



Home Office

Home Office Evidence to the Senior Salaries Review Body – Police and Crime Commissioners

2018/19 Pay Round

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I. Executive Summary

1. Since coming into post in 2012, Police and Crime Commissioners (PCCs) have brought local accountability to policing in England and Wales, using their personal mandate to drive reform, hold chief constables to account, and ensure that their local communities have a stronger voice in policing.
2. PCCs have driven positive change: not just in policing and crime, but in criminal justice, mental health, and the wider public services. Collectively, they have presided over falls to a record low in crimes traditionally measured by the Crime Survey of England and Wales, and have delivered value for money for taxpayers by finding efficiencies and ensuring sense in how police budgets are spent.
3. Since the first elections in 2012, the role of PCCs has continued to evolve and they have taken on responsibility for a number of additional statutory functions. In January 2017, the Policing and Crime Act received Royal Assent, introducing a number of measures to enable greater collaboration between fire and police services and further develop the commissioner role.
4. Reviews of PCC remuneration were deferred in the 2016/17 and 2017/18 pay rounds, until the planned expansion of the role and remit was in place and the additional responsibilities could be properly assessed. We believe that now is the appropriate time to review how the PCC role has changed since they first came into office, and ensure their remuneration is set at the correct level ahead of the 2020 elections.
5. The second PCC elections were held in May 2016, attracting a strong field of candidates, including former ministers, MPs, company directors, and those with experience in policing and criminal justice. 27 stood for re-election, and 20 were re-elected.
6. In 2017, the Government adopted a more flexible approach to public sector pay, to address areas of skills shortages and in return for improvements to public sector productivity. However, there is still a need for pay discipline over the coming years to ensure the affordability of the public services and the sustainability of public sector employment, as set out in the [Chief Secretary to the Treasury's letter to pay review body chairs](#).
7. The economic and fiscal context in which the Senior Salaries Review Body will make their recommendations was set out in detail in the November 2017 Budget. As in previous years, the chapter on the economic context, which is attached at Annex A, summarises points that may be of particular relevance to the pay review process. This should be considered alongside the rest of the evidence when making recommendations.
8. As set out in the Home Secretary's remit letter, attached at Annex B, you have been asked to consider the following for the 2018/19 pay round:
 - **Whether the level of PCC pay remains set at an appropriate level, given how the role has evolved and the additional statutory functions taken on by PCCs;**
 - **If there is evidence that an uplift is required, whether that should be applied consistently across police force areas or whether it should be applied differently according to local factors;**
 - **The timing and frequency of future reviews.**

9. Your recommendations should take into account the evidence presented in this document, including the economic context provided at Annex A.
10. You have asked that we address the questions contained in your open call for evidence in our submission. Where appropriate, these have been answered within the main body of the document. The remaining questions are answered separately in chapter six.

II. Strategic approach

11. Police and Crime Commissioners (PCCs) were first elected in England and Wales¹ in 2012, following the introduction of the Police Reform and Social Responsibility Act 2011. Under the terms of the Act, PCCs were initially responsible for:
 - Securing the maintenance, efficiency and effectiveness of the police force in their area;
 - Appointing the chief constable, holding them to account and if necessary, dismissing them;
 - Setting the police and crime objectives for their area;
 - Working with partners, including commissioning services, to tackle crime and disorder;
 - Setting the police force budget and determining the precept;
 - Contributing to the national and international policing capabilities set out by the Home Secretary in the Strategic Policing Requirement;
 - Contributing to an efficient and effective criminal justice system in the police area.
12. The role has evolved since the first round of elections in 2012 and PCCs have taken on responsibility for additional statutory functions.
13. PCCs have been responsible for commissioning local victims' services since October 2014, and victims' referral arrangements since April 2015. In the 2015/16 pay round, we asked SSRB to postpone any decision making about the implications for PCC pay of the additional responsibility of victims' commissioning. Instead, we recommended that a full assessment of the impact be undertaken once all PCCs had taken on board the full range of responsibilities for victims.
14. These services are now fully embedded and complement PCCs' other responsibilities to respond to local views and needs. PCCs are also increasingly engaging with local partners, including Local Authorities, on areas of shared interest, particularly in relation to the crime prevention agenda.
15. Building on the Government's manifesto commitment to "enable fire and police services to work more closely together and develop the role of our elected and accountable PCCs", the Policing and Crime Act 2017 introduced a raft of measures to ensure that emergency services collaboration can go further and faster. These are locally enabling and recognise that local leaders are best placed to determine the sort of collaboration that is best for their areas.
16. Further, the Act enables PCCs to take responsibility for the governance of fire and rescue services, where a local case is made. PCCs have clear local accountability and a strong mandate to pursue ambitious reform and maximise the benefits of joint working between police and fire. PCCs will also be able to take the additional step of putting in place a single employer for fire and police to deliver greater improvements, for example, through the integration of back office functions.
17. The sharp focus of directly accountable leadership under a PCC can play a critical role in securing better commissioning and delivery of emergency services at a local level. PCCs are uniquely placed to provide that leadership. By overseeing both services, they can maximise

