport/ir09feb.pdf>

<sup>5</sup> Letter from the Governor of the Bank of England to the Chancellor of the Exchequer, 15 December 2008. Available from: <http://www.bankofengland.co.uk/monetarypolicy/pdf/cpiletter081215.pdf>



expect deflation throughout 2009, with RPI turning positive again only in early 2010<sup>6</sup>. RPI was at 5 per cent in September 2008, but had fallen to 0.1 per cent in January, the latest data available to us.

Figure 1.2: Inflation measures



Sources: Office for National Statistics and HM Treasury

1.10 We have also looked at data on pay settlements and average earnings. The median of pay settlements across the whole economy in 2008 generally lay between 3.5 and 4 per cent, depending on the data source. Looking ahead, as the labour market weakens and inflation falls sharply, especially if RPI registers negative growth as forecast, settlement levels might be expected to adjust downwards, but it is difficult to assess the size of such adjustment at this stage. Incomes Data Services notes that in the 1990 recession 2 per cent emerged as a 'floor' to the median level of awards. A big difference between current prospects and the position in 1990 is that inflation then remained positive, albeit low, and there was no period of deflation. The information available to us simply suggests that awards in 2009 are likely to be lower than last year. The Bank of England's Agents reported in January that there had been a 'material increase' in the proportion of their contacts planning a pay freeze, with some planning to implement pay cuts<sup>7</sup>.

1.11 Whole economy average earnings including bonus effects grew by around 3.9 per cent during the early months of 2008, before slowing from the summer onwards to 3.2 per cent for the three months to December. All of this slowdown can be attributed to the private sector, where earnings growth, 3.9 per cent in January, had fallen to 3.1 per cent by December, and this in turn can largely be explained by lower bonuses in the service sector last year compared to a year earlier. This means that pay 'drift' in the private sector – the difference between base pay increases and earnings outcomes – was negative. In contrast, average earnings growth in the public sector rose from 3.4 per cent in January to 4 per cent in December, implying pay drift marginally above its 1.1 per cent long-term average. Independent forecasters expect no pick up in whole

<sup>6</sup> RPI expected to fall to negative levels throughout 2009. *IDS Pay Report*, No. 1016, January 2009: 3

<sup>7</sup> *Agents' summary of business conditions*. Bank of England, January 2009. Available from: <http://www.bankofengland.co.uk/publications/agentssummary/agsum09jan.pdf>

economy average earnings growth in 2009, with a median expectation of 2.7 per cent for the year as a whole. If that proves correct, it will be well below the level of earnings growth that might represent a threat to meeting the Government's inflation target. Indeed, low earnings growth could be a factor contributing to inflation below the Government's target of 2 per cent for the CPI.

## **Pensions**

- 1.12 All our remit groups are eligible for defined benefit pensions which of course are backed by the state. We remain mindful of the value of those pensions in recommending on pay for our remit groups. Our previous report contained a detailed assessment of the pension arrangements for the SCS, judiciary and senior military and compared those arrangements with other public and private sector schemes. Pensions must be seen in the context of total remuneration which, for comparable senior private sector staff, may include bonuses, cars, health insurance, share options etc. The pensions of our remit groups are among the most valuable public sector schemes and probably worth slightly more on average as a percentage of salary (though not in absolute terms) than those of typical private sector comparators, but we believe that any advantage has in the past been more than offset by the higher salaries and other benefits of senior private sector workers. Whether this will continue to be the case is open to question. It is likely that, at least in the short term, the relative position of our remit groups will improve compared to the private sector where, in addition to reduced pension provision, many employees are now seeing their pay frozen and bonuses cancelled, and some are losing their jobs.
- 1.13 In that context we note that Permanent Secretaries, the top level of the SCS, have collectively decided to forgo their entitlement to bonuses for the year 2008-09, in recognition of the economic background.

## **Evidence**

- 1.14 We base our recommendations very largely on the evidence we receive from the parties although we impose our judgment on what are often conflicting views. It is therefore important that we receive comprehensive, accurate evidence that is accepted by all the parties. Our secretariat provides feedback each year to the parties and we are pleased to note a general improvement in the quality and relevance of evidence in recent years, especially that from the SCS unions.

## **Timing of our reports**

- 1.15 Our objective is to receive written evidence at the end of September and then to analyse the written submissions and seek any necessary clarifications or supplementary evidence before taking oral evidence from the main parties by the end of that year. We aim to prepare our report for submission to the Government by the end of February so that the Government can take decisions on our recommendations and put those decisions into effect for the start of the financial year. The settlement date for all the remit groups covered by this report is 1 April.
- 1.16 As we explained in our previous report<sup>8</sup>, submission of that report was delayed because the Government decided at a late stage to seek a three-year settlement for the SCS. The Government's main written evidence on the SCS has been delayed again this year. We have worked hard to minimise the inevitable consequent delay in submission of our report and we urge the Government to provide all its evidence to us in good time for future rounds.

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<sup>8</sup> Review Body on Senior Salaries. Thirtieth report on Senior Salaries. Cm 7388. TSO, 2008. Available from: <http://www.ome.uk.com/downloads/30th%20Report%20on%20Senior%20Salaries%20-%202008.pdf>

## **Taxable benefits**

- 1.17 It has recently been brought to our attention that a few members of our remit groups receive taxable benefits, for example accommodation or the use of a car and driver, in addition to salary and pension. We shall seek full details of such benefits from departments to enable us to consider such benefits properly and if necessary to discuss them in our next report.

## **Conclusion**

- 1.18 Given the acute economic challenges facing the country and recognising the particular sensitivity of senior pay and conditions, now is not the time for radical changes to the levels of reward and we have therefore adopted a 'holding' position for this year. Moreover, for each of our remit groups there is work planned or already under way which is likely to have implications for pay. First there is the Normington report (see Chapter 2) which maps out the basis for creating a workforce and reward strategy for the SCS. We urge the Government to ensure the further work proposed by Normington is resourced and pursued with vigour. This should not be constrained by the fact that 2009-10 is the second year of the three-year pay settlement for the SCS.
- 1.19 The pay of the judiciary has not kept pace with inflation in recent years. The last major review of the judicial pay structure was concluded in 2006 and it is time to update it. A new review will commence soon with the objective of reporting conclusions in 2011.
- 1.20 We have already made progress in addressing issues affecting the senior military and this will be the second year of a three-year restructuring of the senior military pay scales designed to achieve better differentials and increments, but we still await the outcome of an independent job evaluation exercise. The results of that exercise should be included in evidence to us in autumn 2009 and will enable us to make recommendations to complete the restructuring of senior military pay. In particular, we shall need to consider what should be done to provide more equitable remuneration for the five 4-star members of the Defence Board whose jobs have a higher weighting than those of other 4-star officers. Finally, we await the outcome of an independent job evaluation of the NHS Very Senior Managers which will provide the basis for an objectively based revision of their pay framework.
- 1.21 Our remit groups look to us to provide professional and independent recommendations founded on solid evidence, and to the Government to accept them. For our part, we recognise the unusual position of our remit groups which, collectively, have no alternative to the Government as employer but have no machinery for pay bargaining. Although we have recommended modest changes to salary levels in this report, there is much work in train to improve further the evidential base and enable us to undertake a more thorough review of the remuneration arrangements of all our groups over the next year or two.

## Chapter 2

### The senior civil service

#### Introduction

- 2.1 For some time now we have recorded our growing concerns with the functioning of the senior civil service (SCS) pay and performance management system. There has been increasing evidence for the need for reform and the development of a robust workforce and reward strategy for the SCS to meet the changing needs of the civil service and the demands made on it. We therefore welcome the report on Senior Civil Service Workforce and Reward Strategy prepared by a steering group chaired by Sir David Normington ('the Normington report'). Sir David and members of his team also gave oral evidence to us.
- 2.2 In this chapter we discuss the Normington report and review developments in the pay and performance management of the SCS during 2007-08. We then consider the evidence provided by the Government, the Cabinet Secretary, the Civil Service Commissioners, the First Division Association and Prospect. We have also held discussion groups with members of the SCS and SCS HR managers which have helped our understanding of how the pay and performance system is working in practice in different departments and agencies.
- 2.3 Our remit group includes all the members of the SCS which is now some 4,200 strong. The SCS has grown by over 35 per cent since 2000 although increases have been smaller in the second half of the decade. In 2008 numbers in the SCS increased overall by 3.4 per cent compared with 2007 and the number of SCS in Pay Band 3 increased by 14.7 per cent.

Table 2.1: Total SCS staff in post by year

Year	2000	2001	2002	2003	2004	2005	2006	2007	2008
SCS in post	3,108	3,331	3,507	3,700	3,893	3,906	4,031	4,075	4,212
% change on previous year	n/a	7.2	5.3	5.5	5.2	0.3	3.2	1.1	3.4

Source: Cabinet Office

- 2.4 In previous reports we have commented on the growth in SCS numbers at a time when overall civil service numbers are falling. We heard in evidence from the Cabinet Office that this trend is likely to continue over the next few years as developments in information technology and online services lead to a saving of clerical and administrative posts. At the same time, an increase in the amount of policy work has necessitated an increase in the number of senior posts. The Government's decision to increase the number of departments and reorganise their work has also led to an increase in SCS posts. The Cabinet Secretary told us that in the longer term he expected some savings from economies of scale as departments implemented shared corporate services in areas such as payroll, pensions, HR and finance.
- 2.5 It is for the Government to decide what size of SCS it needs in the light of its policy priorities. However, we should welcome assurance that the growth in SCS numbers is planned and controlled at the centre in accordance with an overall conception of the role, purpose and composition of the SCS. As we have previously commented, we have no evidence to show whether or not SCS productivity is changing.

## Response to the Normington report

- 2.6 We have drawn attention in several of our own recent reports to what we consider to be growing problems with the SCS pay and performance management system. In our 2007 report<sup>1</sup> we called for a workforce strategy for the SCS and its feeder grades. Last year we recommended that the Government publish as soon as possible a timetable for the development and promulgation of an SCS workforce and reward strategy so that we could take the strategy into account in our next annual review of SCS pay<sup>2</sup>.
- 2.7 We were therefore pleased to receive the report of the Steering Group on Senior Civil Service Workforce and Reward Strategy with its recommendation that the Cabinet Office should, in conjunction with other stakeholders, develop both an overarching workforce strategy and a reward strategy for the SCS. We are disappointed that the review did not itself feel able to draw up the workforce strategy and that 12 of its 15 recommendations call in whole or in part for further work. We had hoped for faster progress. Nevertheless, we are pleased that this review has confirmed and developed many of the concerns we had previously identified.
- 2.8 We urge the Government to carry out the further work proposed in the report as quickly as possible. It is important that sufficient resources be made available to complete this work and we welcomed the assurance from the Cabinet Secretary when he gave oral evidence to us that Ministers had accepted the report in principle and that he had the necessary resources to take it forward.
- 2.9 We offer the following comments on the report in a spirit of constructive but challenging support. We should be happy to contribute the collective and individual knowledge and experience of our members to help with implementation of the report's recommendations.

### *Workforce strategy*

2.10 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.

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<sup>1</sup> Review Body on Senior Salaries. *Twenty-ninth report on Senior Salaries*. Cm 7030. TSO, 2007. Available from: <http://www.ome.uk.com/downloads/29th%20Report%20on%20Senior%20Salaries%20-%202007.pdf>

<sup>2</sup> Review Body on Senior Salaries. *Thirtieth report on Senior Salaries*. Cm 7388. TSO, 2008: Recommendation 2. Available from: <http://www.ome.uk.com/downloads/30th%20Report%20on%20Senior%20Salaries%20-%202008.pdf>

- 2.11 In the past there has been an explicit policy for members of the SCS to change jobs at least every four years and to gain experience in different areas of work. This applied both to generalists and specialists, with the latter moving more frequently between departments within their specialist cadres such as the Government Legal Service or the Government Statistical Service. The Government needs to consider whether to maintain this policy or to encourage greater specialisation and longer job tenure. We can see advantages and disadvantages in both options. Frequent sideways moves help to circulate fresh ideas and increase job satisfaction. An organisation with such an approach will find it easier to respond to changing priorities and circumstances. On the other hand, frequent moves may mean that expertise is repeatedly built up then lost. Other organisations may be frustrated that their civil service interlocutors change relatively frequently, and that the senior civil service favours breadth over depth of knowledge.
- 2.12 It is not for us to express a view on this choice but it is important and needs to be set out in the workforce strategy because it has major implications for the design of the reward strategy as we explain below.

### *Reward strategy*

- 2.13 The Government urgently needs a new reward strategy for the SCS. The problems of the 'dual market' have been increasing and need to be tackled. Pay systems can be very powerful management tools. They can position an organisation in the labour market, enabling it to target the skills it needs to function. They can also send powerful signals about an organisation's priorities. They can incentivise and motivate employees and empower managers. However, if they are badly designed, they can easily do the opposite.
- 2.14 Reward strategies need to be tailored to an organisation's purpose and culture. The first recommendation of the Normington report states (in part) that: "A reward strategy should both support and be supported by the overarching workforce strategy." We disagree with the latter part of that proposition. A workforce strategy supports a business model (i.e. the statement of an organisation's objectives and how it achieves them) and the reward strategy in turn supports the workforce strategy. So we were surprised to see a detailed reward model proposed in the report before the purpose of the SCS and its workforce strategy have been defined. The SCS unions, the FDA and Prospect told us they too thought that the workforce strategy should come first.
- 2.15 We believe some key questions must be answered before the reward model can be designed. One is whether the model should deliver pay progression. The current SCS pay system was intended to provide pay progression but has delivered much less than we, and the SCS themselves, hoped. This has been bad for morale. In an organisation where the pyramid narrows sharply so that, statistically, the chances of promotion for an individual are well below 50 per cent, as is the case with Pay Band 1, then the system probably needs to provide opportunities for pay progression to recognise the increasing experience and capability of people who may well spend over 20 years at the same level. One means of achieving this is through the current system of performance-related base pay increases within very broad pay ranges, although these must now be considered in the light of age discrimination legislation and in any case the Government has been reluctant to fund the system at the level needed to achieve significant pay progression. Another way would be by creating a structure with more steps, linked to job weight, and narrower pay ranges, so that there were opportunities for smaller promotions for those who do not make the step up to the next current pay band. The Normington report suggests a further option, with pay progression achieved by a combination of a short incremental scale plus the possibility of moving to progressively higher weighted jobs. This depends on there being a sufficient supply of differently weighted jobs available.

- 2.16 The reward model set out in Chapter 4 of the Normington report contains five elements:
- a. base pay;
  - b. an element relative to job weight, content and responsibility;
  - c. a premium for scarce skills and expertise;
  - d. variable performance-related pay (affecting one-off performance bonuses); and
  - e. pension.

We are not convinced that such a model will work well in an environment where rapidly changing priorities make it desirable to be able to move people quickly to new or different posts. Someone in a post with a high job weight or responsibility payment will not normally be willing to move to a lower weighted (and hence lower paid) job, especially if that also affects pension entitlement. Similarly, someone receiving a premium for scarce skills and expertise will be unwilling to move to a post which does not attract such a premium. The previous SCS pay system, replaced in 2002, divided posts into nine levels on the basis of a rudimentary job evaluation, but proved too rigid. SCS members were unwilling to move except to jobs with higher weight (and hence pay) even though they did not lose pay on moving to a job with the same or a lower weight. So the reward model proposed in the report does not, in our view, support the flexibility which is a feature of the SCS at present, although it might be better suited to an environment where people stay longer in jobs and deepen rather than broaden their experience. The SCS unions said in oral evidence that they shared this concern about the impact of the proposed reward model on mobility.

- 2.17 In any event we believe that if the approach proposed in the Normington report is to be implemented, it will require a tailor-made job evaluation system which should be tested in prototype before being rolled out across the whole SCS. In addition, it is essential that the job evaluation be carried out under central co-ordination to ensure that consistent standards are applied across all departments and agencies.
- 2.18 One must always try to guard against unintended consequences. If significant premia are paid for scarce skills and expertise, then there will be an incentive for existing SCS members to specialise and acquire those skills – and possibly qualifications to prove they have the skills – in order to compete for higher paid jobs. This would in turn be likely to lead to SCS members acquiring deeper but narrower knowledge and expertise. Again this could affect departments' ability to respond quickly to changing political priorities.
- 2.19 In any case, we believe premia for scarce skills and expertise should generally be for specified circumstances and should not become an institutionalised part of a pay system. The workforce strategy should contain plans to overcome the short-term skill shortages which necessitate the payment of such premia.
- 2.20 Another key question to be answered before designing the reward model is the purpose of performance-related pay. The report's authors say they believe that performance pay is a fundamental part of the reward structure for the SCS and they recommend that there should continue to be one-off bonuses to reward members of the SCS for performance in year, or across a number of years. We very strongly support the principle of performance-related pay, but we believe much more thought needs to be given to how that principle should be put into practice. In particular it is important to set clear, stretching targets against which performance is measured objectively.



- 2.21 Members of the SCS are very unhappy with the current performance pay system, in part because of lack of transparency but also because of the perception that it operates in an arbitrary way. It is, as Towers Perrin pointed out in a report for us in 2006<sup>3</sup>, a merit reward scheme which operates retrospectively and without any automatic link between performance and reward, because assessment is relative and moderated. At one time the Cabinet Office encouraged departments to apply different criteria for awarding consolidated base pay increases and unconsolidated bonus payments. The former were intended to be for growth in the individual's value to the civil service (through increased skills, experience and knowledge) while the latter were for achievement of in-year objectives. However, that distinction was never well understood and recently departments appear to be conflating the two decisions so that the best performers get a high base pay increase and a larger bonus and the worst performers get no increase and no bonus. It is still not possible for managers to guarantee a bonus for achieving objectives because individual SCS members are assessed relative to their peers, normally within the immediate part of the organisation. So it is possible for an SCS member to have a successful year and achieve all objectives but receive no bonus because the performance of others in the same part of the organisation is judged to be even better. This may encourage individuals to compete rather than co-operate.
- 2.22 We do not wish to see the current system perpetuated. But much more work needs to be done to design a better system where there is a clear and, preferably, automatic link between achieving specified objectives and receiving reward. It has been put to us that it may be much easier to design an incentive scheme in delivery organisations, where outputs are measurable and can usually be costed, than for policy civil servants. It may be that there should be separate schemes for these groups, or perhaps bonus arrangements should be limited to the former because of the difficulty of measuring objectively an individual's contribution to policy. In any event, before a performance pay scheme can be designed, the Government needs to be clear about what it is intended to achieve. Is it simply merit reward (and in that case, how is merit measured?) or is it an incentive scheme designed to encourage certain types of behaviour, or target effort on certain outcomes (with the inevitable consequence that less or no effort will be applied to work which does not generate bonus)? Should there be individual or team bonuses or some combination of both? It is only once these points of principle have been thought through that a reward system can be designed.