¹Excluding the Metropolitan Police and City of London Police. The Mayor of Greater Manchester took responsibility for policing and crime in April 2017.

the opportunities for innovative collaboration between policing and fire and ensure that best practice is shared.

18. Where a PCC has not taken on responsibility for fire but wishes to enhance collaboration opportunities, the Act enables them to sit on their local fire and rescue authority (FRA) (or its committees) with full voting rights, subject to the consent of the FRA.
19. On 1 October 2017, Roger Hirst formally became the country's first Police, Fire and Crime Commissioner (PFCC) in Essex. As of January 2018, six other PCCs have submitted proposals for a transfer of governance in their area which are being considered by the Secretary of State.
20. Where a transfer of governance takes place, the PFCC (as they are known) is responsible for delivering both police and fire and rescue services within their area and will be responsible for setting the strategic direction of both services and ensuring value for money. They will hold to account their chief officer(s) for the operational delivery of the two services. Where a PCC takes on these functions, we consider this an additional responsibility which will have an effect on their workload. This is why we believe now is the right time for a review of their salary to be conducted.
21. As part of wider reforms to police complaints, the Act also enables PCCs to take on responsibility for key parts of the police complaints system, to bring greater accountability and independence to the process.
22. PCCs already have a duty to hold the chief constable to account, including for complaints handling. When implemented, the complaints reforms in the Act will make this duty explicit, but will not increase a PCC's overall duties. PCCs will be required to take on a new role handling complaints appeals (in future "reviews") which are currently handled by the chief constable. The legislation will provide PCCs with considerable flexibility in how this new role is delivered including the ability to delegate the function, as appropriate. The remaining new complaints functions for PCCs in the 2017 Act will be optional (responsibility for initial complaints handling and for maintaining contact with the complainant through the process). PCCs will not be required to take on these functions but, if a PCC chooses to do so, they will have considerable scope to delegate the roles.
23. Where PCC functions are transferred to the Mayor, as is currently the case in London and Greater Manchester, they have their own bespoke local solutions to determining mayoral pay. We anticipate the same arrangements will apply in the West Midlands.
24. There is no assumption that all combined authority mayors will take on PCC functions; this will not necessarily be the right approach in all cases. It is vital that PCCs are fully involved in any local consideration of transferring PCC and fire functions to elected combined authority mayors and they should play a central role in developing any business case. We have been clear that we would consider further proposals to transfer PCC functions to combined authority mayors on a case-by-case basis, but there is no assumption that all such mayors will take on PCC functions and the Government remains firmly committed to the PCC model.

III. The remit group

25. We are confident that the role of PCC continues to attract a strong field of candidates, as demonstrated by the elections in 2016. Experienced candidates who have stood for election have included former ministers, MPs and company directors.
26. Many candidates for PCC have a background in policing or criminal justice which helps them get selected and elected. These areas do not have a strong historic record of diversity, and so the pool of candidates may therefore be reduced.
27. Additionally, there are stringent criteria that may disqualify or discourage a number of candidates, including residency criteria and criteria disqualifying any individual who has been convicted of an imprisonable offence (regardless of whether or not they have spent time in prison – e.g. shoplifting). However, these criteria apply equally to all potential applicants.
28. A number of political parties, especially the smaller ones, have only recently taken a full interest in PCC elections. This means that the pool of prospective candidates and the systems for selecting candidates is not yet fully realised. It may be the case that the next set of PCC elections will see an increase in the diversity of candidates.
29. PCCs should reflect the diverse public they are elected to represent. While the role has attracted strong candidates in terms of skills and experience, women and those from BME backgrounds are significantly under-represented amongst those standing and subsequently elected as PCCs.
30. In 2012, a total of 192 candidates stood for election. 35 (18%) were female and 20 (10%) were from a BME background. Of those elected, six (15%) were female and none were from a BME background².
31. Of the 188 candidates standing for election in 2016, 29 (15%) were female. Of the 40 that were elected, seven (18%) are female and one is from a BME background³⁴.
32. We would support initiatives to increase the diversity profile of PCCs standing for election. However, it is up to political parties to select candidates to stand and ultimately, for the local electorate to choose their next PCC.
33. Nationally around nine million total votes were cast at the 2016 PCC elections, an increase of 67% increase in the number of voters from the 2012 elections. Analysis suggests that overall national turnout for the 2016 elections was 27.4% (26.1% in England and 45% in Wales), with turnout increasing in all police force areas.

² <https://publications.parliament.uk/pa/cm201314/cmselect/cmhaff/69/6907.htm#note31>

³ <http://researchbriefings.files.parliament.uk/documents/CBP-7595/CBP-7595.pdf>

⁴ <https://publications.parliament.uk/pa/cm201617/cmselect/cmhaff/27/27.pdf>

IV. Pay and reward

34. Salaries and employer pension contributions are published in PCCs' annual accounts. The total basic pay bill for PCCs is just over £3 million a year, representing around 0.03% of total police spending. This figure excludes employer national insurance and pension contributions. As required by secondary legislation, PCCs publish full details of expenses claimed and reimbursed every quarter.
35. In line with the SSRB's initial recommendations, PCCs are currently placed into five salary groups aligned to the force weightings used to govern chief constables' pay. These groups attract a spot rate salary ranging from £65,000 to £100,000.
36. PCCs were given access to the Local Government Pension Scheme (LGPS) in November 2012, as part of an agreed package of remuneration. Membership of the scheme varies according to the individual's circumstances. Member contributions are tiered based on earnings and based on current PCC salaries, members contribute between 9.9% and 10.5% of their salary. Employers typically contribute two thirds of the scheme's costs and the member contributes one third.
37. In April 2014, there was a significant change in the LGPS's regulations that removed access to the scheme for the majority of elected officials. Broadly, PCCs are now the only elected officials allowed into the scheme⁵.
38. The LGPS is administered locally and employer contribution rates vary between funds and employers. Employer contribution rates are set every three years during a valuation process, and LGPS administering authorities publish the contribution rates for their employers in a valuation report⁶.
39. Paragraph 3 of Schedule 1 to the Police Reform and Social Responsibility Act 2011 provides that a PCC is to be paid authorised allowances in respect of expenses incurred in the exercise of their functions. The kinds and amounts are determined by the Home Secretary and at present include travel expenses, subsistence expenses and exceptional expenses. The expenses determination is available from <https://www.gov.uk/government/publications/expenses--2/expenses>.
40. The published rates are standard amounts and the determination makes clear that as part of their monitoring officer duties, chief executives of the office of the PCC should subject all PCC expense claims to rigorous verification and auditing.
41. The Elected Local Policing Bodies (Specified Information Order) 2011⁷ (and subsequent amendments) sets out that the expenses reimbursed to the PCC or paid for by their office are to be published quarterly, as soon as practicable after the end of the quarter.
42. The purpose of authorised allowances is to reimburse PCCs for the expenses incurred in carrying out their duties, not to provide a general gratuity for undertaking the role. Publicly setting the rates of the allowances, and requiring PCCs to publish their expense in full every quarter, ensures fairness, transparency and accountability.

⁵ <http://lgpslibrary.org/assets/cons/lgpsew/20130410GR.pdf>

⁶ Reports are available from <http://lgpsboard.org/index.php/fund-valuations-2016>

⁷ <http://www.legislation.gov.uk/ukxi/2011/3050/contents/made>

43. In the two reviews of PCC pay so far conducted⁸, the SSRB made a recommendation of no pay increase for PCCs, which the Government accepted. This was because the role had remained largely unchanged since its inception and PCC pay was considered in the context of wider public sector pay restraint.
44. Salaries for PCCs were published ahead of the second round of elections in 2016, which attracted a strong field of candidates. Of the 40 PCCs in post where elections were due to take place, two thirds (27) stood for re-election⁹. 20 were re-elected¹⁰. Therefore, we are confident that the current overall package for PCCs remained competitive at this point.
45. There is not a benefits package for PCCs that extends beyond the PCC salary. By law, PCCs are required to declare any paid or unpaid interests that may conflict with their role or affect the amount of time they have to devote to it.