### *Pensions*

- 2.23 The Normington report recommends that work should be carried out to consider the pension arrangements for the SCS and notes briefly that "the current final salary pension arrangements are likely to present a major challenge to the successful implementation of the new reward model for the SCS." This seems to us to be something of an understatement. However, the report gives no indication of how the pension scheme might be changed.

### *Pay Band 1*

- 2.24 The Normington report recommends that Pay Band 1 should continue to form part of the SCS but should play more of a role in leading the civil service as a whole, rather than being narrowly focused on departmental priorities. This is not, strictly, a matter for us but we point out the difficulty in managing nearly 3,000 people spread over some 48 departments plus their agencies. We are concerned that it may prove difficult to extend the proposed reward model to such a large group without compromising on aspects such as job evaluation and objective standards for job responsibility and scarce skills premia. If Pay Band 1 is to continue to be treated as part of the SCS for pay purposes,

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<sup>3</sup> *Bonus Scheme Design and Effectiveness*, Towers Perrin, November 2006. Available at: <http://www.ome.uk.com/downloads/Towers%20Perrin%20report%20on%20Bonus%20Scheme%20Design%20and%20Effectiveness.pdf>



then we believe the Cabinet Office will need to develop its capacity to provide detailed guidance to departments and to ensure common standards. The alternative would be to define Pay Band 1 as part of the SCS for management purposes while devolving pay and performance management to departments. It is not clear to us whether the review explored this option. We believe some problems are emerging because of overlap between the salaries of Grade 6, fixed individually by departments and the Pay Band 1 range which is set centrally. Devolving responsibility for Pay Band 1 pay to departments would be one way of addressing those problems, although it might simply shift the problem of overlap to the interface between Pay Bands 1 and 2.

### *The role of the centre*

2.25 Many of the Normington report's recommendations point explicitly or implicitly to strengthening the engagement of the centre – effectively the Cabinet Office – in managing the SCS. Restating the purpose of the SCS, producing stricter definitions of SCS roles, looking at how to grow more talent within the civil service, researching reasons for individuals leaving the SCS, developing a workforce strategy, job evaluation system, reward model, performance management framework, guiding principles on when and how to recruit externally, stronger capability and capacity to support departments: all these require sustained co-ordination from the centre.

### *Conclusion*

2.26 We have drawn attention here to aspects of the Normington report on which we have reservations or which we believe require further thought. However, these comments are offered in a spirit of constructive criticism. There is much in the report we can endorse, notably the acceptance of the need for a workforce strategy and the ideas for tackling the 'dual market', for ensuring greater fairness and value for money in recruitment, and stronger leadership from the Cabinet Office in the management of the SCS. We urge the Government to press on with the work foreseen in the report's recommendations, while considering the points we make above.

### **The SCS pay system**

2.27 Staff in the SCS below Permanent Secretary level are divided into three main pay bands. Departments may also make use of a fourth pay band, 1A, which overlaps Pay Bands 1 and 2. Table 2.2 gives the numbers of SCS in each pay band together with the pay details for each pay band.

**Table 2.2: SCS pay ranges 2008**

Pay Band	No. in band	Pay range	Median salary	Mid-point of range	Reference points
1	3,007	£57,300 – £116,000	£72,713	£86,650	£90,000
1A	204	£66,600 – £127,000	£84,200	£96,800	£100,000
2	755	£81,600 – £160,000	£101,406	£120,800	£120,000
3	179	£99,960 – £205,000	£136,923	£152,480	£140,000
<b>Permanent Secretaries</b>	40	£139,740 – £273,250	n/a	£206,495	n/a

Sources: Cabinet Office, OME

Note: The above total of SCS members (4,185) is lower than the total staff in post in table 2.1 (4,212). The difference of 27 consists of SCS members who are in non-standard pay bands and have non-standard contracts, e.g. those paid at NHS rates.

2.28 SCS members are eligible to receive annual base pay increases and additional, non-consolidated payments subject to their performance. From 2008 SCS members are allocated to one of four performance groups, rather than the former three tranches. Departments continue to rank SCS members' performance from the strongest to the weakest within the appropriate peer group and then place them in one of four performance groups. The Cabinet Office provides guidance to departments on the target distribution. For 2008 the target distribution was: Performance Group One: 25 per cent; Performance Group Two: 40 per cent; Performance Group Three: 25 – 30 per cent and Performance Group Four: 5 – 10 per cent. The actual outturn by pay band is shown in Table 2.3.

**Table 2.3: SCS performance group markings by pay band 2008**

Pay Band	Performance Group %				
	One	Two	Three	Four	
	<i>Target distribution</i>	<i>25</i>	<i>40</i>	<i>25 – 30</i>	<i>5 – 10</i>
1		24.8	44.5	25.7	5.0
1A		26.8	44.6	24.8	3.8
2		28.6	45.3	23.4	2.7
3		33.6	50.9	12.1	3.4
All SCS		25.9	44.9	24.8	4.5

Source: Cabinet Office

Notes: Figures exclude 646 SCS members for whom no performance group marking is available or who are on non-standard pay arrangements. Totals may not sum to 100 owing to rounding.

- 2.29 We find it surprising that the figures continue to indicate that the higher the pay band, the more likely it is that the individual will be placed in one of the top performance groups.
- 2.30 Last year the Government proposed a three-year settlement of 7 per cent for the pay bill plus recyclables (which were estimated to be 1 per cent a year) for the period 2008-11. We accepted this and recommended that, on average, base pay should increase by 2.5 per cent for the first year of the settlement and that actual increases in base pay should be in the range 0 to 9 per cent.
- 2.31 The Government's evidence shows that departments did differentiate awards according to performance although again they do not appear to have used the full flexibility permitted by the guidelines. Those in Performance Group One received an average increase of 3.3 per cent, those in Performance Group Two received 2.6 per cent, those in Performance Group Three received 2.0 per cent and those in Performance Group Four received 0.9 per cent on average. In 2008 2.2 per cent of SCS members received an award over 6 per cent and 5.5 per cent of SCS members received no increase. Departments appear reluctant to make awards towards the top end of the permitted range, presumably because for every person receiving, say, 9 per cent, several must receive little or nothing in order to meet the overall target of 2.5 per cent on average. We realise that there is a difficult judgement to be struck and departments need to gauge the impact on morale and motivation of more differentiated awards. Nevertheless, we believe that more effort should be made to identify high and low performance, and to use the full range of awards. The pay system should be used to send clear signals and raise productivity.

## Progression Target Rates

- 2.32 Progression Target Rates (PTRs) were introduced with the current SCS pay system. The Government set them at about a third of the distance between the minimum and maximum of each range although we had recommended that they be at the mid-point of each range. Effective performers reach the PTR over time with the speed of progression varying from year to year depending on funding available for SCS pay and the level of the individual's performance. We had hoped that consistently high performers would reach the PTR in three to four years and other fully effective performers would do so in around ten years, but in practice pay progression has proved much slower. In 2006 the Government abolished PTRs for Pay Bands 2 and 3 as part of a move to a more individualised approach to pay for SCS in those pay bands and replaced them with reference points. In 2008 the Government also replaced PTRs with reference points for Pay Bands 1 and 1A, although we had recommended retaining them, at least until the more fundamental reform of the pay system which we expected to follow the Normington report. The Government argued that PTRs were acting as an artificial ceiling since departments tended to give smaller pay increases to those at or near the PTR, even though the PTR is set at only a third of the way up the pay band. The replacement reference points are used by departments when recruiting; prior Cabinet Office approval is required if a department wishes to advertise a post with a salary above the reference point or make an appointment above that level.
- 2.33 We have commented repeatedly on the slow pay progression of internal members of the SCS and requested evidence on the median salary of internal promotees as well as external recruits. The difference between the median salaries of SCS members who have been promoted into the SCS and those of external recruits can be seen in the following table.

Table 2.4: SCS median salary by pay band and origin, 2008

Pay Band	Median salary – internal promotees	Median salary – external recruits	Difference between external recruits and internal promotees %
1	£67,327	£81,600	21.2
1A	£81,808	£93,801	14.7
2	£91,018	£125,000	37.3
3	£116,580	£178,954	53.5

Sources: Cabinet Office, OME

Note: The median salaries differ from those in table 2.2 because that table relates to all staff in post whereas the figures in table 2.4 exclude SCS members with non-standard pay arrangements, e.g. those paid at NHS rates.

- 2.34 The Cabinet Office evidence on median starting salaries in 2007-08 notes that there has been “no discernible trend in the gap between external and internal recruits” over the past three years. The gap has varied significantly across the pay bands but is mostly above 20 per cent and at Pay Band 3 has risen to 54 per cent in 2008, although the figure for this pay band was below 10 per cent in 2007. The Cabinet Office comments that “Salary differentials on appointment are an issue of concern if they do not adequately reflect the market value of new appointees.” Commenting on the premium paid to externally recruited Pay Band 2s and 3s, the Normington report states: “It is difficult to tell whether this is simply the functioning of the market and whether the premium paid is justified by the skills and delivery. But we have been concerned at the evidence that some external recruits are, on or after their appointment, negotiating significantly higher salaries than the advertised rate.” We mentioned this in our last

year's report and therefore welcome the recommendations in the Normington report for stricter control over the differences between the rates advertised for a post and the salary offered to a successful candidate, with internal and external candidates treated in the same way, and for stronger Cabinet Office support for departments in identifying appropriate salary points for recruits, negotiating reward packages, compiling a central database and sharing best practice.

## Variable pay

- 2.35 In addition to performance-related base pay increases, SCS members are eligible each year for non-consolidated and non-pensionable performance-related payments. Departments use such payments to reward in-year performance against objectives and they can be a mixture of individual and corporate awards. Last year we recommended that the proportion of the pay bill set aside for such payments in 2008-09 should increase by 1 per cent to 8.6 per cent of the SCS pay bill.
- 2.36 There has been much public interest in bonus schemes in the current economic climate, with reports of significant bonus payments awarded in some areas of the private sector despite poor financial results. However, the SCS scheme differs from many operating in the private sector. What has happened in the SCS since 2002 is that a small but increasing proportion of the pay bill – currently 8.6 per cent – has been set aside and used to make variable, non-consolidated, performance-related payments to selected members of the SCS who have performed better than their peers. The best performers receive the biggest amounts, but last year around a third of the SCS received no additional payment. Because these payments are non-consolidated (and not pensionable, thereby reducing the cost and level of SCS pension provision), they have to be earned each year. The total amount of money available is capped and the size of payments is significantly smaller than in typical private sector schemes. According to Towers Perrin<sup>4</sup>, the average level of SCS non-consolidated payment in 2006 was 9.3 per cent of median salary or £6,942, compared with an average 29.1 per cent of salary, or £35,400 in the private sector. Towers Perrin concluded that the SCS scheme operated as a merit pay scheme.
- 2.37 In 2007-08 nearly 66 per cent of the SCS received a non-consolidated payment – around 93 per cent of those placed in the top two performance groups, almost 25 per cent of those in Performance Group 3 and just under 2 per cent of those placed in Performance Group 4. Departments set aside a proportion of the money available to reward the achievement of corporate objectives but where these were not met, the available resource was not transferred to individual payments. As a result the total paid out in 2007-08 was 7.1 per cent of pay bill, and not the 7.6 per cent we had recommended. The average value of payments in 2008 was as follows:

**Table 2.5: Average value of SCS non-consolidated performance-related payments by pay band 2008**

Pay Band	Average payment	Percentage of median salary %
1	£8,075	11.1
1A	£9,070	10.8
2	£10,693	10.5
3	£14,973	10.9

Sources: Cabinet Office, OME

<sup>4</sup> *Bonus Scheme Design and Effectiveness*. Towers Perrin, November 2006. Available from: <http://www.ome.uk.com/downloads/Towers%20Perrin%20report%20on%20Bonus%20Scheme%20Design%20and%20Effectiveness.pdf>

## Equal pay

2.38 After falling slightly in 2007, the pay gap between men and women in the SCS has risen in 2008 from 4.4 to 4.8 per cent continuing the trend of fluctuating between 4 and 5 per cent since 2001-02. According to the Cabinet Office's evidence, the rise is partly the result of the proportion of women in Pay Bands 2 and 3 falling from 28.5 per cent to 26.2 per cent. The Cabinet Office reports that women SCS members received higher average pay awards than men because a slightly higher proportion of women were placed in the top two performance groups: 64.7 per cent of women compared to 63.2 per cent of men. However, the increase in the pay gap since last year therefore appears to have been caused in part by the large difference between the median salaries of men and women joining or being promoted within the SCS and especially between the salaries of male and female external appointments.

**Table 2.6: Difference between median starting salaries of men and women in the SCS in 2006-07 and 2007-08**

Route to post	Female median 2007-08	Male median 2007-08	Difference (as % of female median)	Female median 2006-07	Male median 2006-07	Difference (as % of female median)
Internal	£69,123	£74,835	8.3	£67,081	£69,232	3.2
External	£84,050	£99,620	18.5	£83,000	£87,465	5.4

Sources: Cabinet Office, OME

The SCS pay gap is small compared with those in the wider public sector and especially the private sector, where it is closer to 20 per cent. It seems likely that those appointed to the SCS from outside are able to negotiate salaries influenced by their previous earnings, and that in consequence the SCS is starting to 'import' a larger pay gap between men and women. This is regrettable and we urge the Government to take steps to correct this imbalance.

## Diversity

2.39 In 2005, the Government set diversity targets to be reached in 2008 for the SCS and in July 2008 launched the next stage in its diversity strategy. The table below shows progress to date.

**Table 2.7: Diversity in the SCS**

Measure	April 2005	April 2006	April 2007	April 2008	2008 target	2011-13 target
% of women in SCS	29.1	30.4	32.1	32.6	37	39
% of top management posts held by women	25.5	26.3	27.5	25.4	30	34
% of SCS from ethnic minority backgrounds	2.8	3.1	3.2	3.6	4	5
% of SCS with disabilities	2.9	2.8	2.8	3.1	3.2	5

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

## Age discrimination

2.40 The Cabinet Office provided a breakdown by SCS members' age of performance group awards and percentages receiving non-consolidated, performance-related payments. As in previous years, the figures indicate that, as age increases, the likelihood of receiving a top performance group marking decreases, with a similar trend for non-consolidated payments.

**Table 2.8: Breakdown of SCS median salary, Performance Group One markings and percentage receiving non-consolidated, performance-related payments by age**

Age	Median salary	% of age band in Performance Group One	% of age band receiving non-consolidated payment
<30	£60,175	40	50
30-34	£64,200	48	69
35-39	£69,888	31	70
40-44	£73,145	31	70
45-49	£75,902	29	69
50-54	£79,000	22	66
55-59	£80,574	19	61
60-64	£84,848	14	50
65+	£88,123	0	67

Sources: Cabinet Office, OME

The Cabinet Office first collected these figures in 2005-06 because of the Employment Equality (Age) Regulations which came into force in 2006. In its evidence to us last year the Cabinet Office said:

*“Over the coming year we will, with the help of experts in the area, examine the pay and performance management system in more detail, specifically focusing on questions around direct and indirect age bias. We will also review a selection of performance appraisals to ensure that there are no unjustified differences in pay and performance markings. In line with the civil service reward principle of equal pay, we will also provide further training on diversity for line managers of SCS.”*

However, we have not received any evidence on the results of this work.

## Pensions

2.41 The value of the pension to an average SCS member is estimated to be around 22 per cent of salary. The majority of the SCS are in final salary arrangements (known as Classic, Classic Plus and Premium) which provide pension benefits based on the best pensionable earnings in the three years before leaving the Civil Service. New entrants after 30 July 2007 are in the 'nuvos' scheme which provides a pension based on career average revalued earnings. The average value of the nuvos scheme is slightly lower and the earliest age at which an unreduced pension can be drawn is 65, compared to 60 in the other arrangements.

2.42 As we said in Chapter 1, we recognise that the pensions of members of the SCS are an important part of their total reward and that pension provision in the private sector (both coverage and value of benefits) is declining sharply. It is not clear, though, to what extent this is true for senior staff comparable to our remit groups. The Cabinet Office provides evidence on relative pay in the private sector and it would be helpful if it would also provide evidence on pension provision in the private sector.

## Evidence

2.43 As in previous years, we have taken both written and oral evidence from a number of sources. Written evidence from the Government and unions can be found on their websites. A list of those who provided evidence is at Annex A. A list of the website addresses is at Annex C.

### *Government evidence*

2.44 We received written evidence, and the Cabinet Secretary and other officials also gave oral evidence. The Government's pay proposals for 2008-09 pay were:

- a 'headline' increase of 2.06 per cent of new money on the base pay bill, with additional recycling savings of 0.8 per cent, resulting in an average increase of 2.86 per cent increase in base pay with, as in previous years, base pay awards ranging from 0 per cent to 9 per cent depending on performance; and
- an increase in the minima of Pay Band 1 of approximately 2 per cent, but no increases in the pay band maxima.

At our request the Cabinet Office subsequently provided a note showing how it calculated the recycling savings. We accept that the SCS pay system is currently generating recyclables (or negative drift) but we wish to explore the precise calculation before our next report.

2.45 In oral evidence we heard that:

- the current economic climate had led to a significant increase (33 per cent) in the number of applications to the fast stream programme (a feeder to the SCS);
- the proportion of the pay bill set aside for non-consolidated, performance-related payments should not be increased in 2009;
- there is support for the Normington report including sufficient resource to take the recommendations forward;
- the Cabinet Office agreed with the Normington report's recommendation that SCS roles should be job evaluated and salaries linked to job weight;
- recommendations in the Normington report should deal with the two-tier problem created by the higher salaries paid to external entrants. This will be achieved by reform of the pay system and the introduction of specific elements of pay for job weight and responsibility, and for scarce skills, coupled with better appointment procedures referred to in paragraph 1.5 above; and
- initiatives in the civil service were helping to increase the proportion of women in the SCS and on current trends the SCS would have a majority of females by 2020.