⁸ 36th Report of Senior Salary Review Body – published 13 March 2014

⁹ 37th Report of Senior Salary Review Body – published 12 March 2015

⁹ <http://researchbriefings.files.parliament.uk/documents/CBP-7595/CBP-7595.pdf>

¹⁰ <http://www.apccs.police.uk/wp-content/uploads/2013/08/PCC-Map-2016-lowres.pdf>

V. Pay proposals

46. The Government's public sector pay policy aims to ensure that the overall package for public sector workers is fair to them and that we can deliver world class public services which are affordable within the public finances and fair to taxpayers as a whole.
47. The government has confirmed that the across-the-board 1% public sector pay policy will no longer apply to pay awards for 2018/19. This is due to recognition that in some parts of the public sector, particularly in areas of skills shortage, flexibility to go above the 1% may be required to ensure continued delivery of world class public services, including in return for improvements to public sector productivity.
48. The last Spending Review budgeted for a 1% average increase in basic pay and progression pay awards for specific workforces, and there will still be a need for pay discipline over the coming years, to ensure affordability of the public services and the sustainability of public sector employment.
49. As elected representatives, public accountability and integrity are an integral part of the PCC role and their remuneration must be seen as fair and reasonable to taxpayers and the police workforce.
50. PCC remuneration should also be considered in the context of continuing budget restraint. Any increases to PCC pay will be funded from existing budgets and no additional funding will be made available.
51. As per the SSRB's previous recommendations on PCC pay, we do not believe it would be appropriate for PCCs to receive performance related pay. Overall, the performance of PCCs should be judged only by the electorate.
52. **In reviewing the appropriate level of remuneration for PCCs, we ask the SSRB to recognise the factors outlined above, and also to consider it in the context of wider public sector pay policy since PCCs were first elected.**
53. PCC pay is currently weighted by force area in the same way as that of chief police officers, as recommended by the SSRB in the initial review of PCC remuneration in 2011. Chief officers have received pay increases totalling 4% since 2012. In the same period, police officers up to the rank of chief superintendent have seen their pay increase by 4%, with an additional 1% non-consolidated award in 2017/18.
54. **We consider that the current system of force weightings used to govern chief officer pay continues to provide a suitable basis for determining PCC pay and should not therefore be reviewed in this pay round.** Chief officer pay structures will be reviewed as part of sector led reforms to deliver a new and fairer pay structure that supports a modern, professional and flexible workforce. The fundamental structure for determining PCC pay should therefore be reviewed following the implementation of the new structure for chief officers
55. The Government accepted the SSRB's recommendation in 2011 that PCCs be added to your annual remit. Reviews were postponed in 2016/17 and 2017/18 until the planned expansion of the PCC role and remit was in place and the additional fire responsibilities could be properly assessed. Legislation enabling PCCs to make a case to assume the latter took effect in April 2017.
56. From the outset, it was envisaged that PCCs would take responsibility for commissioning victims' services and victims' referral arrangements, as these complemented their other

responsibilities around responding to local needs. As such, we do not consider that these have made a significant additional impact on their workload since 2012.

57. Likewise, the complaints reforms detailed in Chapter II will not increase a PCC's overall duties and we do not believe that they will have a significant impact on workload.
58. At the time of writing, one PCC has taken responsibility for the governance of a fire and rescue authority, and a further six have submitted proposals. We believe it is still too early to properly assess the demands the additional fire responsibilities will place on the national PCC role. **Therefore, we do not consider that local differentiation in pay (other than via the existing system of force weightings) is necessary at this stage.**
59. **We ask the SSRB to consider conducting a further review of PCC remuneration in the next two to three years, allowing time for the fire aspect of the role to develop so that it can be fully assessed.** This would also allow time for any changes to the force weightings for chief officer pay to be developed.
60. **We also seek SSRB's views on whether, in future, PCC remuneration should be set on a four year cycle ahead of elections and be fixed for the term of office, until the next election.** This would mean that PCC pay was considered in the last year of their tenure and any changes to pay would come in ahead of the national elections, giving certainty to prospective candidates for the next full term.

VI. Open call for evidence

61. You have asked that we address each of the questions included in your open call for evidence. Questions 1-3 and 5 have been answered within the main body of the document, as referenced below. We have no additional comments to make on questions 7 and 8.

Q1. Has taking on responsibility for local victims' services referral and commissioning and police complaints had a significant effect on the work and responsibilities of PCCs, and if so how? Should it affect their pay and, if so, to what extent?

62. This question is addressed in Chapter II: Strategic Approach (paragraphs 13 and 14) and in Chapter IV: Pay Proposals.

Q2. Would, or has, taking on responsibilities for fire and rescue services have, or had, a significant effect on the work and responsibilities of PCCs? Should it affect their pay and, if so, to what extent?

63. This question is addressed in Chapter II: Strategic Approach (paragraphs 15 to 20), and in Chapter IV: Pay Proposals.

Q3. Has the PCC role changed significantly in scope and responsibility since the first post-holders were elected in ways not covered by your response to the above questions? If so, how?

64. There have been no additional significant changes to the role which have not been covered elsewhere in this submission.

Q4. Which are the most relevant comparable public sector roles that might provide a benchmark for PCC responsibilities and pay?

65. We believe that full-time elected office holders and selected appointed posts in the public sector, as previously identified by PricewaterhouseCoopers and informing the SSRB's recommendations in 2011, continue to be the most relevant and comparable roles for PCCs.

Q5. Should PCCs' pay be fixed before and for the duration of their four-year term of office? If not, how and at what points in the electoral cycle should it be reviewed?

66. This question is addressed in Chapter IV: Pay Proposals, paragraphs 59-60.

Q6. Should there continue to be differentiation between pay of PCCs according to police force area? If so, why and what factors should determine the extent of differentiation?

67. As set out in the Home Secretary's remit letter, in considering the appropriate level of pay for PCCs, we ask that you focus your review on how the role has evolved since the first round of elections in 2012 and the additional statutory functions that PCCs now have responsibility for. The Pay Proposals chapter sets out our rationale for not reviewing the fundamental basis of the PCC pay structure at this stage.

Annex A – Economic Context

EVIDENCE ON THE GENERAL ECONOMIC OUTLOOK

Introduction

1. The economic and fiscal context in which the Pay Review Bodies (PRBs) will make their recommendations was set out in detail in the November 2017 Budget. However, as in previous years, this chapter summarises points that may be of particular relevance to the pay review process, notably the latest Office for Budget Responsibility (OBR) projections for the economy, and recent trends in the labour market, both in the public and the private sector. This should be considered alongside the rest of this Home Office evidence when making recommendations.
2. In 2017 the Government adopted a more flexible approach to public sector pay, to address areas of skills shortages and in return for improvements to public sector productivity. The Government will continue to ensure that the overall package for public sector workers is fair to them and ensures that we can deliver world class public services, while also being affordable within the public finances and fair to taxpayers as a whole. This makes it all the more important that Pay Review Bodies continue to consider affordability, alongside wider economic circumstances, when making their recommendations.

Public Finances

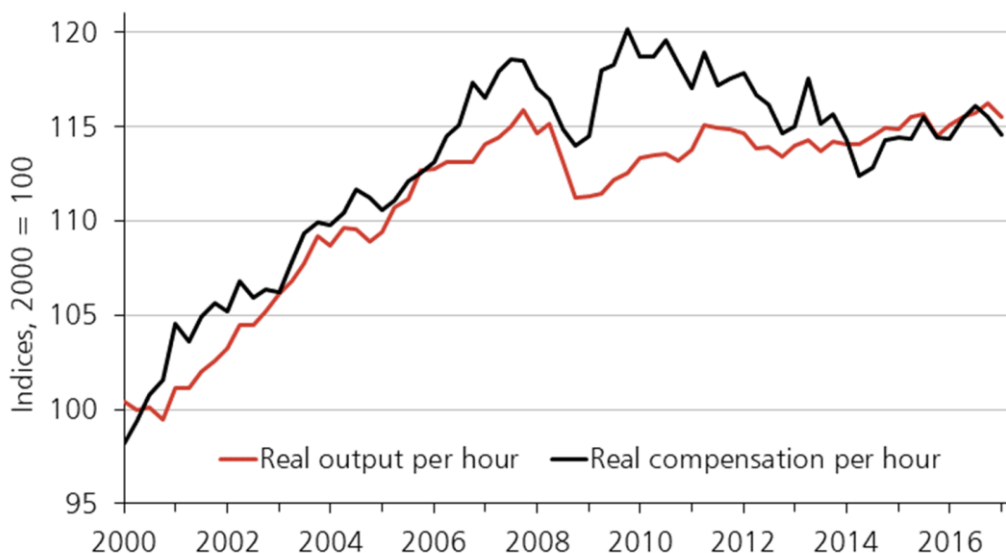
3. As usual, it is important that the PRBs take into account the wider fiscal context when making their recommendations. As set out in the November Budget, the UK economy has demonstrated its resilience. Gross Domestic Product (GDP) has grown continuously for 19 quarters and employment has risen by 3 million since 2010 to a near record high. However, over the last year business investment has been affected by uncertainty, and productivity - the ultimate driver of wage growth - has been subdued. Productivity growth has slowed across all advanced economies since the financial crisis, but it has slowed more in the UK than elsewhere. The OBR has revised down expectations for productivity growth over the forecast period compared to Spring Budget 2017.
4. The government has made significant progress since 2010 in restoring the public finances to health. The deficit has been reduced by three quarters from a post-war high of 9.9% of GDP in 2009-10 to 2.3% in 2016-17, its lowest level since before the financial crisis. Despite these improvements, borrowing and debt remain too high. The OBR forecast debt will peak at 86.5 % of GDP in 2017-18, the highest it has been in 50 years. In order to ensure the UK's economic resilience, improve fiscal sustainability, and lessen the burden on future generations, borrowing needs to be reduced further.
5. The fiscal rules approved by Parliament in January 2017 commit the government to reducing the cyclically-adjusted deficit to below 2% of GDP by 2020-21 and having debt as a share of GDP falling in 2020-21. These rules will guide the UK towards a balanced budget by the middle of the next decade. The OBR forecasts that the government will meet both its fiscal targets, and that borrowing will reach its lowest level since 2001-02 by the end of the forecast period. Debt as a share of GDP is forecast to fall next year and in every year of the forecast. These targets will require ongoing discipline in public spending,