### *SCS unions*

2.46 The FDA and Prospect provided written and oral evidence informed by the FDA's annual survey of its members. They emphasised that short-term economic pressures should not detract from the need for a long-term pay and reward strategy and proposed an increase of 3 per cent on base pay with a similar increase in the minima and maxima of all pay bands. Their main points were:

- the current level of external recruitment was too high and anecdotal evidence suggested a large number of externals struggle in the role;
- external recruits often took up post on salaries higher than those offered to successful internal candidates and then maintained the salary advantage;
- increasingly there was an overlap in pay between SCS Pay Band 1 and the grade just below the SCS;
- there was little support for the variable performance pay scheme;
- non-consolidated, performance-related payments were an integral part of core pay and should not be seen as an additional sum of money; and
- Sir David Normington's review presented an opportunity to deliver a "bold reform package" but there were concerns over the resourcing and the implementation timescale.

### *Civil Service Commissioners*

2.47 For the second year, the First Commissioner gave oral evidence on behalf of the Civil Service Commissioners, in support of their written evidence. The Commissioners said that generally the quality of candidates appointed was high but that there had been a decrease in the number of reserve candidates. This is a downward trend and one which we discussed in our last report.

2.48 In their evidence last year, the Commissioners drew our attention to two main issues; first, they were concerned that the salaries negotiated by some successful external candidates were significantly higher than those advertised; and secondly, the salaries paid to successful internal appointees were in some cases lower than the advertised salary. This year the picture is more mixed with examples of internals being paid more than the advertised salary on appointment and also of externals being paid less than the advertised rate. Also, the numbers being paid more than the advertised rate and the degree of over-payment have declined and the Commissioners report that, unlike last year, no appointee this year has been paid more than 33 per cent above the advertised salary. However, the majority of externals appointed on salaries below the advertised rate had bonus arrangements in place to take their remuneration to at least the advertised salary (e.g. one successful candidate received a starting salary of £150,000 compared to an advertised salary of £200,000 but had bonus and 'other payments' arrangements of up to 50 per cent of his salary). Often the bonus arrangements are greater than the bonuses available to members of the SCS. Last year the largest underpayment of an advertised salary was 14 per cent but this year four appointees received salaries at more than 14 per cent below the advertised rate including one internal candidate who was paid £85,000 on appointment to a post which had been advertised at £140,000.

2.49 Again, we note that the Normington report contains recommendations to deal with this problem and we urge the Government to implement them quickly.



### *Discussion groups*

- 2.50 We have continued our practice of meeting members of our remit group to hear their views on SCS remuneration and other associated issues such as morale and motivation. Some of our members held sessions with representatives from Pay Bands 1, 1A, 2 and 3, and departmental HR Directors in London. We also visited members of the SCS based outside London and met members of the Scottish Executive in Edinburgh, including the Permanent Secretary and the Head of the Senior Staff HR Team. We are grateful to those who attended the discussions and to those who helped to organise the visit.
- 2.51 The main concerns to emerge were dissatisfaction with the slow pay progression experienced by members of the SCS and the differences between the pay of internally and externally appointed members of the SCS. Other key points to emerge were:
- some internally promoted members of Pay Band 1 claimed their total earnings had dropped because they could no longer claim overtime and travelling time. Consequently they were paid less than some of their staff;
  - concerns about not being able to offer market facing salaries to attract individuals with the right skills;
  - conversely, frustration with the higher salaries offered to some external entrants and questions over whether they represented value for money;
  - SCS members near the bottom of the pay scale being leapfrogged by those on promotion (because of the 10 per cent rise on promotion rule);
  - some suggestion that departments are not making full use of pay awards for those in the top tranche;
  - mixed views on the relative performance appraisal system, with members of Pay Bands 1 and 2 regarding it as unfair while those in Pay Band 3 tended to find it worked well; and
  - a suggestion that one department had not made use of recyclables.

### **Pay recommendations for 2009**

- 2.52 As noted earlier, the Government has proposed:
- a 'headline' increase of 2.06 per cent of new money on the base pay bill, with additional recycling savings of 0.8 per cent, resulting in an average increase of 2.86 per cent increase in base pay;
  - base pay awards ranging from 0 per cent to 9 per cent depending on performance; and
  - an increase in the minima of Pay Band 1 of approximately 2 per cent.

Last year the Government proposed the following for the period 2008-11:

- a limit of 7 per cent on the increase in SCS pay bill per head;
- an increase in the proportion of the pay bill available for non-consolidated, performance-related payments to 10 per cent of pay bill;
- over the three year period the balance of pay bill per head (plus recyclables) should be used to increase base pay; and
- headline base pay increases should be limited to 1.5 per cent each year.

## *Base pay recommendations for 2009-10*

2.53 We recommend that:

- the base pay of the SCS should, on average, increase by 2.1 per cent from 1 April 2009, to which can be added 0.8 per cent of recycling savings;
- individual SCS base pay increases should again be in the range 0 – 9 per cent and dependent on assessment of performance; and
- an increase of 2.1 per cent (rounded to the nearest £100) should be applied to the minima and maxima for Pay Bands 1, 1A, 2 and 3, because most minima and maxima have not been increased for several years.

### **Recommendation 1: We recommend:**

- that SCS base pay be increased by 2.1 per cent on average, to which can be added 0.8 per cent of recycling savings;
- individual SCS base pay increases in the range 0 – 9 per cent, dependent on assessment of performance; and
- an increase of 2.1 per cent (rounded to the nearest £100) to the minima and maxima of the pay ranges for Pay Bands 1, 1A, 2 and 3:

Pay Band	Pay range minima	Pay range maxima
1	£58,500	£118,400
1A	£68,000	£129,700
2	£83,300	£163,400
3	£102,100	£209,300

## *Variable performance-related pay for 2009-10*

2.54 For the first time in a number of years, the Government proposes no increase in the proportion of the pay bill to be made available for non-consolidated, performance-related payments. We remain committed to a significant element of variable, performance-related pay for the SCS but we understand why the Government takes that line in the current economic circumstances and, as noted in Chapter 1, Permanent Secretaries have agreed to forgo the possibility of such payments this year. Moreover, we continue to have serious reservations about the SCS scheme as it currently operates. We therefore recommend that the proportion of the pay bill for non-consolidated, performance-related payments remain at 8.6 per cent of pay bill although we think it is important for motivation and performance management that such payments continue to be made to SCS members who meet their objectives and perform better than their peers.

**Recommendation 2: We recommend that the proportion of the SCS pay bill available for non-consolidated, performance-related payments remain at 8.6 per cent for 2009-10.**

## Permanent Secretaries

2.55 The Cabinet Office proposed that the Permanent Secretary pay bands and base pay be increased in line with the increases in the SCS system and expected that Permanent Secretary pay would continue to be determined broadly in line with the SCS. As noted in paragraph 1.13 above, Permanent Secretaries have collectively decided to forgo their entitlement to bonuses this year in recognition of the economic downturn and others' financial difficulties.

2.56 We recommend for Permanent Secretaries:

- base pay should, on average, increase by 2.1 per cent from 1 April 2009, to which can be added 0.8 per cent of recycling savings;
- individual increases should again be in the range 0 – 9 per cent and dependent on assessment of performance; and
- 8.6 per cent of pay bill should be made available for non-consolidated, performance-related payments in respect of the year 2009-10.

### **Recommendation 3: We recommend, from 1 April 2009:**

- that Permanent Secretaries' base pay be increased by 2.1 per cent on average, to which can be added 0.8 per cent of recycling savings;
- that individual increases be in the range 0 – 9 per cent, dependent on assessment of performance;
- an increase of 2.1 per cent (rounded to the nearest £100) to the minima and maxima of the pay range, resulting in a new range of £142,700 to £279,000; and
- that the proportion of the Permanent Secretaries' pay bill available for non-consolidated, performance-related payments in respect of the year 2009-10 be 8.6 per cent of pay bill.

## Chapter 3

### Senior officers in the armed forces

#### Our remit group

3.1 Our senior military remit group now comprises 130 officers at 2-star level and above as at July 2008. The breakdown by rank is in Table 3.1 below which also gives comparative figures for recent years. As mentioned in our 2008 report<sup>1</sup>, the number of senior officers increased in 2007 because British officers filled certain European Union and NATO representational posts on a rotational basis. Leaving aside this temporary effect, numbers of senior officers have declined slightly in recent years as a result of change and rationalisation programmes.

Table 3.1: Senior military posts, 2005 – 2008

	July 2005	July 2006	July 2007	July 2008
4-star (including CDS)	12	12	12	10
3-star	24	25	32	29
2-star	98	94	93	91
<b>Total</b>	<b>134</b>	<b>131</b>	<b>137</b>	<b>130</b>

Source: MoD

#### Our last report

3.2 Our last report made a number of recommendations on the pay of senior officers, all of which were accepted in full by the Government. The two main points in our recommendations were the introduction of X-factor<sup>2</sup> for the first time at 2- and 3-star level as well as the implementation of a three-year rolling programme of restructured pay scales. That restructuring was intended to ensure that:

- officers promoted to 2-star received at least a 10 per cent increase in base pay on promotion by the year 2010-11;
- the salary of the Chief of Defence Staff (CDS) was better aligned with that of the Cabinet Secretary and the Lord Chief Justice; and
- increments were more rational and aided retention.

As a consequence of restructuring the 2-star and CDS pay scales, it was necessary to realign the pay scales of 3- and 4-star officers to maintain suitable differentials.

#### Evidence

3.3 As in previous years, we have received written evidence from MoD and took oral evidence from CDS, the Permanent Under Secretary, Chief of the Naval Staff, Chief of the General Staff and Chief of the Air Staff. MoD's written evidence covered a number of subjects including:

<sup>1</sup> Review Body on Senior Salaries. *Thirtieth Report on Senior Salaries*. Cm 7388. TSO, 2008. Available from: <http://www.ome.uk.com/downloads/30th%20Report%20on%20Senior%20Salaries%20-%202008.pdf>

<sup>2</sup> 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.

- economic considerations;
- manning levels;
- operation of the Performance Management Pay System (PMPS);
- findings from an attitude survey;
- job evaluation;
- terms and conditions of service; and
- the level of the award for this year.

### **Attitude survey**

3.4 We welcome the continued gathering of evidence via an annual attitude survey of the senior military. We note that two surveys were conducted this year and we are pleased to see that the response rate to both is in the region of 50 per cent. Some of the key findings from the surveys are as follows:

- around 60 per cent felt dissatisfied or very dissatisfied with the level of their remuneration package and reward through the Performance Management Pay System (PMPS);
- two-thirds were either dissatisfied or very dissatisfied with the level of pay on promotion;
- all felt their remuneration package compared poorly to that of civilian counterparts;
- 72 per cent felt their level of job satisfaction was high or very high;
- the amount of annual leave taken for 2007-08 is similar to that taken in the previous year;
- hours worked decreased in 2007-08 compared to the previous year; and
- only 14 per cent were either dissatisfied or very dissatisfied with their promotion prospects.

In considering this evidence we note that it is possible that some of the surveys were completed before publication of the 2008 SSRB report – announced on 17 June 2008.

### **Military visit**

3.5 We visited HMS President, the Royal Naval Reserve training establishment, in September 2008 where we met 16 senior officers: three 3-star and 13 2-star officers. This number represents over 12 per cent of the remit group. During the session the senior officers expressed their views on pay and related matters in a frank and robust manner – some of the issues they raised are discussed later in the chapter. We welcome such open discussion and found the session a useful insight into how the senior military feel about their remuneration package. We thank all who attended for their time and input.

### **Economic conditions and affordability**

3.6 MoD's evidence includes a section on economic conditions and affordability. We discuss these issues in Chapter 1.

## **Level of award**

- 3.7 MoD suggests in its evidence that the level of award should not be “viewed in isolation from the AFPRB recommendations” to ensure that the differential in pay on promotion from 1-star reaches 10 per cent in year three of the three-year restructuring programme (i.e. 2010-11). However, MoD has budgeted for an increase to the pay bill of 2.5 per cent and adds that “an award above this level would require (albeit comparatively small) compensating reductions to other Defence priorities”.

## **X-factor**

- 3.8 X-factor is a consolidated additional part of pay based on a percentage of annual salary. Its purpose is to compensate for the disadvantages of military service such as disruption to family life, separation and facing danger. As mentioned in our previous report, the senior military now face greater disruption to their lives and there is more chance they will be required to serve overseas in an operational area. In our 2008 report we recommended that X-factor should be paid to 2- and 3-star officers at a rate of 25 per cent of the cash value at the top of the OF4 scale. We also recommended that X-factor should be phased in over a three-year period, alongside our proposed restructuring of the senior military pay scales, with 15 per cent paid in 2008-09, 20 per cent in 2009-10 and 25 per cent in 2010-11. Senior officers told us they welcomed the award of X-factor and the recognition that their lives were increasingly affected by operations. However, some senior officers were disappointed that we had recommended staged introduction of X-factor. They argued that the full 25 per cent could have been paid immediately and that we should recommend payment of the full amount from 2009-10, rather than in 2010-11 as we proposed last year. The CDS during his oral evidence to us supported that view.

## **Performance Management Pay System (PMPS)**

- 3.9 Each year the Senior Officers’ Remuneration Committee meet to decide the level of increments awarded to senior officers as part of the PMPS. The MoD Permanent Under Secretary chairs the committee which also includes the CDS, the single service Chiefs of Staff and an independent member. They met in June 2008 to consider awards for 2007-08. The committee awarded 12 double increments and 96 single increments. No eligible senior officer failed to receive an increment last year but four were at the top of their pay scales and thus unable to receive an increment.
- 3.10 MoD cited two areas of concern with the PMPS in its evidence: first, that officers felt increments were too small to act as an incentive to encourage performance; and second, the criteria for deciding between the award of a single or double increment were not clear. However, the committee confirmed in 2008 that it was content with current PMPS procedures and that the method for determining the award of increments was sound. That said, MoD noted senior officers’ concern about the criteria used to determine single and double increments and will issue guidance on the matter. MoD also acknowledged that our three-year restructuring of senior military pay scales will help to increase incremental pay.

## **Job evaluation exercise**

- 3.11 In 2008 MoD commissioned a consultant, Hay Group, to conduct a job evaluation exercise to assess senior military job weights and to see how their remuneration package compared with those with a similar job weight in the private and wider public sectors. Hay’s initial findings suggested that base pay and the total remuneration package offered at 2- and 3-star level were significantly behind that offered in the private sector, but less so compared with reward elsewhere in the public sector. MoD had hoped to provide its conclusions on the job evaluation exercise in its written evidence for this round, but felt more work was needed, including further interviews with the senior

military to ensure that the conclusions came from a broader base and were more representative. MoD has stated that it will provide us with updates on the progress of this review and will provide full conclusions on the job evaluation exercise in its written evidence for 2009-10.

- 3.12 However, one point which has already been substantiated by the job evaluation exercise and was mentioned in oral evidence is that some 4-star posts are significantly more highly loaded than the others – Hay suggest the difference in job weight is about 20 per cent. The higher weighted jobs are those of the 4-star officers who sit on the Defence Board, namely the three Chiefs of Services, the Vice Chief of the Defence Staff and the Chief of Defence Matériel. We consider that such a substantial difference in job weight should normally be reflected in pay but we should prefer to see the results of the job evaluation for the whole of this remit group, and to reflect on the structure of the entire group, before proposing any change for one small section. We therefore intend to come back to this in our next report.

**Recommendation 4: We recommend that MoD produce further evidence on the job evaluation exercise of the senior military, including 4-star officers, in their written submission for our next report.**

### **Terms and conditions of service**

- 3.13 As mentioned in our previous reports, 1-star officers on promotion to 2-star forgo their right to serve until the normal retirement age of 55, subject to performance, and have no guarantee of serving more than one tour at the higher level. In its evidence, MoD noted that the three single service manning authorities agreed that this aspect of the terms and conditions helped to ease staff surpluses and promotion blockages at the top of the officer structure. MoD also said that the three services brief those appointed to the senior military on the differences in terms and conditions at the higher level but common guidance for all three services would help to communicate these better.

### **Total package**

- 3.14 MoD highlighted in its evidence the non-pay benefits of the total package available for senior officers, namely:
- the Armed Forces Pension scheme – MoD pointed out that the average value of benefits expressed as a percentage of pensionable pay was 32 per cent;
  - subsidised accommodation;
  - access to personal development;
  - adult education; and
  - health and lifestyle opportunities.

### **Recruitment, retention and morale**

- 3.15 Recruitment to the senior military is solely through promotion from lower ranks. Any shortfall in specialist skills or experience cannot be 'bought in' from the private or wider public sector and a sudden exodus of personnel from the senior military may necessitate posts being filled by officers who have not yet gained sufficient experience to command at the higher level. Such a scenario could place the lives of service personnel at risk and compromise national security. It is especially important, therefore, to be able to anticipate any incipient problems of retention and morale and take early corrective action.

- 3.16 In 2007 during our discussions with senior officers we noted a change in their views, with more emphasis being placed on the financial aspects of the overall remuneration package. Similar points were made during our discussions with the senior military in 2008. Officers are increasingly aware of their marketability and the level of remuneration available in the private sector. This is particularly relevant to those with specialist skills but all senior officers have skills and experience that are sought after in the private sector. With the perceived erosion of other 'softer' parts of the service package, such as the loss of a personal driver, senior officers are focussing more on base pay.
- 3.17 We heard that some senior officers with specialist skills felt they should receive an additional premium to recognise their marketability and the added value they bring to the post. We appreciate that some senior officers would argue against such additional pay on the grounds of collegiality, but we acknowledge this may be one way to encourage individuals with specialist skills to remain in the armed forces and we suggest that MoD consider whether there is a need for skills premia to assist with retention of specialist senior officers, in the same way as retention premia for essential skills (flying, diving, parachuting etc) are paid to lower ranks. We made a similar suggestion in paragraph 3.18 of our 2006 report<sup>3</sup> following evidence of specific problems with retention of specialists. The MoD chose not to pursue the suggestion at that time but the problem remains and this would be an obvious way of seeking to tackle it.
- 3.18 We also heard officers' concerns over the differential on promotion from 1- to 2-star – currently less than 2 per cent of total pay for many – and that increments in the senior officer pay scales were too small to be an incentive to improve performance. We accept that the current differential is too small and results from the higher rate of X-factor and uplift awarded to 1-stars in 2008. However, our restructuring of the 2-star pay scale is intended to ensure that 1-star officers will receive at least a 10 per cent increase in base pay on promotion to 2-star by 2010-11.
- 3.19 We note from MoD's evidence that the number of 2-star officers who left prematurely fell from eight in 2007 to four in 2008, and the number of 1-star officers leaving prematurely in 2008 reduced from 23 in the previous year to 17. To put the 1-star figures in perspective, their numbers totalled 300 in October 2008, so the attrition rate is well below 10 per cent. Although 1-stars are outside our remit group, they are the sole feeder group to the senior military so we must monitor them carefully.

**Recommendation 5: We recommend that MoD continue to monitor carefully the quality of 1-star officers, together with the numbers of and reasons for premature departures from this group, and to include resulting information in annual evidence to us.**

## Conclusions

- 3.20 As mentioned above, we have observed the increasing importance for senior officers of their total remuneration, together with their recognition of their own market value. During our discussions with senior officers we noted a general acceptance that the Government will never be able to compete with the pay and overall remuneration package available in the private sector. Moreover, there are some compensating benefits in service life and a number of those we spoke to appreciated the unique challenges and attractions of a senior position in the armed forces. Nevertheless, as we say in the introduction to this report, our remit groups expect fair pay. We acknowledge the high calibre of individuals within the senior military and their marketability and we believe that the recommendations below, building on those in our last report, will help to attract and retain good quality senior officers.

<sup>3</sup> Review Body on Senior Salaries. *Twenty-eighth Report on Senior Salaries*. Cm 6727. TSO, 2006. Available from: <http://www.ome.uk.com/downloads/28th%20Report%20on%20Senior%20Salaries%20-%202006.pdf>



### *The 2009 pay award*

3.21 In considering the 2009 pay award for the senior military we are conscious of MoD's written evidence, including the current economic climate, and the wider evidence gathered by talking to members of our remit group. We can see no argument for a differential pay award and indeed we feel that the relativities between pay bands and increment levels, as set out in our 2008 report<sup>4</sup>, should be maintained. We therefore propose the same percentage increase for all the ranks in this remit group. It is important that we achieve the goal of 1-star officers receiving an increase of at least 10 per cent in base pay on promotion by 2010-11 and to do so we must ensure that our recommendation is informed by the AFPRB's recommended increase of 2.8 per cent for 1-star officers. We therefore recommend that the base pay (excluding X-factor) of 2-, 3- and 4-star officers and CDS be increased by the same percentage, namely 2.8 per cent, as AFPRB has recommended for 1-star officers, with effect from 1 April 2009.

### *2- and 3-star pay scales*

**Recommendation 6: We recommend that the pay scales below apply for 2- and 3-star officers with effect from 1 April 2009<sup>1, 2</sup>**

2-star	2009-10	2010-11 <sup>3</sup>	3-star	2009-10	2010-11 <sup>3</sup>
7	£117,065	£119,167			
6	£114,655	£116,877	6	£151,609	£152,595
5	£112,244	£114,631	5	£146,821	£148,218
4	£109,831	£112,429	4	£142,030	£143,969
3	£107,420	£110,270	3	£137,243	£138,522
2	£105,400	£108,154	2	£129,669	£132,037
1	£103,873	£106,079	1	£122,095	£125,861

<sup>1</sup> The pay scales for 2- and 3-star officers include X-factor at the rate of £2,336, 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 2009.

<sup>2</sup> Figures reflect last year's scales to the nearest pound (as published), the uplift is applied, and then the new scales are rounded to the nearest pound.

<sup>3</sup> These are the revalorised rates for the final year of the restructuring programme, to be further revalorised in line with our recommended award for 2010-11.

<sup>4</sup> Review Body on Senior Salaries. *Thirtieth Report on Senior Salaries*. Cm 7388. TSO, 2008. Available from: <http://www.ome.uk.com/downloads/30th%20Report%20on%20Senior%20Salaries%20-%202008.pdf>

### 4-star pay scales

**Recommendation 7: We recommend that the pay scales below apply for 4-star officers with effect from 1 April 2009<sup>1</sup>**

4-star	2009-10	2010-11 <sup>2</sup>
6	£179,084	£185,184
5	£175,571	£181,553
4	£172,130	£177,993
3	£168,754	£173,652
2	£165,445	£169,416
1	£162,212	£165,284

<sup>1</sup> Figures reflect last year's scales to the nearest pound (as published), the uplift is applied, and then the new scales are rounded to the nearest pound.

<sup>2</sup> These are the revalorised rates for the final year of the restructuring programme, to be further revalorised in line with our recommended award for 2010-11.

### Chief of Defence Staff (CDS) pay scale

**Recommendation 8: We recommend the following pay scales for CDS with effect from 1 April 2009<sup>1</sup>**

CDS	2009-10	2010-11 <sup>2</sup>
4	£247,427	£252,698
3	£242,576	£247,743
2	£237,819	£242,885
1	£233,157	£238,123

<sup>1</sup> Figures reflect last year's scales to the nearest pound (as published), the uplift is applied, and then the new scales are rounded to the nearest pound.

<sup>2</sup> These are the revalorised rates for the final year of the restructuring programme, to be further revalorised in line with our recommended award for 2010-11.

### X-factor

3.22 In our last report<sup>5</sup> we recommended that 2- and 3-star officers should receive X-factor at 25 per cent of the full rate and that it should be phased in over three years with 15 per cent paid in 2008-09, 20 per cent in 2009-10 and 25 per cent in 2010-11. However, we accept the arguments that our proposal to phase in X-factor for 2- and 3-star officers had the unintended consequence of temporarily reducing the pay differential between 1-star and 2-star officers. We therefore recommend that 2- and 3-star officers be paid X-factor at a rate of 25 per cent of the maximum amount for OF4s with effect from 1 April 2009. The cost of introducing the 25 per cent rate a year early will be minimal (around an extra £60,000).

**Recommendation 9: We recommend that X-factor be paid to 2- and 3-star officers at a rate of 25 per cent of the cash value at the top of the OF4 scale with effect from 1 April 2009.**

<sup>5</sup> Review Body on Senior Salaries. *Thirtieth Report on Senior Salaries*. Cm 7388. TSO, 2008. Available from: <http://www.ome.uk.com/downloads/30th%20Report%20on%20Senior%20Salaries%20-%202008.pdf>

## Medical and Dental Officers (MODOs)

3.23 As at July 2008, there were six 2-star and one 3-star Medical and Dental Officer (MODO) posts. Senior MODOs receive a spot rate of pay and in previous years we have accepted MoD's proposal to set their pay 5 per cent above that of the rank below. In our last report<sup>6</sup> we recommended that MODOs be awarded X-factor for the first time and at a similar rate as that recommended for their non-medical counterparts: 15 per cent of the cash value at increment level 22 of the Consultant pay scale for 2008-09; 20 per cent in 2009-10; and 25 per cent in 2010-11. The AFPRB recommended<sup>7</sup> for 2008-09 that 1-star MODOs be awarded X-factor at a rate of 50 per cent of the cash value at increment level 22 of the Consultant pay scale. The award of different rates of X-factor to the top of the 1-star scale and the 2-star spot rate caused the differential between the two ranks to fall from 5 per cent to less than 1 per cent. In its evidence MoD proposed increases to re-establish an appropriate differential between the two ranks over a two-year period. For 2009-10 MoD proposed increasing MODO 2-star base pay (excluding X-factor) to 7.5 per cent above the MODO 1-star level 7 base pay rate and then increasing the differential to 10 per cent of base pay in year 2010-11. This will ensure that the pay differential **including** X-factor between 1- and 2-star MODOs will be at least 5 per cent by 2010-11. We agree with MoD's proposal and recommend awards for senior MODOs for the next two years designed to achieve that differential. Since the AFPRB's proposals for the Defence Medical Service are not yet published, we have expressed our recommendations in terms of percentage differentials above the base pay (excluding X-factor) of the rank below.

**Recommendation 10: We recommend that senior MODOs be paid in accordance with the table below with effect from 1 April 2009:**

Rank	2009-10	2010-11
MODO 3-star	5 per cent above the base pay for 2-star MODOs	5 per cent above the base pay for 2-star MODOs
MODO 2-star	7.5 per cent above the base pay for level 7 of 1-star MODO	10 per cent above the base pay for level 7 of 1-star MODO

3.24 We also recommend that X-factor be paid to 2- and 3-star MODOs at 25 per cent of the cash value at increment level 22 of the Consultant pay scale with effect from 1 April 2009, in line with our recommendation on their non-medical counterparts.

**Recommendation 11: We recommend that X-factor be paid to senior MODOs at a rate of 25 per cent of the cash value at increment level 22 of the Consultant pay scale with effect from 1 April 2009.**

<sup>6</sup> Review Body on Senior Salaries. *Thirtieth Report on Senior Salaries*. Cm 7388. TSO, 2008. Available from: <http://www.ome.uk.com/downloads/30th%20Report%20on%20Senior%20Salaries%20-%202008.pdf>

<sup>7</sup> Armed Forces' Pay Review Body. *Service medical and dental officers. Supplement to the thirty-seventh Report*. Cm 7347. TSO, 2008. Available from: <http://www.ome.uk.com/downloads/Supplement%20to%20the%2037th%20Report%20-%202008.pdf>

## Chapter 4

### The judiciary

#### Introduction

- 4.1 On 1 April 2008, our judicial remit comprised 2,151 salaried members in over 70 categories of post across the United Kingdom. Our remit group for the purposes of this report comprises the salaried, full- and part-time members of the judiciary but not fee-paid members. However, we produced a separate report for the Tribunals Service on both the salaried and fee-paid Tribunals judiciary and submitted it to the Government in November 2008. At the time of writing, the Government has not yet published that report.
- 4.2 Salaried judicial posts are divided into nine salary groups. In contrast to our other remit groups, the judiciary are paid a spot rate and receive no form of performance related pay. Additionally, the opportunities for progression within the judiciary are significantly fewer than for the other remit groups. According to evidence from the Judicial Appointments Commission in England and Wales, 9 per cent of selections made in its most recent recruitment exercise for Circuit Judges came from salaried judicial post holders and, similarly, 9 per cent for the most recent recruitment exercise to the High Court. This is in contrast with evidence from the Civil Service Commissioners which stated that roughly 40 per cent of all senior civil service appointees are internal candidates. The current salary group structure and numbers in post are set out in **Table 4.1**.

**Table 4.1: Judicial salaries and numbers in post<sup>1</sup>**

Salary group	Salary from 1 April 2008	Numbers in post on 1 April 2004	Numbers in post on 1 April 2005	Numbers in post on 1 April 2006	Numbers in post on 1 April 2007 <sup>2</sup>	Numbers in post on 1 April 2008	Change in numbers in posts 2007-08
1	£236,300	1	1	1	1	1	0
1.1	£211,000	4	4	4	4	4	0
2	£203,800	14	15	16	15	15	0
3	£193,800	48	50	47	49	48	-1
4	£170,200	139	140	143	141	144	3
5	£136,500	84	91	87	84	87	3
6.1	£126,400	767	792	793	806	818	12
6.2	£119,000	44	33	16	20	20	0
7	£101,400	962	957	994	997	1,014	17
<b>Total</b>		<b>2,063</b>	<b>2,083</b>	<b>2,101</b>	<b>2,117</b>	<b>2,151</b>	<b>34</b>

<sup>1</sup> Sources: Ministry of Justice; Scottish Executive; Northern Ireland Court Service.

<sup>2</sup> Numbers have been amended to remove some double-counting and also updated using new figures from the Ministry of Justice

- 4.3 The total headcount of the salaried judiciary has increased by 1.6 per cent over the twelve months to 1 April 2008. This continues a long-term trend of gradual increases in headcount, although we do not have figures for whole time equivalents so we do not know whether the increases are due, to any extent, to an increase in the numbers of part-time judges. The Ministry of Justice, like its predecessor, the Department for Constitutional Affairs, has argued in recent years that any pay increases above 2 per cent would adversely affect delivery, for example by requiring a reduction in sitting days, with a consequent increase in delays for users of the courts and tribunals, in order to achieve offsetting savings. However, the Ministry of Justice has not provided evidence of any adverse impact from previous years' awards when our recommendations were higher than it had proposed. As noted above, looking back over the last three years, the number of judges has continued to increase at an average of 1.1 per cent per year. In contrast, the number of sitting days over the last three years has decreased by 0.7 per cent per year on average.

### **The 2007-08 review**

- 4.4 In our previous report we recommended increases averaging slightly over 2.5 per cent in the pay of the judiciary (2 per cent for Group 6.2). For the third year running the pay increases were not implemented in full on 1 April. In 2006 and 2007 this was because the Government decided to stage the award, but in 2008 the delay was caused by the Government submitting new evidence to us on the Senior Civil Service in February 2008, proposing a three-year pay envelope. Consequently we had to rewrite that part of our report and could not submit it until May, although the annual increases were back-dated to 1 April when accepted. We did offer to submit our recommendations on the other remit groups in February but the Government asked us to present all our recommendations together. Both the Lord Chief Justice and the Lord President stated in their evidence that the delay in paying the award had affected morale adversely.
- 4.5 The Lord Chief Justice also commented in written evidence that our previous report accurately resonated with the views of the judiciary that pay was a measure of value and that the judiciary should be the subject of a review wholly independent of Government. He told us that the judiciary was grateful to find its concerns on these issues set out so authoritatively, clearly and unambiguously.

### *The judicial pay system*

- 4.6 As we regularly point out, the judiciary, unlike our other remit groups, are paid a spot rate with no opportunity to earn performance-related increases. This reflects a view that performance-related pay would run counter to judicial independence and the judiciary's constitutional position, and also that uniform pay rates help to maintain collegiality. As noted above, members of the judiciary also have limited prospects for career progression, with the result that most individuals' pay increases more slowly than that of members of our other remit groups who may benefit from both performance pay or increments and promotion. In five of the last six years we have sought to compensate the judiciary for this by recommending higher increases than we proposed for the SCS and senior military salary structures in order to achieve an increase for staff in post in the judiciary which is closer to the average increase for staff in post in our other remit groups. For the judiciary the increase in base pay and the increase for staff in post are identical. Therefore, if we do not take account of the lack of judicial pay progression, we will potentially be faced with the need to recommend a much larger 'catch-up' award, with all its political difficulties, when we carry out the next major review. Last year we suspended our practice for one year, bearing in mind the effect of judicial pensions on total reward (see below) but said we expected to resume the practice this year unless new evidence indicated otherwise. No such evidence has been presented to us.

### *Judicial pensions*

- 4.7 Members of the judiciary belong to different pension schemes depending on their date of entry. However, in broad terms they pay a contribution of between 1.8 and 2.4 per cent of salary to accrue a final salary pension at the rate of 1/40th for each year of service up to twenty years.
- 4.8 As stated in our previous reports, it is important to assess the value of the judicial pension as this is a substantial part of the total reward package. A review of the pension schemes of our remit members carried out for our last report indicated that, to an average member of the judiciary, the value of pension entitlement accrued in the current year was equivalent to around 35 per cent of salary – more for the most senior judiciary, less for those in the lower salary groups.

### **Evidence**

- 4.9 For this round we received written evidence from the Lord Chief Justice, the Lord President of the Court of Session, the Lord Chief Justice of Northern Ireland, the Ministry of Justice, the Constitution, Law and Courts Directorate of the Scottish Executive, the Northern Ireland Court Service, and the judicial appointments organisations for England and Wales, Scotland and Northern Ireland. In light of the contents of the last report and in the knowledge that another major review of the judiciary is due in the next two years, the Council of Her Majesty's Circuit Judges and the Association of District Judges agreed there was little purpose in providing separate evidence on what might be thought of as sectional interests. Therefore the Lord Chief Justice provided evidence on behalf of the whole judiciary.
- 4.10 We heard oral evidence from the Lord Chief Justice, the Chancellor of the High Court, Mr Justice Tomlinson, the Lord Chancellor/Secretary of State for Justice, and from the Ministry of Justice. We also heard oral evidence from the judicial appointments organisations. A full list of those who supplied evidence is at Appendix A.
- 4.11 We regularly visit the courts as this enables us to observe court procedures, to see the judiciary's working environment and to hear at first-hand their views on pay and related matters. Following a large number of visits in 2007 to a variety of courts, including several Tribunals, Review Body members visited the Combined Court Centre in Peterborough in the summer of 2008. We are grateful to our hosts and to those who helped us with the visit arrangements.

### **'Diplock' trials**

- 4.12 The system of 'Diplock' trials in Northern Ireland (where judges sit alone without juries) changed on 31 July 2007. New provisions were introduced so that the default was for terrorist trials to be heard with a jury, although the Director of Public Prosecutions could specify that such a trial be held without a jury. County Court judges in Northern Ireland are currently paid at Group 5 rather than 6.1 in recognition of the greater responsibility for conducting trials without juries. Although the new system has been in place for over a year, the Northern Ireland Court Service has argued that the transitional phase is not yet complete and that County Court Judges in Northern Ireland should retain their salary lead for the time being. The evidence appears to suggest that the proportion of 'Diplock' trials has dropped markedly. We are prepared to recommend that County Court judges in Northern Ireland should continue to be paid at salary group 5 for the coming year only. We also recommend that the Northern Ireland Court Service carry out a thorough review to establish what proportion of County Court judges' time is now spent in 'Diplock' trials. The results of that review should be included in the evidence for our next report so that we can decide whether our view that County Court judges should revert to Group 6.1 in 2010 is justified.