6. Public Sector pay currently accounts for around £1 in every £4 spent by the government and the public sector pay bill figure for 2016/17 is £179.41bn, up from £173.19bn in 2015/16. Public sector pay policy necessarily plays an important role in controlling public spending.
7. Departments are also facing longer-term pressures. The OBR's Fiscal Sustainability report highlighted the significant impact that demographic changes are likely to have on the public finances. Discipline in public spending remains central to achieving the government's fiscal targets. The last Spending Review budgeted for one per cent average basic pay awards, in addition to progression pay for specific workforces, and there will still be a need for pay discipline over the coming years to ensure the affordability of the public service and the sustainability of public sector employment.
8. This makes it ever more important to ensure that our pay bill spending delivers maximum value for money. Between 2010 and 2016, public service productivity increased by 3%, an average of 0.5% per year. But although public service productivity has improved, further improvements are vital in order to deliver government objectives and meet rising demand. In its response to the PRBs Government will consider where pay awards can be agreed in return for improvements to public sector productivity, which also plays an important role in the UK's productivity growth overall.

Labour market

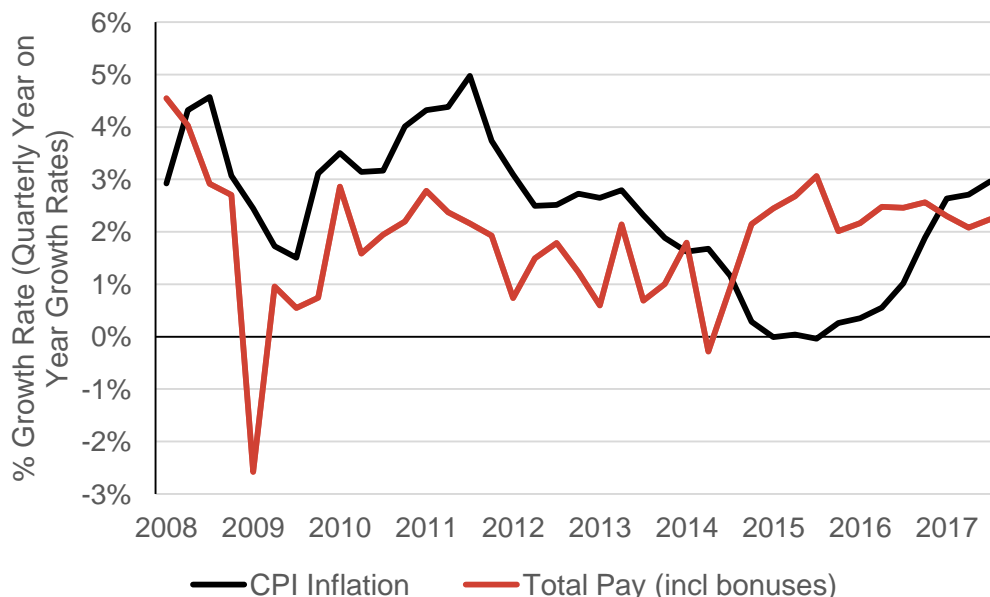
9. The UK labour market necessarily forms an important backdrop to the PRB process. The OBR forecast that the number of people in employment will continue to increase to 32.7 million in 2022. The unemployment rate is forecast to increase slightly over the forecast horizon as it returns to the OBR's new estimate of its equilibrium rate, remaining at 4.6% from 2020 onwards.
10. Despite the continued strength of the labour market, weak growth in labour productivity has been weighing down on wages and, ultimately, the public finances. As set out in the November 2017 Economic and Fiscal Outlook, the OBR expects productivity to remain flat in 2017, before increasing 0.9% in 2018 and 1.0% in 2019. Productivity growth is then forecast to increase to 1.3% in later years. This compares to the Spring Budget 2017 forecast of 1.7% on average over the forecast period.