**Recommendation 12: We recommend that County Court judges in Northern Ireland should continue to be paid at Group 5 for 2009-10 only and that the Northern Ireland Court Service carry out a review to establish what proportion of County Court judges' time is now spent on 'Diplock' trials and include the results of that review in evidence to us for the next round.**

## **Review of Tribunals Judiciary**

4.13 As mentioned above, the SSRB has carried out an independent review of the Tribunals judiciary remuneration at the request of the Ministry of Justice. The trigger for this review was the bringing together of over 30 different active tribunals – with different terms and conditions – in the Tribunals Service. The aim of the review was to propose a future unified pay structure for the tribunals' judiciary, including salary and fee levels and formulae for determining future fee levels for judicial office holders in the tribunals which are now part of the Tribunals Service. Our proposals were presented in a separate report in November 2008 but at the time of writing the Government has not yet published the report. As a consequence of this recent review, we do not intend to revisit the remuneration of the Tribunals judiciary when we carry out the next main review. However, some posts have still to be fully defined and, where this is the case, we will look at such posts and where they fit into the pay structure as required.

## **Other issues the Review Body has considered**

### *Major review of judicial pay*

4.14 In the past we have carried out major reviews of the judicial pay system every four or five years at the request of the department responsible, which is now the Ministry of Justice. The results of the last major review were included in our 2006 report; we expect to begin work on the next major review in 2009 and to publish the results in our 2011 report. We have asked our secretariat to liaise with the Ministry of Justice, the Lord Chief Justice's office and the devolved administrations to ensure that plans are in place and that the necessary evidence, for example on changes in job weight, is collected as far as possible.

### *Affordability*

4.15 The Ministry of Justice in its evidence to us proposed an increase of 2 per cent for the whole judicial structure and said that any increase in excess of 2 per cent would "undermine the Government's continued determination to meet the Bank of England's inflation target". The Ministry of Justice argued that a higher increase was not necessary as there were no problems with recruitment; the Judicial Appointments Commission (JAC) had been able to recommend high quality candidates for all the salaried judicial posts for which it was asked to run selection exercises. Additionally, the Ministry of Justice argued that any increase above 2 per cent would be difficult to fund because of the limited resource budget provision for 2009-10. The Northern Ireland Court Service and the Scottish Executive also argued that a 2 per cent increase was appropriate. The Northern Ireland Court Service noted that this was in line with "the government's 2 per cent public sector pay target" while the Scottish Executive commented that in the context of generally tight funding it would be seen as acceptable and affordable. The judicial pay bill for England and Wales in 2007-08 was £411 million of which £271 million was for Her Majesty's Courts Service (HMCS) and £140 million was for the Tribunals Service. The judicial pay bills for Scotland and Northern Ireland were £35 million and £13 million respectively, giving a total of £459 million for the UK.



- 4.16 Clearly the size of an affordable increase will be influenced by a number of factors, notably the overall change in the relevant departments' budgets, pressure from other sources, and changes in the numbers of the judiciary. The courts have differing levels of efficiency and we encourage the administrations to seek efficiency gains.
- 4.17 We recognise that the growth in public spending will slow markedly during the current comprehensive spending review period of 2008-11. However, we continue to believe it would be wrong in principle to treat pay as the residual of what can be afforded after all other claims on the budget have been met. The whole legal system cannot function properly without sufficient judges with the necessary levels of skill, knowledge and motivation. Therefore, we again state that planning for the judicial workforce ought to be one of the highest priorities in setting the budget for the courts services.

#### *Morale and motivation*

- 4.18 In oral evidence, the Lord Chief Justice explained that the morale of the judiciary would not be improved by the pay increase of 2 per cent which the Ministry of Justice had proposed. Morale had already been affected because of increasing workload and, as mentioned at paragraph 4.4 above, two years during which awards were first staged and then delayed.
- 4.19 The Lord Chief Justice for Northern Ireland observed in written evidence that he believed morale to be good. However, the Northern Ireland Court Service was concerned that recommended changes following a review of travel security arrangements for the judiciary might affect morale and needed to be handled sensitively. It drew this to our attention last year before the review was carried out. However, this is not directly a matter for us since it does not appear to have any bearing on remuneration, although it may have an effect on recruitment and retention.

#### *Job weight*

- 4.20 In our last two reports, we asked the administrations in England and Wales, Scotland and Northern Ireland to consult with us on how to compile and include in future evidence quantified information on changes in case weight, case management, management responsibilities and any other significant elements of the overall job weight and efficiency of members of the judiciary. As part of the evidence last year, the Ministry of Justice provided figures on the number of criminal cases heard by different levels of judge in England and Wales. This showed that there is some 'trickledown' or 'cascade' effect leading to an increase in job weight at the lower levels of the judiciary. The Lord Chief Justice told us that, in addition, keeping abreast of frequent changes in legislation affecting sentencing is a complicated and time-consuming task. Unfortunately no evidence is yet available to show whether there is any change in the weight of civil cases.
- 4.21 The Lord Chief Justice explained that some changes in civil work might be demonstrated with statistics but these would not tell the whole story and there was difficulty in determining how our request could usefully be addressed. He argued that litigation of all classes of case was, for the most part, now more complex, more heavily documented and conducted completely differently than in the past. Judges had to do far more preparation and case management outside of the court, but this was insufficiently appreciated and hard to measure.



- 4.22 As a consequence of the difficulties in identifying data reflecting the situation in the civil courts, there is still insufficient evidence to assess properly the effect of trickledown. Therefore, again we recommend that the administrations in England and Wales, Scotland, and Northern Ireland make collection of information that could be used for assessing changes in job weight a priority, and that they work with the judiciary over the next year to collect meaningful data to underpin the next major review of the judicial pay system.

**Recommendation 13: We recommend that the administrations in England and Wales, Scotland, and Northern Ireland make collection of information on job weight a priority and continue to work with the judiciary to collect meaningful data to show whether job weight at different levels is changing over time.**

- 4.23 While providing no further statistical evidence, the Ministry of Justice, in its written evidence, argued that it did not accept that increasing job weight should automatically lead to higher pay. As noted above, the Lord Chief Justice informed us that statistics could not provide a full understanding of changing job weight. We note that any evidence will require careful interpretation and will need to be seen in context. While we accept that automatic adjustment is not inevitable, the current salary structure for the courts judiciary is based on job weight and we expect, as part of the next major review, to look at whether relative job weights have changed.

#### *The role of the Lord President*

- 4.24 We note that the *Judiciary and Courts (Scotland) Act*<sup>1</sup> received Royal Assent on 29 October 2008. This Act changes the role of the Lord President to make the position responsible for running court business and gives it authority over administrative support. The Lord President stated in written evidence that the roles of a number of other judges would also be altered. These changes broadly mirror those in England and Wales as a result of the Constitutional Reform Act 2005. We expect to take these changes into account as part of the next major review.

#### *Northern Ireland*

- 4.25 The Lord Chief Justice (Northern Ireland) said in written evidence that the amount of administrative work done by judges generally had increased considerably over recent years and that this process was certain to increase in the event of the devolution of justice in Northern Ireland. We expect to examine these changes as part of the next major review.

#### *Recruitment and retention*

- 4.26 Considering whether pay is adequate to recruit and retain sufficient people of suitable quality is arguably the most important part of our remit. As in previous years, the Lord President stated in written evidence that he thought it desirable that increases in judicial pay should keep pace with the increase in earnings of legal practitioners, and, at the very least, average earnings rather than the inflation target.
- 4.27 The Lord Chief Justice of Northern Ireland said he had concerns that the ever-growing disparity in income between private practice and the judiciary was deterring potential candidates of distinction from seeking to join the judiciary.

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<sup>1</sup> *Judiciary and Courts (Scotland) Act 2008 (asp 6)* Available from: [http://www.opsi.gov.uk/legislation/scotland/acts2008/pdf/asp\\_20080006\\_en.pdf](http://www.opsi.gov.uk/legislation/scotland/acts2008/pdf/asp_20080006_en.pdf)

- 4.28 The Ministry of Justice said that there continued to be little or no difficulty in filling salaried judicial posts in England and Wales. The Scottish Executive reported that the Judicial Appointments Board for Scotland had been able to fill all vacancies that had arisen.
- 4.29 Written evidence from the Judicial Appointments Commission for England and Wales stated that, apart from a small number of specialist exercises, there had largely been no difficulties in generating high levels of applications from high quality candidates. The Commission added that early problems were probably caused by difficulties during the transition process shortly after it was established. Additionally, it noted a continuing upward trend in applications since the transition period. We have found this year's evidence from the Judicial Appointments Commission for England and Wales very helpful. The Judicial Appointments Board for Scotland and the Northern Ireland Judicial Appointments Commission also reported generally successful recruitment exercises. However, the Judicial Appointments Board for Scotland commented that it remained concerned about the small number of applications it received for the office of Senator (which is within Group 4 along with High Court Judges in England and Wales).
- 4.30 Recruitment evidence is available from the judicial appointments organisations for England and Wales<sup>2</sup>, Scotland<sup>3</sup> and Northern Ireland<sup>4</sup>. All three judicial appointments organisations have conducted, or are in the process of conducting, research into their applications processes with the aim of determining whether all suitable candidates apply and, if not, what factors are deterring them. The results of research for the Northern Ireland Judicial Appointments Commission were published in October 2008 and are available on its website<sup>5</sup>. This research showed that only a small minority of members of the legal profession had ever applied for judicial office and women were noticeably less likely to apply than men. However, amongst respondents, a substantial minority of these applicants had been successful and there were no statistically significant differences in terms of sex or community background in the reported success rates of those applying. The main aspects of the office which did not appeal to applicants were the isolated nature of the role, the security consideration for self and family and the increased public profile. Results from respondents placed the reduction in earnings eighth on the list of reasons for not applying. The main factors within the applications process which applicants found off-putting were the application forms and the requirement to identify consultees. However, the new process had resulted in interest from a greater spread of applicants with a higher number of candidates who did not come from the bar being successful in appointments. The results from the judicial appointments organisations in England and Wales and in Scotland will be available next year.
- 4.31 Independently, a report commissioned by the Judicial Executive Board and undertaken by Professor Dame Hazel Genn on *The attractiveness of senior judicial appointments to highly qualified practitioners* was published early in 2009<sup>6</sup> for England and Wales. This was qualitative research based on interviews with six recently appointed High Court

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<sup>2</sup> *Evidence from the Judicial Appointments Commission to the Senior Salaries Review Body*. Judicial Appointments Commission, October 2008. Available from: [http://www.judicialappointments.gov.uk/docs/Evidence\\_from\\_the\\_Judicial\\_Appointments\\_Commission\\_to\\_the\\_Senior\\_Salaries\\_Review\\_Body3\\_.pdf](http://www.judicialappointments.gov.uk/docs/Evidence_from_the_Judicial_Appointments_Commission_to_the_Senior_Salaries_Review_Body3_.pdf)

<sup>3</sup> The Judicial Appointments Board for Scotland. [http://www.judicialappointments-scotland.gov.uk/judicial/CCC\\_FirstPage.jsp](http://www.judicialappointments-scotland.gov.uk/judicial/CCC_FirstPage.jsp)

<sup>4</sup> The Northern Ireland Judicial Appointments Commission. <http://www.nijac.org/>

<sup>5</sup> *Research into the barriers and disincentives to judicial office*. Northern Ireland Judicial Appointments Commission, October 2008. Available from: <http://www.nijac.org/publications/research.htm>

<sup>6</sup> Professor Dame Hazel Genn. *The attractiveness of senior judicial appointment to highly qualified practitioners: report to the Judicial Executive Board*. Judicial Communications Office, December 2008. Available from: <http://www.judiciary.gov.uk/docs/report-sen-jud-appt.pdf>

Judges and 29 highly qualified barristers and solicitors. This research aimed at identifying the key factors that practitioners saw as a barrier to a judicial career and consisted of open questioning to allow conversations to follow a natural course. The disadvantages of judicial office perceived by practitioners not seeking judicial appointment were, in rough order of decreasing importance, workload and conditions, requirement to go on circuit<sup>7</sup>, salary, loss of autonomy, a preference to advocate rather than to decide, a temperament more suited to the Bar than the Bench and the perceived isolation and general lack of support in judicial roles. In the foreword to the report, the Lord Chief Justice commented on these issues, in particular on the perceived atmosphere and the requirement to go on circuit. He commented that both appeared to be based on misapprehensions: the atmosphere was not as perceived and judges provided warm collegiate support to each other; and the system for circuit visits was extremely flexible but this did not seem to be sufficiently understood.

- 4.32 The Northern Ireland Judicial Appointments Commission provided evidence on previous net earnings of candidates for judicial appointments for the second year running, which we found very helpful. We recommended last year that the Judicial Appointments Board for Scotland and Judicial Appointments Commission for England and Wales collect this information in future. The Commission has now agreed in principle to help us obtain this information and our secretariat is in discussion with the Commission's staff on how this could best be achieved. We hope to reach a similar arrangement with the Scottish Board since such information on pay and trends will be important for the next major review.
- 4.33 One particular addition this year in written evidence from the Judicial Appointments Commission for England and Wales was information about where the applicants came from, including those from within the judiciary; see Table 4.2. We welcome this information and thus the establishment of a time series which will show trends in the years to come.

**Table 4.2: Successful candidates by professional background**

Competition	Solicitors		Barristers		Judicial Office Holders		Total	
	Numbers	%	Numbers	%	Numbers	%	Numbers	%
High Court 2008	0	0	20	91	2 <sup>1</sup>	9	22	100
High Court 2006-07	0	0	16	76	5	24	21	100
Circuit 2006-07	6	6	87	85	9	9	102	100

<sup>1</sup> One was a former barrister and the other a former solicitor

- 4.34 In summary, we have seen no evidence to suggest that there are problems with retention at present. On recruitment, most of the evidence suggests there is no problem; however, the numbers of applicants for the more senior posts in Scotland were lower than hoped. To some extent this bears out anecdotal evidence that some well qualified people are unwilling to submit themselves to the new recruitment procedures. Evidence from elsewhere in the United Kingdom, however, suggests the issue is limited to Scotland; although the recent research commissioned by the Northern Ireland Judicial Appointments Commission and that commissioned by the Judicial Executive Board suggested there were factors which could be addressed to increase application rates further. We shall continue to watch this issue closely and look forward to receiving further evidence, including the research noted at 4.30 above, from the judicial appointments organisations next year.

<sup>7</sup> Which was perceived as a requirement to be absent from home for lengthy periods.

### *London allowances*

4.35 Group 7 posts in London attract a salary lead of £2,000 and an allowance of £2,000, both of which are pensionable. As we reported in previous years, research carried out for us by Hay suggested that in the private sector London allowances are not usually paid for jobs paid at £100,000 a year or more. Accordingly we again propose no increase to the salary lead and allowance for Group 7 posts in London and we do not support the extension of London allowances to higher groups. We see this issue as a matter for consideration during the next major review.

### **Recommendations**

4.36 Overall, the evidence presented to us has not raised any clear concerns which need addressing this year. However, we note that there has been some evidence of difficulty in recruiting sufficient suitable people in Scotland at the more senior level. We continue to believe that recruitment could become more difficult in the future if there is a widening pay gap and we will monitor this area closely. On the issue of changing job weight, we hope to receive further evidence next year on the effect of trickledown, and, in particular, whether it is leading to an increase in job weight at the lower levels of the judiciary.

4.37 Having examined all the evidence, we conclude that:

- we are not persuaded by the Government's argument that 2 per cent is the maximum that can or should be afforded for the judiciary;
- the evidence this year does not appear to us to justify any systematic differentiation of award. We therefore recommend a similar increase for almost all judicial salary groups;
- for 2009-10 we recommend an increase at 2.6 per cent (rounded to the nearest hundred pounds) for almost all groups, returning to our usual practice of recommending a slightly higher settlement for the judiciary than for the SCS to compensate for the effect of judicial spot rates as noted in paragraph 4.6 above; and
- we again propose a slightly smaller percentage increase for Group 6.2 than for other groups. This is because we recommended, following the last major review, that Group 6.2 should in pay terms be positioned more centrally between Groups 6.1 and 7 and we continue to achieve that effect gradually.

4.38 We recommend no further changes to the judicial salary structure this year. However, when information is collected on the earnings of candidates for judicial posts in England and Wales and in Scotland this will allow us to examine the differential between each of the salary groups and the market rates of applicants. This may lead us to recommend further adjustments to the structure in future years. Additionally, the next major review of the judiciary, planned to report in 2011, will provide a further opportunity to determine how judicial pay has evolved relative to that of other comparable groups.

**Recommendation 14: We recommend that with effect from 1 April 2009 the salaries for the judiciary should be:**

<b>Group 1</b>	<b>£242,400</b>
<b>Group 1.1</b>	<b>£216,500</b>
<b>Group 2</b>	<b>£209,100</b>
<b>Group 3</b>	<b>£198,800</b>
<b>Group 4</b>	<b>£174,600</b>
<b>Group 5</b>	<b>£140,000</b>
<b>Group 6.1</b>	<b>£129,700</b>
<b>Group 6.2</b>	<b>£121,700</b>
<b>Group 7</b>	<b>£104,000</b>

## Chapter 5

### Very Senior Managers in the National Health Service

#### Introduction

5.1 In July 2007, the Secretary of State for Health extended our terms of reference to include certain 'very senior managers', known as VSMs, working in the National Health Service (NHS) in England. The VSMs comprise chief executives, executive directors (excluding those who are eligible to be on medical consultants' contracts by virtue of their qualifications and the requirements of the post) and Board level directors who report directly to the chief executive in the following organisations:

- Strategic Health Authorities (SHAs);
- Special Health Authorities (SpHAs);
- Primary Care Trusts (PCTs); and
- Ambulance Trusts (ATs).

Equivalent senior managers in other organisations within the NHS do not form part of this remit group. Similarly, we do not cover VSMs working in Scotland, Wales or Northern Ireland.

#### Background

5.2 A pay framework<sup>1</sup>, designed to set pay arrangements for VSMs in SHAs, PCTs, and ATs at national level, was introduced by the Department of Health (DH) in July 2006. In July 2007, the pay framework arrangements were extended to include VSMs in SpHAs. All other senior managers in these organisations, with the exception of medical directors, come under the NHS Agenda for Change (AfC) arrangements. Since 2005 a reconfiguration exercise has reduced the number of organisations covered by the framework from over 360 to the current figure of 183.

#### Our remit group

5.3 Last year we reported that there were just under 1,400 VSMs in our remit. However, not all are covered by the pay framework. When the new arrangements were introduced, senior managers in organisations that did not reconfigure (mainly PCTs in London) could choose whether to transfer or remain on local contracts. Table 5.1 gives an estimate of the number of VSMs covered by the framework.

**Table 5.1: Estimated number of very senior managers in England being paid under the VSM pay framework – autumn 2007**

Organisation	PCT	AT	SHA	SpHA	Totals
Chief executives	143	11	10	10	174
Directors	773	57	56	60	946
<b>Total VSMs</b>	<b>916</b>	<b>68</b>	<b>66</b>	<b>70</b>	<b>1,120</b>

Source: Evidence to the SSRB from DH

<sup>1</sup> *Pay framework for Very Senior Managers in strategic and special health authorities, primary care trusts and ambulance trusts.* Department of Health, 2007 and 2008. Available from: [http://www.dh.gov.uk/en/Publicationsandstatistics/Publications/PublicationsPolicyAndGuidance/DH\\_089745](http://www.dh.gov.uk/en/Publicationsandstatistics/Publications/PublicationsPolicyAndGuidance/DH_089745)

## Our last report

5.4 In our last report, we recommended an overall increase in base pay of 2.2 per cent for VSMs with effect from 1 April 2008 and no increase in the bonus pot, i.e. that it should remain at 5 per cent of the VSM pay bill. This was accepted in full by the Government.

## Remuneration

5.5 The different elements of remuneration described by the pay framework are:

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

### Base pay

5.6 VSMs are paid according to the band in which their organisation is placed. The band is determined by weighting factors: the resident population weighted for age and deprivation in the case of SHAs and PCTs, and activity (the number of 999 calls) and expenditure on emergency services in ATs. The organisation's banding determines the spot rate pay of the chief executive and the pay of other senior executives as a percentage of the chief executive's salary. SpHAs are placed in bands according to their current grant in aid and national impact. The SpHA's banding determines the pay range of the chief executive and the pay of SpHA directors is determined as a percentage of the mid-point of the chief executive's pay range. Tables 5.2 and 5.3 below show the base pay of chief executives and executive directors in VSM organisations.

**Table 5.2: Chief executives and executive directors of PCTs, ATs and SHAs – base pay from 1 April 2008**

	PCT chief executives	AT chief executives	SHA chief executives
Band 1	£103,758	£111,097	£158,710
Band 2	£114,680	£119,561	£169,291
Band 3	£125,601	£126,968	£179,871
Band 4	£136,523	n/a	n/a
Band 5	£147,445	n/a	n/a
London	n/a	£148,129	£201,032

Examples of roles in organisation <sup>1</sup>	PCT directors %	AT directors %	SHA directors %
Finance	75	75	75
HR & Workforce Development	60	60	70
Nursing	65		65
Information Management and Technology	60		60
Corporate Affairs	55		55

<sup>1</sup> Figures are percentages of the organisation's chief executive's pay

**Table 5.3: Chief executives and executive directors of SpHAs – base pay from 1 April 2008**

	Chief executives		Directors
	From	To	
Group 1	£160,470	£181,176	Executive directors in SpHAs are paid between 55 per cent and 75 per cent of the chief executives' pay.
Group 2	£139,764	£160,470	
Group 3	£98,353	£139,764	

### *Development pay*

5.7 Newly appointed VSMs below chief executive level may receive development pay instead of the normal formula for determining their base pay. This is paid at a rate just below the normal basic rate for the post and is used when a newly promoted VSM requires a period of time to deliver the requirements of the role fully.

### *Additional payments*

5.8 VSMs have access to two categories of additional payments: additional payment for additional responsibilities and recruitment and retention premia. Additional payment for additional responsibilities is paid in two situations. First, VSMs taking on significant responsibilities beyond those required in their roles are eligible to receive this payment which can be pensionable but does not count towards the calculation of bonus pay. Secondly, additional payment for additional responsibilities may be made when VSMs undertake roles with broad remits which have responsibility for a number of functions. In this situation, the pay framework recommends that the additional payment count towards pension and bonus payments. In both circumstances payment is linked to the proportion of time spent on extra duties and paid up to a maximum of 10 per cent of base salary.

5.9 Recruitment and retention premia can be paid on a short or long term basis when market forces make it difficult for organisations covered by the pay framework to recruit or retain individuals in posts. They can be paid at up to 30 per cent of base pay, as either a single payment or for a fixed period of time. Unlike short term premia, long term premia are pensionable and count towards other payments linked to base pay such as bonus payments.

### *Performance pay*

5.10 Performance pay consists of an annual uplift to base pay and the award of a bonus payment (the latter is non-pensionable). Individuals are placed in one of four categories (A to D) according to individual performance and whether or not their organisation has met its financial targets. The awards according to categories are set out in table 5.4 below.



**Table 5.4: Annual pay award by performance category**

Category		Award
A	Outstanding	Annual uplift consolidated into salary plus a 7 per cent non-consolidated bonus
B	Exceeds expectations	Annual uplift consolidated into salary plus a 3 per cent non-consolidated bonus
C	Satisfactory	Annual uplift consolidated into salary
D	Not satisfactory	No increase

5.11 As reported earlier, the bonus pot has remained at 5 per cent of pay bill for 2007-08. Bonus payments are determined annually and are non-pensionable, one-off payments. Organisations decide the number of A and B categories but must keep within the 5 per cent ceiling determined by DH for the bonus pot. However, if an organisation does not achieve its financial control targets, all the organisation's VSMs are treated as Category D performers, irrespective of their individual performance, and no increases in base pay nor bonus payments are awarded.

### *Pensions*

5.12 VSMs have access to a defined benefit pension scheme for NHS employees which is linked to final salary. New pension arrangements were introduced from 1 April 2008 and apply to externally recruited VSMs from that date. The new pension scheme is also a defined benefit, final salary scheme but with higher minimum and normal pension ages. In addition, the employee contribution rate changed for both existing and new employees, all of whom now pay contributions determined by their salary levels. The main details of the schemes' operation for VSMs are shown in table 5.5 below:

**Table 5.5: NHS pension schemes available to VSMs**

	Scheme for VSMs joining prior to 1 April 2008	Scheme for externally recruited VSMs from 1 April 2008
Accrual rate	1/80 <sup>th</sup>	1/60 <sup>th</sup>
Lump sum	3/80 <sup>ths</sup> of pension	Up to 25 per cent of pension at the rate of £12 for every £1 of pension foregone
Normal pension age	60	65
Minimum pension age	50	55
Employer contribution	14 per cent	14 per cent
<b>Member contribution:</b>	<b>Up to 1 April 2008</b>	<b>From 1 April 2008 for both schemes</b>
Earning over £102,500	6 per cent	8.5 per cent
Earning £65,002 – £102,500	6 per cent	7.5 per cent
Earning less than £65,002	6 per cent	6.5 per cent

## Governance arrangements

5.13 Remuneration committees are responsible for advising and making recommendations to the Board in each organisation on remuneration and contractual matters concerning VSMs. Decisions resulting from advice and recommendations are then passed to the 'grandparent' organisation for final approval. This second level of governance was introduced to ensure that decisions comply with the provisions of the pay framework, that there is consistency in decision-making across the NHS and that the decisions are affordable. For PCTs and ATs the oversight role is performed by the SHA and for SHAs and SpHAs it is DH that acts as 'grandparent'. SHAs, as 'grandparents' to their PCTs and ATs, must ensure that their organisations collectively do not breach the 5 per cent limit for bonus payments, but can allow a successful trust to exceed this limit provided that any overspend of the 5 per cent limit is offset by an underspend on bonuses (i.e. below 5 per cent) in another organisation within the SHA.

## Evidence

- 5.14 For this round we received written and oral evidence from DH, NHS Employers and Managers in Partnership (MiP).
- 5.15 The evidence we received from all parties in 2007 and early 2008 indicated a need for a review of VSM pay arrangements. In our 2008 report we identified the broad areas that should be included in the review and argued that its findings should be a priority in 2008. DH subsequently commissioned an independent evaluation of the pay framework in 2008 and included the report<sup>2</sup> and its response to the recommendations in its evidence to us<sup>3</sup>.
- 5.16 DH argues that although the VSM group is the smallest of the NHS staff groups in the NHS, any award should be consistent with awards made to other NHS staff groups with single year pay recommendations.
- 5.17 DH argued that there are no significant recruitment and retention issues (although we note that 4 per cent of PCT VSM posts are vacant for between six and twelve months and there was an 8 per cent overall leaver rate in the year ending May 2008) and that, when considering this year's pay award, VSMs should be treated in the same way as other directly employed staff groups, i.e. consultants, junior doctors and non-consultant career grades. DH therefore proposed an award of 2 per cent consisting of 1.5 per cent uplift to base pay and an increase of 0.5 per cent on the bonus pot. As bonus payments are non-pensionable, this results in an increase to the pay bill of 1.9 per cent.
- 5.18 NHS Employers suggested that an award of up to 2 per cent would be realistic taking account of the constraints on public sector pay and the economic climate. In addition they supported the introduction of an allowance payable to VSMs working in London. Their key messages to us were:
- there is an increasing pay gap between the pay of VSMs and their higher paid comparators in other NHS organisations;
  - the pay framework hinders the recruitment of high quality leaders;

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<sup>2</sup> *Evidence on Very Senior Managers*. Annex A: The NHS Very Senior Managers' pay framework: an independent evaluation. Department of Health, 2008. Available from: [http://www.dh.gov.uk/en/Publicationsandstatistics/Publications/PublicationsPolicyAndGuidance/DH\\_090068](http://www.dh.gov.uk/en/Publicationsandstatistics/Publications/PublicationsPolicyAndGuidance/DH_090068)

<sup>3</sup> *Senior Salaries Review Body: review for 2009*. Department of Health, 2008. Available from: [http://www.dh.gov.uk/en/Publicationsandstatistics/Publications/PublicationsPolicyAndGuidance/DH\\_090068](http://www.dh.gov.uk/en/Publicationsandstatistics/Publications/PublicationsPolicyAndGuidance/DH_090068)

- the pay framework is incompatible with future initiatives (e.g. PCTs' proposed role under world class commissioning and Ambulance Trusts' status as future foundation trusts);
- the pay framework should be underpinned by job evaluation and take account of the principles of equal pay; and
- local remuneration committees should have greater flexibility to make decisions on pay performance awards.

5.19 MiP is a trade union mainly for managers paid at AfC Band 8 and above in the NHS and including some VSMs. MiP argued that VSMs should receive the same increase as those on AfC rates and that the bonus pot should be doubled to 10 per cent. In addition they proposed:

- a pay uplift to align the pay of VSMs with that of comparators in acute and foundation trusts;
- removal of the current restrictions on payment of bonuses so that individual organisations make decisions on payment;
- development of a job evaluation scheme; and
- the role of the 'grandparent' should be to ensure consistency in pay decisions rather than approve decisions made by remuneration committees.

5.20 When VSMs joined our remit we set up a sub-committee which visited and held discussions in different organisations covered by the pay framework. We found this invaluable in helping us to understand our new remit group and we have continued the practice for this review by visiting East of England SHA and the National Institute for Health and Clinical Excellence (NICE) in London and hearing evidence from VSMs, remuneration committee members and HR representatives of each type of organisation covered by the pay framework. We are grateful to those who arranged the visits and all those who came to talk to us and further our knowledge of the remit group. The issues raised on these visits have helped to inform our considerations. We are therefore disappointed that some trusts we approached were not as enthusiastic as others to speak to us.

### *Base pay*

5.21 We heard a number of concerns with the base pay structure. Some concern was expressed about the pay structure's vulnerability to equal pay claims, particularly given the introduction of new job roles which are not specifically covered by the framework. Those we spoke to felt that there was a lack of transparency in how salaries were set for these roles, nor were they clear how the percentages for the roles listed in the pay framework guidance were decided or justified. In addition there can be multiplication of the same role within one organisation. For example, we heard of more than one PCT with three commissioning directors. The pay framework does not provide guidance on how salaries should be set in this situation. Some VSMs also warned of potentially discriminatory elements within the pay framework such as roles with higher salaries tending to be filled by males (although we have no statistical evidence to prove or disprove their assertion).

5.22 We heard of a number of ways in which VSMs can achieve higher salaries than those available from the pay framework. Medical staff, for example, can be paid at a higher rate if they are on medical contracts. We also heard of a senior manager who is paid according to AfC pay rates. There is an overlap in the salary between the AfC and VSM pay structures; from 1 April 2008, the pay of the top two AfC bands is

£37,106 – £77,179 (Band 8) and £73,617 – £93,098 (Band 9) whereas, for example, the Corporate Affairs director in a PCT has a salary which ranges from £57,067 (Band 1) to £81,095 (Band 5). An employee at Band 8 or 9 could therefore be paid more than the VSM to whom he or she reports. However, DH argued in oral evidence that this is not an issue as it is not unusual for salary bands to overlap. In addition, Band 9 staff are specialists with, for example, finance or clinical skills and make up only 0.1 per cent of those on AfC. Around 500 Band 9 staff are also managers and are employed across all NHS organisations, not just those employing VSMs. The number of VSMs with reports paid a higher salary is therefore claimed to be small, although we have not seen any evidence to confirm this.

- 5.23 VSMs in organisations which have not reconfigured (mainly PCTs in London) can remain on their original contracts which may deliver higher pay. There is therefore no incentive to move to pay framework arrangements and very few VSMs in London have done so.
- 5.24 As stated earlier, DH reported that there are no significant recruitment and retention issues although VSMs and remuneration committee members we spoke to were concerned that the higher salaries available in acute and foundation trusts would attract scarce skills away from other NHS organisations. They also pointed out that the pay framework has not kept pace with the need for new skills and that increasingly it is the acute and foundation trusts that can attract these skills. We also heard that there is a pay gap between the salaries of VSMs and comparators in the wider public and private sectors.
- 5.25 We found no evidence that pay levels were affecting retention but we note the widespread use made of additional payments for additional responsibilities as shown later in this chapter. We did, however, hear of difficulties recruiting into some roles (e.g. IT and Commissioning directors), and of the creative ways sometimes used to secure appointments. In addition to applying recruitment and retention premia which we discuss below, use can be made of remuneration elements on which the pay framework is silent, such as moving expenses, and we heard of one PCT experiencing recruitment difficulties which arranged for the local AT to employ the successful individual and then second that individual to the PCT. However, we have no quantified evidence to show whether such practices are widespread. Moreover, the pay framework review did not find many VSMs moving to foundation and acute trusts. In fact the review reported slightly more traffic in the opposite direction.
- 5.26 The pay framework review recommended the retention of spot rates (as opposed to the introduction of incremental pay scales) and invited us to consider those spot rates against the public sector market to ensure base rates remain competitive, taking into account the overall package and affordability. DH supported the pay framework review's recommendation to retain spot rates and in its evidence said that it would expect SSRB "to state in its annual reports whether it feels that recruitment, retention and motivation warrant a detailed review of VSM pay. In such circumstances, the Review Body could request a remit to review. (This may require a minor change to the Review Body's terms of reference)." We wish to reserve our position on this until after the job evaluation exercise has taken place, since this will clearly make it easier to form judgements on market comparability.

### *Development pay*

- 5.27 DH's evidence to us for our last review indicated that only 0.4 per cent of VSMs received development pay and that all were outside London. DH have not been able to provide a figure for this year but it is clear from written and oral evidence that little use is made of development pay.

### *Additional payments*

- 5.28 Additional payments can add a significant amount of pay to base salary. Together additional payments for additional responsibilities and recruitment and retention premia may be worth up to 40 per cent of base salary and may count towards performance awards and pension entitlements.

### *Additional payments for additional responsibilities*

- 5.29 Use of additional payments for additional responsibilities varies around the country and between organisations. The pay framework review found that, overall, 29 per cent of organisations used such payments, with the highest use in the North of England and London. Payment tended to be near the 10 per cent limit permitted under the framework arrangements, with the average level of allowance being around 8 per cent of base pay at an average value of £7,386.

### *Recruitment and retention premia*

- 5.30 Last year we reported that significant use was made of recruitment and retention premia. The evidence we received indicated that this is still the case. The pay framework review showed that overall 27 per cent of the VSMs sampled received recruitment and retention premia and that these were paid at an average of £11,001 per person. Usage is particularly high in SHAs (45 per cent) and ATs (47 per cent). The review points out that the recruitment and retention premia tend to be long term and can therefore be regarded as permanent additions to individuals' base salaries.

### *Performance pay*

- 5.31 VSMs and the remuneration committees operating the bonus scheme are generally critical of the performance pay system. The system is considered inflexible and some believe that there should be more scope within the 5 per cent limit to reward at levels other than at 0, 3 and 7 per cent of salary. Some VSMs felt that it is inappropriate for organisations trying to promote team performance to reward individuals and we heard anecdotally of organisations finding other ways of rewarding in-year performance such as giving a 5 per cent recruitment and retention payment to their directors in place of a bonus award. The review of the pay framework recommends that "greater flexibility should be allowed in the allocation of individual awards"<sup>4</sup> and this is accepted by DH.
- 5.32 The pay framework review recommends that the single financial control target should remain in place<sup>5</sup> believing that this sends a powerful message about budgetary control and accountability but that this should be in respect of performance pay only (i.e. payment of the annual salary uplift should not be dependent on meeting the financial control target). In their evidence, DH agreed that VSMs share corporate responsibility in ensuring strong financial control but believed that, in addition, meeting the financial control target should remain as a criterion for uprating base salary. Remuneration committees pointed out to us that this made it difficult for organisations which were in historic deficit and needed high quality senior leadership to recruit VSMs of the very best quality to turn round the 'failing' organisation. We heard of such an organisation which had improved its performance and considerably reduced its deficit but because it had still fallen just short of its financial target, its VSMs had received no base pay increase and no performance award. Conversely, VSMs in organisations where financial surpluses had decreased but were still within the targets were eligible for performance pay.