Chart 1: Real output per hour and real compensation per hour, year on year growth (ONS November 2017)



11. With a lower forecast for productivity growth the OBR expects average earnings growth of 2.3% in 2017, 2018 and 2019. It then increases to 2.6% in 2020, 3.0% in 2021 and 3.1% in 2022. A pickup in productivity is vital for the recovery of cross-economy wage growth rates to pre-recession levels. Public and private sector wages tend to move in similar directions, both because of pay expectations and the implications of tax receipts on public sector budgets. The £31 billion National Productivity Investment Fund and our Industrial Strategy will help to boost productivity and earning power throughout the UK.
12. We recognise that higher inflation is putting pressure on all households as well as our hardworking public servants. But historically the relationship between pay and inflation has been a weak one, in part due to the temporary nature of many inflation fluctuations. Most forecasters expect this period of above target inflation to be temporary, as inflation has been pushed above the target by the boost to import prices that had resulted from the past depreciation of sterling¹¹. The OBR and the Bank of England both expect inflation to peak at the end of this year and then fall again over 2018 and 2019. The appropriate level of public sector pay award is complex and determined by a variety of factors, notably retention and recruitment. Rates of price inflation are important, but not the only consideration.

Chart 2: Whole economy average earnings growth and inflation (ONS November 2017)

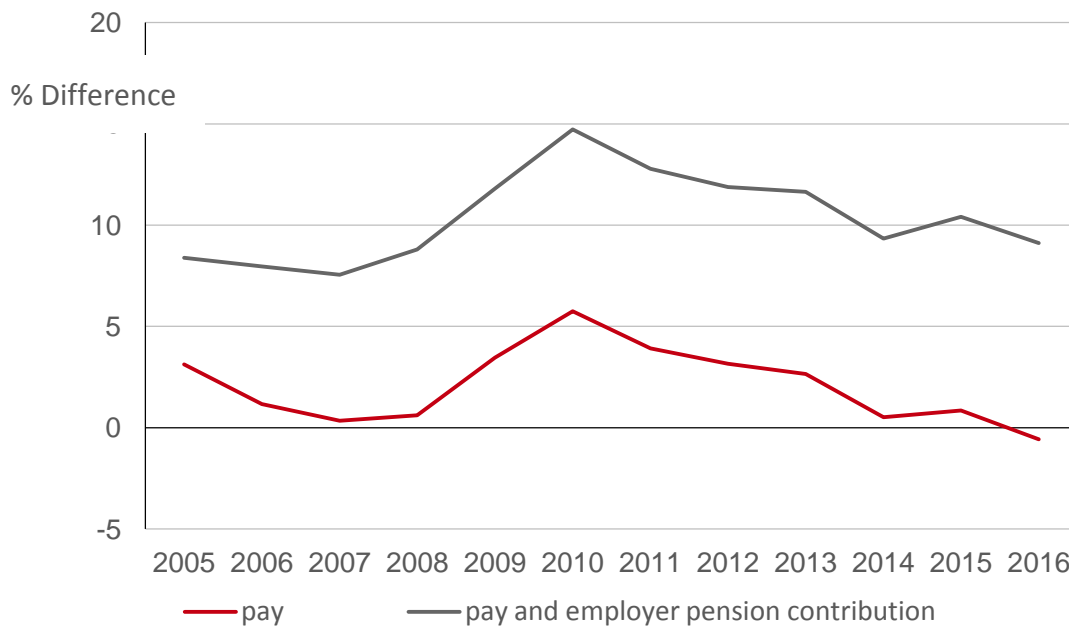


Public sector pay and pensions

13. Specific evidence on the pay of Police and Crime Commissioners is presented elsewhere in this document. However, wider trends in pay and remuneration are also relevant. Following the last recession, public sector wages did not undergo the sharp fall seen in the private sector, and have since grown at a slower pace than private sector wages: for the three months to October 2017 private sector total pay grew by 2.7% on the same period the previous year, compared to 1.8% in the public sector (excluding financial services). However, the overall remuneration of public sector employees when taking employer pension contributions into account remains at a significant premium, as seen in Chart 3 below.