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<sup>4</sup> *Evidence on Very Senior Managers*. Annex A: The NHS Very Senior Managers' pay framework: an independent evaluation. Department of Health, 2008: recommendation 11. Available from: [http://www.dh.gov.uk/en/Publicationsandstatistics/Publications/PublicationsPolicyAndGuidance/DH\\_090068](http://www.dh.gov.uk/en/Publicationsandstatistics/Publications/PublicationsPolicyAndGuidance/DH_090068)

<sup>5</sup> *Evidence on Very Senior Managers*. Annex A: The NHS Very Senior Managers' pay framework: an independent evaluation. Department of Health, 2008: recommendation 7. Available from: [http://www.dh.gov.uk/en/Publicationsandstatistics/Publications/PublicationsPolicyAndGuidance/DH\\_090068](http://www.dh.gov.uk/en/Publicationsandstatistics/Publications/PublicationsPolicyAndGuidance/DH_090068)

- 5.33 There was some criticism of the performance measures themselves; VSMs suggested that they were out of date and needed updating so that, rather than rewarding only the attainment of financial targets, they supported the NHS's modernisation programme, principally progress on improving quality and world class commissioning. We agree individuals' base salary increases should not be dependent on their organisations meeting their financial control targets, and we question the effect on an individual's (and team's) morale of receiving a 'D' mark automatically irrespective of individual performance. We therefore recommend that the criterion be removed for base pay increases but remain for payment of the bonus.

**Recommendation 15: We recommend that the automatic application of the 'D' rating for all VSMs in an organisation that does not meet its financial target should cease, with the Remuneration Committee having the discretion to award an annual uplift consolidated into base salary if the individual's performance merits it.**

- 5.34 Other criticisms we heard were that bonuses were set at too low a level and paid too late to act as an incentive. The objectives set for those on the AfC pay structure were said to be easier to achieve and this could aggravate pay anomalies between AfC staff and VSMs. We have sympathy with the criticisms of the late payment of the bonus and urge the DH to speed up the process for 2009-10.
- 5.35 There were mixed views on the level of the bonus pot. While some VSMs questioned whether people's performance improved with financial incentives and suggested that the bonus system should be removed, others wanted to see the bonus pot increased to 10 per cent and beyond, provided that the current issues were sorted out first.

### *Pensions*

- 5.36 In their evidence to us DH emphasised the high value of the pension scheme and argued that the effect of higher pension contributions made by members under the new scheme was simply deferred reward. It reported that the level of employer contributions had remained at 14.0 per cent but that, without the introduction of the new scheme, this was likely to have increased to 15.3 per cent.
- 5.37 The other parties made little mention of pensions in evidence and none raised the higher member contribution rate as an issue but this is, perhaps, hardly surprising given the newness of the current scheme and the closure of many final salary schemes in the private sector. Nevertheless, the introduction of the tiered contribution rate at levels higher than the previous contribution rate has resulted in a decrease in net pay.
- 5.38 We note that the value of the pension scheme is not as great as that of the pension schemes for members of our other remit groups but nevertheless it is a significant element of the total remuneration package.

### **Job evaluation**

- 5.39 The review of the pay framework recommends that "the Framework should be based on a foundation of Job Evaluation if it is to continue in the medium to long term"<sup>6</sup>. This move away from the current system based on weighted population and determination of executive pay by reference to that of the chief executive is accepted in principle by DH and supported by those who provided evidence to us. DH stated in its evidence that such a system will be in place for April 2010. We welcome this development; we believe that job evaluation will address some of the concerns we have heard about the

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<sup>6</sup> *Evidence on Very Senior Managers*. Annex A: The NHS Very Senior Managers' pay framework: an independent evaluation. Department of Health, 2008: recommendation 5. Available from: [http://www.dh.gov.uk/en/Publicationsandstatistics/Publications/PublicationsPolicyAndGuidance/DH\\_090068](http://www.dh.gov.uk/en/Publicationsandstatistics/Publications/PublicationsPolicyAndGuidance/DH_090068)



operation of the pay framework and is fundamental to the success of any new pay structure for VSMs. We recommend that DH make job evaluation a priority and provide us with regular updates on progress.

**Recommendation 16: We recommend that DH carry out job evaluation as soon as possible and provide us with regular updates on progress.**

## Remuneration Committees

5.40 The pay framework review recommends that “Remuneration committees shall have the main responsibility for taking decisions on performance pay allocations” and that the ground shall be prepared for the time when remuneration committees will be given greater autonomous powers, with SHAs in the role of “moderator” rather than approver. We support these views and recommend that steps should be taken as quickly as possible to implement this.

**Recommendation 17: We recommend that Remuneration Committees be given greater autonomous power as soon as is practicable.**

## Pay recommendations for 2009

5.41 In our last report we made ‘holding’ recommendations while we built up our knowledge of VSMs and their pay structure and awaited the outcome of DH’s review of the pay framework. DH is now starting on a programme of work to address the issues arising from the review but does not expect to have new arrangements fully in place before 2010. We support fully this programme and would find it useful for DH to provide the SSRB with regular reports on how implementation of the work programme is progressing.

### *Bonus arrangements*

5.42 Last year we were not convinced about the effectiveness of the performance pay arrangements from the evidence available and we therefore made no recommendation on bonus pay, recommending instead that the increase in the pay bill should be used to increase base pay. We welcome the review’s recommendation 11, accepted by DH (provided that the total performance pot limit is adhered to), that there should be increased flexibility to allocate individual awards, and also the recommendation to increase transparency to make clear the purpose of the bonus pot (recommendation 12). However we believe that the review’s recommendations need a year to bed in before we can consider increasing the bonus pot and we therefore recommend that the bonus pot remain at 5 per cent of the VSM pay bill this year.

**Recommendation 18: We recommend that the level of the bonus pot remain at 5 per cent of the VSM pay bill for 2009-10.**

### *Base pay*

5.43 The evidence we received for this review built on that which we received last year and confirms many of the issues we heard about when VSMs first joined our remit group. We have discussed earlier our concerns with the level of base pay, including the increasing overlap between the top of the AfC pay scales and VSM pay. (Our terms of reference task us with ensuring that “the remuneration of the remit groups relates coherently to that of their subordinates”.) As DH points out, the VSM group is the smallest of the NHS staff groups in the NHS. Arguments on affordability do not therefore apply in the same way as for other staff groups in the NHS. DH proposes an award which is consistent with other NHS staff groups with single year pay recommendations; however, the awards afforded to those under the AfC three-year pay deal are arguably more relevant to our remit group.

- 5.44 Another issue we considered was the value of Clinical Excellence Awards, discretionary points and distinction awards for those very senior managers on medical contracts. These are schemes to provide consultants with some form of additional financial award for exceptional achievements and contributions to patient care and have been in existence since the beginning of the NHS in 1948. VSMs such as medical directors paid as consultants are eligible to apply for these awards. In England Clinical Excellence Awards are pensionable and paid yearly until retirement; their value ranges from £2,913 for a level 1 award to £74,676 for a platinum (level 12) award. Clinical Excellence Awards are held by 61 per cent of consultants and whilst only 22 per cent of consultants hold an award above level 4 (which is worth £11,652), these awards can increase the level of remuneration of those on medical contracts close to that of the Chief Executive.
- 5.45 Our recommendation last year of an increase in base pay of 2.2 per cent was lower than that applied to the AfC pay rates in 2008-09 (2.75 per cent). For 2009-10 AfC pay rates will increase by 2.4 per cent. Any increase to VSM pay which is lower than this figure will merely aggravate the differential problem. Given the relatively small number of VSMs covered by the pay framework, we are not convinced by the Government's arguments on affordability and we therefore recommend that the pay of VSMs should increase by 2.4 per cent for 2009-10.

**Recommendation 19: We recommend that from 1 April 2009 the pay of VSMs covered by the pay framework should increase by 2.4 per cent.**

#### *Recruitment and retention premia*

- 5.46 Recruitment and retention premia are temporary additions to salary and, as discussed earlier, they can either be consolidated or non-consolidated for pension purposes. As they are awards which are designed to cover short- or medium-term market shortages we do not believe in principle that they should contribute to future pension payment.
- 5.47 The pay framework review recommended changes to the pay structure which would "minimise the current dependency on allowances to compensate for competitive deficiencies". DH in its evidence states that it is of the view that the solution to this issue lies with effective job evaluation. We therefore make no recommendation on the pensionability of recruitment and retention premia for this year, pending the job evaluation exercise. However, we believe that, if they continue, they should not count for pension or bonus and should be time-limited, subject to periodic review.

#### *Additional payment for additional responsibilities*

- 5.48 Additional payment for additional responsibilities is also an addition to salary which can count towards performance awards and pension arrangements and we have some concerns about this where such additional responsibilities are temporary. However, again we hope that the job evaluation exercise will resolve this issue and therefore make no recommendations for this year, pending the job evaluation exercise results.





# Appendix A

## List of those who gave evidence to the SSRB

### Senior civil service

Cabinet Secretary and Head of the Home Civil Service  
Civil Service Commissioners  
First Division Association and Prospect (joint union evidence)  
Senior Civil Service Discussion Groups held in London (11 attended)  
Senior Civil Service Discussion Groups held in Edinburgh (15 attended)  
HR Directors' Discussion Group (3 attended)

### Senior officers of the armed forces

Chief of the Defence Staff  
Chief of Naval Staff  
Chief of General Staff  
Assistant Chief of Air Staff  
Permanent Under Secretary, Ministry of Defence  
3 x 3-star officers and 13 x 2-star officers during visit to HMS President

### Judiciary

Lord Chancellor and Secretary of State for Constitutional Affairs  
The Lord Chief Justice (England and Wales) and Chancellor of the High Court  
Judicial Appointments Commission (England and Wales)  
Judicial Appointments Board, Scotland  
Northern Ireland Judicial Appointments Commission  
Northern Ireland Court Service  
Scottish Executive, Justice Department  
Lord Chief Justice of Northern Ireland  
Lord President of the Court of Session  
Combined Court Centre in Peterborough

### VSMs

The Department of Health  
NHS Employers  
Managers in Partnership  
Cambridge SHA, PCT and AT (10 VSMs and 2 from the SHA remuneration committee)  
National Institute for Health and Clinical Excellence, London (2 VSMs, 3 from the remuneration committee and the Chief Executive)



## Appendix B

### List of NHS Organisations<sup>1</sup> employing VSMs in SSRB's remit group

#### Strategic Health Authorities (SHAs)

East Midlands SHA	South Central SHA
East of England SHA	South East Coast SHA
London SHA	South West SHA
North East SHA	West Midlands SHA
North West SHA	Yorkshire and the Humber SHA

#### Special Health Authorities

Health Protection Agency	NHS Blood and Transplant
Mental Health Act Commission	NHS Business Services Authority
National Institute for Health and Clinical Excellence	NHS Professionals Special Health Authority
National Patient Safety Agency	The Health and Social Care Information Centre
National Treatment Agency	The NHS Institute for Innovation and Improvement

#### Ambulance Trusts<sup>2</sup>

East Midlands Ambulance Service NHS Trust	South Central Ambulance Service NHS Trust
East of England Ambulance Service NHS Trust	South East Coast Ambulance Service NHS Trust
Great Western Ambulance Service NHS Trust	South Western Ambulance Service NHS Trust
London Ambulance Service NHS Trust	West Midlands Ambulance Service NHS Trust
North East Ambulance Service NHS Trust	Yorkshire Ambulance Service NHS Trust
North West Ambulance Service NHS Trust	

<sup>1</sup> List of strategic health authorities available from: <http://www.nhs.uk/ServiceDirectories/Pages/StrategicHealthAuthorityListing.aspx>, December 2007

<sup>2</sup> Ambulance services on the Isle of Wight are provided by the Isle Of Wight NHS PCT

## Primary Care Trusts (PCTs)

Ashton, Leigh and Wigan PCT	Barking and Dagenham PCT
Barnet PCT	Barnsley PCT
Bassetlaw PCT	Bath and North East Somerset PCT
Bedfordshire PCT	Berkshire East Teaching PCT
Berkshire West PCT	Bexley Care Trust
Birmingham East and North PCT	Blackburn with Darwen Teaching PCT
Blackpool PCT	Bolton PCT
Bournemouth and Poole PCT	Bradford and Airedale Teaching PCT
Brent Teaching PCT	Brighton and Hove City Teaching PCT
Bristol Teaching PCT	Bromley PCT
Buckinghamshire PCT	Bury PCT
Calderdale PCT	Cambridgeshire PCT
Camden PCT	Central Lancashire PCT
City and Hackney Teaching PCT	Cornwall and Isles of Scilly PCT
County Durham PCT	Coventry Teaching PCT
Croydon PCT	Cumbria PCT
Darlington PCT	Derby City PCT
Derbyshire County PCT	Devon PCT
Doncaster PCT	Dorset PCT
Dudley PCT	Ealing PCT
East and North Hertfordshire PCT	East Cheshire PCT
East Lancashire PCT	East Riding of Yorkshire PCT
East Sussex Downs and Weald PCT	Eastern and Coastal Kent Teaching PCT
Enfield PCT	Gateshead PCT
Gloucestershire PCT	Great Yarmouth and Waveney Teaching PCT
Greenwich Teaching PCT	Halton and St Helens PCT
Hammersmith and Fulham PCT	Hampshire PCT
Haringey Teaching PCT	Harrow PCT
Hartlepool PCT	Hastings and Rother PCT
Havering PCT	Heart of Birmingham Teaching PCT
Herefordshire PCT	Heywood, Middleton and Rochdale PCT
Hillingdon PCT	Hounslow PCT
Hull Teaching PCT	Isle of Wight Healthcare PCT
Islington PCT	Kensington and Chelsea PCT
Kingston PCT	Kirklees PCT
Knowsley PCT	Lambeth PCT
Leeds PCT	Leicester City Teaching PCT
Leicestershire County and Rutland PCT	Lewisham PCT

Lincolnshire Teaching PCT	Liverpool PCT
Luton Teaching PCT	Manchester PCT
Medway Teaching PCT	Mid Essex PCT
Middlesbrough PCT	Milton Keynes PCT
Newcastle PCT	Newham PCT
Norfolk PCT	North East Essex PCT
North East Lincolnshire PCT	North Lancashire PCT
North Lincolnshire PCT	North Somerset PCT
North Staffordshire PCT	North Tyneside PCT
North Yorkshire and York PCT	Northamptonshire Teaching PCT
Northumberland Care Trust	Nottingham City PCT
Nottinghamshire County Teaching PCT	Oldham PCT
Oxfordshire PCT	Peterborough PCT
Plymouth Teaching PCT	Portsmouth City Teaching PCT
Redbridge PCT	Redcar and Cleveland PCT
Richmond and Twickenham PCT	Rotherham PCT
Salford Teaching PCT	Sandwell PCT
Sefton PCT	Sheffield PCT
Shropshire County PCT	Solihull PCT
Somerset PCT	South Birmingham PCT
South East Essex PCT	South Gloucestershire PCT
South Staffordshire PCT	South Tyneside PCT
South West Essex Teaching PCT	Southampton City PCT
Southwark PCT	Stockport PCT
Stockton-on-Tees Teaching PCT	Stoke on Trent PCT
Suffolk PCT	Sunderland Teaching PCT
Surrey PCT	Sutton and Merton PCT
Swindon PCT	Tameside and Glossop PCT
Telford and Wrekin PCT	Torbay Care Trust
Tower Hamlets PCT	Trafford PCT
Wakefield PCT	Walsall Teaching PCT
Waltham Forest PCT	Wandsworth Teaching PCT
Warrington PCT	Warwickshire PCT
West Cheshire PCT	West Essex PCT
West Hertfordshire PCT	West Kent PCT
West Sussex Teaching PCT	Westminster PCT
Wiltshire PCT	Wirral PCT
Wolverhampton City PCT	Worcestershire PCT



## Appendix C

### Website references for publications

SSRB reports from 2001 onwards can be found at:  
<http://www.ome.uk.com/review.cfm?body=4>

Review Body on Senior Salaries. *Thirtieth report on senior salaries*. Cm 7388. TSO, 2008.  
Available from: <http://www.ome.uk.com/downloads/30th%20Report%20on%20Senior%20Salaries%20-%202008.pdf>

Evidence submitted to the SSRB by the Cabinet Office and the Workforce and Reward Strategy Report from Sir David Normington  
[http://www.civilservice.gov.uk/iam/cs\\_policy/pay\\_reward/pay\\_arrangements.asp](http://www.civilservice.gov.uk/iam/cs_policy/pay_reward/pay_arrangements.asp)

Evidence submitted to the SSRB by the Ministry of Justice  
<http://www.justice.gov.uk/docs/oct08ssrb-evidence.pdf>

Evidence submitted to the SSRB by the FDA and Prospect (Joint union evidence)  
<http://www.fda.org.uk/Media/Whats-new/FDA-gives-evidence-to-SSRB-2009.aspx>

Written evidence from the Department of Health and the Wright Report  
[http://www.dh.gov.uk/en/Publicationsandstatistics/Publications/PublicationsPolicyAndGuidance/DH\\_090068](http://www.dh.gov.uk/en/Publicationsandstatistics/Publications/PublicationsPolicyAndGuidance/DH_090068)

Written evidence from NHS Employers  
<http://www.nhsemployers.org/pay-conditions/pay-conditions-4360.cfm>

Written evidence from Managers in Partnership  
<http://www.miphealth.org.uk/news/shw-detail.asp?id=622>





## Appendix D

### Existing salaries for the three remit groups April 2008 – March 2009 Senior civil servants

#### Senior civil servants (as at 1 April 2008)

Pay Band	Minimum	Referencing Points	Recruitment & Performance Ceiling (RPC)	Numbers in post <sup>1</sup>
3	£99,960	£140,000	£205,000	179
2	£81,600	£120,000	£160,000	755
1A	£66,600	£100,000	£127,000	204
1	£57,300	£90,000	£116,000	3,007
				4,145
Permanent Secretaries: £137,000 to £273,250				40

<sup>1</sup> Numbers in post as for 2008 supplied by the Cabinet Office (data which includes 27 'others').

#### Senior officers of the armed forces

Scale point	Value of scale points (April 2008 – March 2009)			
	CDS	4-star	3-star <sup>2</sup>	2-star <sup>2</sup>
7				£109,415
6		£170,791	£142,359	£107,117
5		£167,440	£137,793	£104,817
4	£235,969	£164,159	£133,225	£102,517
3	£231,342	£160,939	£128,659	£100,217
2	£226,805	£157,784	£121,436	£98,291
1 (Minimum)	£222,359	£154,700	£114,213	£96,835
Numbers in post <sup>1</sup>	1	9	29	91

<sup>1</sup> Numbers in post supplied by the MOD, and relate to numbers in post as of 1 July 2008.

<sup>2</sup> This excludes X-factor which would be applied at the rate of £1,364.

## Members of the judiciary

Salary Group	Salaries from 1 April 2008	Numbers in post on 1 April 2008 <sup>1</sup>
1	£236,300	1
1.1	£211,000	4
2	£203,800	15
3	£193,800	48
4	£170,200	144
5	£136,500	87
6.1	£126,400	818
6.2	£119,000	20
7	£101,400	1,014
<b>Total</b>		<b>2,151</b>

## Very Senior Managers in the National Health Service

### Chief executives – basic pay from 1 April 2008

	PCT chief executives <sup>1</sup>	AT chief executives <sup>2</sup>	SHA chief executives <sup>1</sup>
Band 1	£103,758	£111,097	£158,710
Band 2	£114,680	£119,561	£169,291
Band 3	£125,601	£126,968	£179,871
Band 4	£136,523	n/a	n/a
Band 5	£147,445	n/a	n/a
London	n/a	£148,129	£201,032

### SpHA Chief Executives (aligned to arrangements for SHA and PCT CEs)<sup>3</sup>

	From	To
Group 1	£160,470	£181,176
Group 2	£139,764	£160,470
Group 3	£98,353	£139,764

<sup>1</sup> The organisation weighting factor used for banding is weighted population i.e. resident population weighted for age and deprivation.

<sup>2</sup> The organisation weighting factors used for banding are expenditure on emergency services and activity.

<sup>3</sup> 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 February 2009)

Band	Number in Band	Office Holder
£230,000 – £234,999	1	Cabinet Secretary and Head of Home Civil Service
£225,000 – £229,999	–	
£220,000 – £224,999	1	1 <sup>st</sup> Parliamentary Counsel
£215,000 – £219,999	–	
£210,000 – £214,999	–	
£205,000 – £209,999	2	Chief Executive, National Health Service Chief Medical Officer
£200,000 – £204,999	–	
£195,000 – £199,999	–	
£190,000 – £194,999	–	
£185,000 – £189,999	2	Permanent Secretaries of: – Department of Innovation, Universities & Skills – Home Office
£180,000 – £184,999	3	Chief Executive, Office of Government Commerce Permanent Secretaries of: – Department for Children, Schools & Families – Ministry of Justice
£175,000 – £179,999	3	Permanent Secretaries of: – Department for Work & Pensions – Department for Communities & Local Government – Department for Business, Enterprise and Regulatory Reform
£170,000 – £174,999	4	CEO, HM Revenue & Customs Permanent Secretaries of: – Ministry of Defence – HM Treasury – Foreign and Commonwealth Office

£165,000 – £169,999	3	Government Chief Scientific Adviser: DIUS Permanent Secretaries of: – Department for International Development – Department of Energy and Climate Change
£160,000 – £164,999	4	Permanent Secretaries of: – Government Communications – Welsh Assembly Government – Scottish Executive Second Permanent Secretary of HM Revenue & Customs
£155,000 – £159,999	5	Chairman of the Joint Intelligence Committee and Head of Intelligence Assessment Director General of the Security Service Permanent Secretaries of: – Northern Ireland Office – Department of Health Second Permanent Secretary of Ministry of Defence
£150,000 – £154,999	8	Head of the Secret Intelligence Service Head of International Economic Affairs and Europe – Cabinet Office Executive Chair, Better Regulation Executive, BERR Treasury Solicitor Chairman, HM Revenue & Customs Permanent Secretaries of: – Department for Culture Media & Sport – Department of the Environment, Food & Rural Affairs – Department for Transport
£145,000 – £149,999	2	Head of the Northern Ireland Civil Service Permanent Secretary of No.10
£140,000 – £144,999	2	MOD Chief Scientific Adviser Director of the Office for National Statistics
£135,000 – £139,999	1	Director, Government Communications Headquarters

## Appendix F

### Recruitment to the senior civil service

#### Open competitions for appointments to Senior Civil Service posts (Pay Band 2 and above)<sup>1</sup>

	Source			Total
	Civil Service	Wider Public Sector	Private Sector & Others	
2007-08	43 (41%)	39 (37%)	23 (22%)	105
2006-07	36 (40%)	33 (37%)	21 (23%)	90
2005-06	42 (38%)	39 (35%)	30 (27%)	111
2004-05	38 (42%)	36 (39%)	17 (19%)	91

Source: Civil Service Commissioners

<sup>1</sup> From 16 July 2002, the Civil Service Commissioners ceased to have responsibility for approving the majority of SCS posts at Pay Bands 1 and 1A. Commissioners' approval is now only required for open recruitment to SCS Pay Band 2 and above.

	Vacancies		Applications		Recommended for appointment <sup>1</sup>	
	Dec 05 – Nov 06	Dec 06 – Nov 07	Dec 05 – Nov 06	Dec 06 – Nov 07	Dec 05 – Nov 06	Dec 06 – Nov 07
General Fast Stream:	219	211	9,456	9,219	326	249
<i>Including:</i>						
<i>Central Departments,</i>	162	161	6,772	6,631	263	190
<i>Clerks House of Commons,</i>	2	2	236	192	4	4
<i>Clerks House of Lords,</i>	2	2	53	43	3	1
<i>DFID Technical Development,</i>	9	1	104	106	8	5
<i>Diplomatic Service,</i>	25	25	1,693	1,720	29	29
<i>Fast Stream (Europe), and</i>	4	3	191	188	4	5
<i>Science/Engineering.</i>	15	17	407	339	15	15
Economists	177	170	812	660	121	101
Statisticians	65	28	501	522	25	20
GCHQ	8	12	3,176	3,054	4	2
Technology in Business	n/a	6	n/a	164	n/a	8
In-service nominations <sup>2</sup>			134	122	65	131

Source: Cabinet Office

<sup>1</sup> The number of applicants who were successful in the competition.

<sup>2</sup> These are provisional numbers.



# Appendix G

## Judicial salary structure at 1 April 2008<sup>1</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

Senior Lord of Appeal in Ordinary

### Group 2

Lord Justice Clerk

Lords of Appeal in Ordinary

President of the Family Division

President of the Queen's Bench Division<sup>2</sup>

The Chancellor of the High Court<sup>3</sup>

### Group 3

Inner House Judges of the Court of Session

Lords Justices of Appeal

Lords Justices of Appeal (Northern Ireland)

### Group 4

High Court Judges<sup>4</sup>

Outer House Judges of the Court of Session

Puisne Judges (Northern Ireland)

Vice-Chancellor of the County Palatine of Lancaster<sup>5</sup>

### Group 5

Chairman, Criminal Injuries Compensation Appeal Panel<sup>6</sup>

Chief Social Security Commissioners (England, Wales, Scotland & Northern Ireland)

Circuit Judges at the Central Criminal Court in London (Old Bailey Judges)

Deputy President, Asylum & Immigration Tribunal<sup>7</sup>

Judge Advocate General<sup>8</sup>

Judges of the Technology and Construction Court

Permanent Circuit Judge, Employment Appeals Tribunal<sup>9</sup>

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<sup>1</sup> Alphabetical order within salary group.

<sup>2</sup> Post became effective on 3 October 2005.

<sup>3</sup> Formerly known as Vice-Chancellor until 1 October 2005.

<sup>4</sup> Includes the posts of President, Asylum and Immigration Tribunal and President, Employment Appeals Tribunal, both of whom are High Court Judges.

<sup>5</sup> Post currently held by a High Court Judge.

<sup>6</sup> Part-time position. Salary for 3 day week is pro-rata to Group 5 rate.

<sup>7</sup> Post came into effect on 4 April 2005 with the introduction of the new Asylum and Immigration Tribunal.

<sup>8</sup> Upgraded from Salary Group 6.1 to Group 5 following the recommendations of the SSRB in its Fundamental Review of the Judicial Salary Structure 2005.

<sup>9</sup> Upgraded from Salary Group 6.1 to Group 5 following the recommendations of the SSRB in its Fundamental Review of the Judicial Salary Structure 2005.



President, Appeal Tribunals (England, Wales and Scotland)  
President, Care Standards Tribunal  
President, Employment Tribunals (England & Wales)  
President, Employment Tribunals (Scotland)  
President, Lands Tribunals (England & Wales)  
President, Lands Tribunal (Scotland) and Chairman, Scottish Land Court  
Presiding Special Commissioner of Income Tax<sup>10</sup>  
President, VAT and Duties Tribunals<sup>10</sup>,  
President, Financial Services and Markets Tribunal (FINSMAT)<sup>10</sup>  
Recorder of Belfast<sup>11</sup>  
Recorder of Liverpool  
Recorder of Manchester  
Senior Circuit Judges  
Senior District Judge (Chief Magistrate)  
Sheriffs Principal  
Specialist Circuit Judges<sup>12</sup>

### **Group 6.1**

Chief Registrar and Senior and Chief Masters  
Circuit Judges  
County Court Judges (Northern Ireland)<sup>13</sup>  
Deputy President, Care Standards Tribunal  
President, Appeal Tribunals (Northern Ireland)  
President, Charity Tribunal<sup>14</sup>  
President, Consumer Credit Appeals Tribunal  
President, Gambling Appeals Tribunal  
President, Industrial Tribunals and Fair Employment Tribunal (Northern Ireland)  
President, Lands Tribunals (Northern Ireland)  
Regional Chairmen, Appeal Tribunals<sup>15</sup>  
Regional Chairmen Employment Tribunals (England & Wales; Scotland)  
Registrar of Criminal Appeals  
Senior Costs Judge<sup>16</sup>  
Senior District Judge, Principal Registry of the Family Division  
Senior Immigration Judges<sup>17</sup>  
Senior Judge of the Court of Protection  
Sheriffs  
Social Security Commissioners (England, Wales, Scotland & Northern Ireland)  
Vice-President, Employment Tribunals (Scotland)

### **Group 6.2**

Adjudicator, HM Land Registry<sup>18</sup>  
Chairmen, VAT and Duties Tribunals  
Deputy Senior District Judge (Magistrates' Courts)

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<sup>10</sup> All three offices currently held by the same person. Current incumbent (as at 1/4/02) paid at Group 4 rate.

<sup>11</sup> Current post-holder receives a salary of 108 per cent of Group 5 rate under arrangement established from 01/04/02.

<sup>12</sup> Chancery, Mercantile and Patents Judges.

<sup>13</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>14</sup> Post commences June 2008.

<sup>15</sup> Upgraded from Salary Group 6.2 to Group 6.1 following the recommendations of the SSRB in its Fundamental Review of the Judicial Salary Structure 2005.

<sup>16</sup> Formerly known as Senior Taxing Master.

<sup>17</sup> Posts came into effect on 4 April 2005 with the introduction of the new Asylum and Immigration Tribunal.

<sup>18</sup> Upgraded from Salary Group 7 to Group 6.2 following the recommendations of the SSRB in its Fundamental Review of the Judicial Salary Structure 2005.

Members, Claims Management Services Tribunal  
Members, Lands Tribunals (England & Wales; Scotland, Northern Ireland)  
President, Pensions Appeal Tribunal<sup>19</sup>  
Regional Chairmen, Mental Health Review Tribunals, England<sup>20</sup>  
Special Commissioners of Income Tax  
Vice-Judge Advocate General  
Vice-Presidents, Industrial Tribunals and Fair Employment Tribunal (Northern Ireland)  
Vice-Presidents, VAT and Duties Tribunals (England & Wales; Scotland)

## **Group 7<sup>21</sup>**

Assistant Judge Advocates General  
Chairmen, Industrial Tribunals and Fair Employment Tribunal (Northern Ireland)  
Chief Medical Member, Appeals Tribunal<sup>22</sup>  
Coroner, Northern Ireland<sup>23</sup>  
Costs Judges<sup>24</sup>  
Deputy Chief Asylum Support Adjudicator, Asylum Support Tribunal<sup>25</sup>  
Deputy President Pensions Appeal Tribunal<sup>26</sup>  
Designated Immigration Judges<sup>27</sup>  
District Chairmen, Appeal Tribunals  
District Judges  
District Judges (Magistrates' Courts)  
District Judges (Northern Ireland)  
District Judges of the Principal Registry of the Family Division  
Employment Tribunals Judges (England and Wales; Scotland)<sup>28</sup>  
Immigration Judges  
Masters and Registrars of the Supreme Court  
Masters of the Supreme Court (Northern Ireland)  
Members, Gambling Appeals Tribunal  
Presiding District Judge (Magistrates' Courts) (Northern Ireland)<sup>10</sup>  
Senior Coroner, Northern Ireland<sup>29,30</sup>

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<sup>19</sup> Post transferred from Salary Group 7 by the Lord Chancellor wef 1 April 2007.

<sup>20</sup> Upgraded from Salary Group 7 to Group 6.2 following the recommendations of the SSRB in its Fundamental Review of the Judicial Salary Structure 2005.

<sup>21</sup> Group 7 post-holders in London are paid an additional £2,000 salary lead and an additional £2,000 London allowance.

<sup>22</sup> Upgraded to Salary Group 7 following the recommendations of the SSRB in its Fundamental Review of the Judicial Salary Structure 2005.

<sup>23</sup> Post included in the Judicial Salary Structure from October 2005 following agreement from the Lord Chancellor.

<sup>24</sup> Formerly known as Taxing Masters.

<sup>25</sup> 108 per cent of the Group 7 rate. In addition, Deputy Chief Asylum Support Adjudicator and Designated Immigration Judges in London and London Group 7 posts will continue to attract a London salary lead of £2,000 p.a. and a London Allowance of £2000 p.a.

<sup>26</sup> Upgraded to Salary Group 7 following the recommendations of the SSRB in its Fundamental Review of the Judicial Salary Structure 2005.

<sup>27</sup> Current post-holder receives a salary of 108 per cent of Group 7 rate.

<sup>28</sup> Formerly called Employment Tribunals Chairmen.

<sup>29</sup> Post included in the Judicial Salary Structure from October 2005 following agreement from the Lord Chancellor.

<sup>30</sup> Paid at 110 per cent of the Group 7 salary.



# Appendix H

## Previous reports in this series

No. 2: Interim Report on Top Salaries	Cmnd. 5001, June 1972.
No. 3: Second Interim Report on Top Salaries	Cmnd. 5372, July 1973.
No. 4: Third Interim Report on Top Salaries	Cmnd. 5595, June 1974.
No. 6: Report on Top Salaries	Cmnd. 5846, December 1974.
No. 10: Second Report on Top Salaries	Cmnd. 7253, June 1978.
No. 11: Third Report on Top Salaries	Cmnd. 7576, June 1979.
No. 14: Fourth Report on Top Salaries	Cmnd. 7952, July 1980.
No. 16: Interim Report on Top Salaries	Cmnd. 8243, May 1981.
No. 18: Fifth Report on Top Salaries	Cmnd. 8552, May 1982.
No. 19: Sixth Report on Top Salaries	Cmnd. 8879, May 1983.
No. 21: Seventh Report on Top Salaries	Cmnd. 9254, June 1984.
No. 22: Eighth Report on Top Salaries	Cmnd. 9525, July 1985.
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No. 63: Twenty-Ninth Report on Senior Salaries	Cm 7073, March 2007.
No. 65: Thirtieth Report on Senior Salaries	Cm 7388, June 2008



# Appendix I

## Glossary of terms and abbreviations

### General

AFPRB	Armed Forces' Pay Review Body.
Average	The sum of a set of values divided by the number of values.
Base pay	Basic salary, excluding non-consolidated bonuses, allowances, value of pensions, etc.
CPI <sup>1</sup>	Consumer Prices Index.
Job weight	The relative level, complexity and responsibility of different jobs/positions.
Median	The value in a set of observations ranked in ascending order that divides the data into two parts of equal size.
MPC	Monetary Policy Committee.
Pay Band	A salary range with a minimum and maximum within which posts are allocated according to job weight.
Performance related pay	Any method by which links are established between the assessed performance of an individual in a job and what he or she receives in salary, bonus payments, incentives or benefits.
RPI <sup>1</sup>	Retail Prices Index.
RPIX	Retail Prices Index excluding mortgage interest payments.
SSRB	Review Body on Senior Salaries.

### Senior civil service

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.
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.
Progression Target Rate (PTR)	Point in the pay band which represents the effective maximum for most senior civil servants. Only the top 25 per cent of performers will be able to progress beyond this point.
Recruitment & Performance Ceiling (RPC)	The pay band ceiling. Once pay has reached the RPC, further consolidated pay awards are restricted to the annual revalorisation of the RPC, with the balance of any award non-consolidated.

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<sup>1</sup> RPI and CPI are the two main measures of inflation in the UK. They each measure the average change in the prices of goods and services bought for the purpose of consumption by the vast majority of households in the UK.

Shadow Target Rate (STR)	If a post, recruited through an open competition, requires specific, scarce skills, which would attract a market premium, a STR can be set above the standard PTR but below the pay band ceiling.
SCS	Senior civil service/servants.
Senior Leadership Committee (SLC)	Considers applications and appointments to the most senior 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.
Target Rate (TR)	A point in the pay band which represents the effective maximum for most Permanent Secretaries. Only the top 25 per cent of performers will be able to progress beyond this point.

### **The armed forces**

CDS	Chief of Defence Staff.
COS	Chiefs of Staff.
MOD	Ministry of Defence.
MODOs	Medical and dental officers.
PMPS	Performance Management and Pay System.

### **The judiciary**

JAC (E&W)	Judicial Appointments Commission (England and Wales).
LCJ	Lord Chief Justice.
MoJ	Ministry of Justice.
NICS	Northern Ireland Court Service.
Salary group	The grouping of judicial posts, for pay purposes, according to job weight. See Appendix G.

### **NHS Very Senior Managers**

AT	Ambulance Trust.
DH	Department of Health.
MiP	Managers in Partnership.
PCT	Primary Care Trust.
SHA	Strategic Health Authority.
SpHA	Special Health Authority.
VSMs	Very Senior Managers.



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