Chart 3: Percentage public sector pay premium, hourly pay for all employees, controlling for personal characteristics (ONS ASHE)

¹¹ Monetary Policy Summary and minutes of the Monetary Policy Committee meeting 13 December 2017



14. When considering changes to remuneration, PRBs should take account of the total reward package. Public service pension schemes continue to be amongst the best available and significantly above the average value of pension provision in the private sector. Around 17% of active occupational pensions scheme membership in the private sector is in defined benefit (DB) schemes, with the vast majority in defined contribution (DC) schemes. In contrast, over 95% of active members in the public sector are in DB arrangements.

15. In April 2016, the National Living Wage was introduced at £7.20 for workers aged 25 and over (increased to £7.50 an hour in April 2017, and will increase to £7.83 in April 2018). The introduction of the NLW marked an increase in pay for over a million workers across the UK labour market, including in the public sector. Estimates indicate that approximately 53,000 public sector workers were paid the NLW in 2017. In 2018-19, 1.2 million people on low incomes across the economy will have been taken out of income tax altogether (compared to 2015-16), and a typical taxpayer will pay £1,075 less income tax, compared to 2010-11. Overall, since 2015, we have cut income tax for 31 million people, while freezing fuel and alcohol duty.

Conclusion

16. This chapter summarises the economic and fiscal evidence which is likely to be relevant to the recommendations of the PRBs. This is intended to inform their usual consideration of the affordability of specific pay awards, on top of the workforce specific evidence presented elsewhere in this document.

17. Much of the evidence presented here will feed into retention and recruitment across public sector workforces. Retention and recruitment will vary considerably across geographies, specialisms and grades, where public sector workers face different labour market structures. We would welcome specific comment and analysis from the PRBs on any trends and how pay systems could help address these issues.

Annex B – Home Secretary’s remit letter to SSRB for 2018/19



Home Secretary

2 Marsham Street
London SW1P 4DF
www.gov.uk/home-office

Dr Martin Read CBE
Chair
Senior Salaries Review Body
Office of Manpower Economics
Fleetbank House
2-6 Salisbury Square
London
EC4Y 8JX

7 December 2017

Dear Dr Read

SENIOR SALARIES REVIEW BODY (POLICE AND CRIME COMMISSIONERS) REMIT 2018/19

I am writing to ask you to conduct a review of Police and Crime Commissioner (PCC) remuneration.

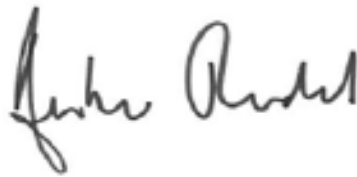
The Chief Secretary to the Treasury wrote to you in September setting out the Government’s overall approach to pay. That letter confirmed that the Government has adopted a more flexible approach to public sector pay, to address areas of skills shortages and in return for improvements to public sector productivity. The last Spending Review budgeted for one per cent average basic pay awards, in addition to progression pay for specific workforces, and there will still be a need for pay discipline over the coming years; review bodies should continue to consider affordability when making their recommendations.

The role and remit of PCCs is clearly set out in primary legislation and informed the Senior Salaries Review Body’s (SSRB) initial recommendations on PCC pay in its 2011 report. Legislation enabling PCCs to make a case to assume additional responsibility for the governance of fire and rescue services took effect in April 2017.

In light of this, I refer to the SSRB the following matters for recommendation for 2018/19:

- a) Whether the level of PCC pay remains set at an appropriate level, given how the role has evolved and the additional statutory functions taken on by PCCs;
- b) If there is evidence that an uplift is required, whether that should be applied consistently across police force areas or whether it should be applied differently according to local factors;
- c) The timing and frequency of future reviews.

I place great value on the independent advice of the review body and look forward to receiving your recommendations in due course.

A handwritten signature in black ink, appearing to read 'Amber Rudd'.

The Rt Hon Amber Rudd MP