Review Body on
Senior Salaries

Forty-Second Annual Report on Senior Salaries 2020

REPORT No. 92

Chair: Dr Martin Read, CBE

CP 272

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Review Body on Senior Salaries

Terms of Reference

The Review Body on Senior Salaries (previously known as the Review Body on Top Salaries) was formed in 1971 and is appointed by the government to provide it with independent advice.

The government wrote to us in September 2014 to confirm changes to the SSRB's terms of reference to reflect:

- The transfer of responsibility for MPs' pay, allowances and pensions from the SSRB to the Independent Parliamentary Standards Authority following the 2009 Parliamentary Standards Act.
- The addition of Police and Crime Commissioners to the SSRB's remit in 2013.
- The addition of senior police officers in England, Wales and Northern Ireland to the SSRB's remit from 2014.
- The removal of the requirement to maintain broad linkage between the remuneration of the senior civil service, judiciary and senior military.

Our terms of reference are now as follows:

The Review Body on Senior Salaries provides independent advice to the Prime Minister, the Lord Chancellor, the Home Secretary, the Secretary of State for Defence, the Secretary of State for Health and the Minister of Justice for Northern Ireland on the remuneration of holders of judicial office; senior civil servants; senior officers of the Armed Forces; very senior managers in the NHS;[1] *Police and Crime Commissioners, chief police officers in England, Wales and Northern Ireland; and other such public appointments as may from time to time be specified.*

The Review Body may, if requested, also advise the Prime Minister from time to time 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, motivate and, where relevant, promote suitably able and qualified people to exercise their different responsibilities;*
- *regional/local variations in labour markets and their effects on the recruitment, retention and, where relevant, promotion 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.*

[1] In 2016, the collective name for the SSRB remit group was changed from very senior managers (VSMs) to executive and senior managers (ESMs). An ESM is defined as someone who holds an executive position in one of the DHSC's Arm's Length Bodies (ALBs). These managers currently fall within the SSRB remit. Senior managers who hold executive positions in NHS Trusts or NHS Foundation Trusts (and who are now referred to as VSMs) do not currently fall within the SSRB remit.

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; 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:

Dr Martin Read CBE, *Chair*
Sir Adrian Johns KCB CBE DL
Pippa Greenslade
Pippa Lambert
Peter Maddison QPM[2]
David Sissling
Dr Peter Westaway
Sharon Witherspoon MBE

The Secretariat is provided by the Office of Manpower Economics.

[2] Ex Officio: Chair, Armed Forces' Pay Review Body.

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Chapter 1

Executive Summary (part 1): general considerations

Context

1.1 Our Report this year focuses on pay reviews for the senior civil service (SCS), the senior military and the judiciary. We have also responded to a request for advice from the Secretary of State for Health on the pay of senior leaders in the health service.

1.2 We remain concerned that, for the third year running, the Home Office has not asked us to provide advice on chief police officers pay, despite this being a statutory requirement.

1.3 In common with everyone else, our work has been undertaken at an exceptional time. All the written evidence and nearly all the oral evidence with which we have been supplied relates to the pre-coronavirus (Covid-19) world.

1.4 Our role requires us to base our analysis and recommendations on the available evidence. Despite the current turmoil, the government has asked us to provide our advice based on the evidence that we had already received.

1.5 Our 2020 Report therefore reflects this. However, in view of the unprecedented circumstances arising from Covid-19, we appreciate that the government will have many additional, and often conflicting, considerations to take into account when making decisions on public sector pay this year. These will include:

- The exceptional efforts being made by senior public sector leaders in very difficult circumstances during this time of national crisis.
- The continuing need to attract and retain talented and highly motivated leaders in the most senior public service roles.
- The fact that very many people in the private sector and in not-for-profit organisations are suffering great financial hardship, with widespread reductions in pay and loss of employment.
- The financial effects of the major falls in the stock market, the significant impact on defined contribution pensions and much reduced dividend income.
- The relative security of public sector jobs and the value of state-backed, defined benefit pensions.
- The very uncertain economic climate and the effect of the crisis on the public finances.

1.6 Whatever the government assesses as appropriate in setting public sector pay this year, we stress the importance of:

- Taking due note of the longer-term strategic priorities we have identified and the issues that we have highlighted as requiring attention.
- Placing more focus on the delivery of cost-effective outcomes and less on rigidly limiting increases in headline pay.
- Directing whatever money is available for pay this year in line with the immediate priorities that we have recommended.

Response to the 2019 Report and our Major Review of the Judicial Salary Structure

1.7 In our 2019 Report, we recommended:

- An award of 2.2 per cent for the SCS, with closely defined priorities for its allocation.
- An award of 2.2 per cent for the senior military.

1.8 In both cases, the government made an award of 2 per cent.

1.9 With regard to the SCS, the Cabinet Office explained that the 0.2 per cent we had recommended for specialist pay (our lowest priority) was not required and applied the balance of the SCS award in accordance with the remainder of our priorities.

1.10 We have received no explanation for the rationale in reducing our proposed award for the senior military, which contrasted with the 2.9 per cent that was recommended and accepted for the rest of the Armed Forces.

1.11 We submitted our Major Review of the Judicial Salary Structure in September 2018. Following its initial response in October 2018, the government responded substantively in June 2019. While the government accepted our main conclusions, it announced that it would address the issues raised through pension reform and short-term recruitment and retention allowances (RRAs) for some judicial groups, rather than the substantial pay awards we proposed.[3]

1.12 In addition, the government awarded the judiciary a 2 per cent pay award (rather than the 2.5 per cent we had recommended) backdated to April 2018. This was announced alongside its initial response to the Major Review in October 2018. The government was still considering its response to the Major Review when our work for 2019 started and we were not asked to make a recommendation for judicial pay that year. As a result, the government's pay award of 2 per cent in 2019 was made without recourse to SSRB advice.

Economic outlook

1.13 The social and economic impacts of the coronavirus pandemic are likely to be profound. Short-term economic indicators confirm that economic activity has fallen abruptly. In addition, there is still considerable uncertainty about the extent of the downturn and the speed of the recovery.

1.14 The government response to the impact of the pandemic on the economy has been wide ranging, with significant support for business such as the Small Business Grant Fund and the Coronavirus Job Retention Scheme. This will inevitably result in a large increase in public sector borrowing.

1.15 Despite the unprecedented scale of government intervention, the damage to the economy and employment will almost certainly be grave. Employment was at record levels going into this crisis but many businesses and not-for-profit organisations have already responded with cuts to staffing levels and working hours. This is likely to become yet more widespread in the months ahead. Very limited recruitment activity is taking place.

1.16 Average earnings growth will be difficult to track over the next pay period as employers make use of the government's furlough scheme. Pay freezes and reductions, both temporary and permanent, can be expected in the many businesses that have seen dramatic falls in revenues.

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[3] The RRAs were awarded to those judges in, or eligible to be in, the New Judicial Pension Scheme.

1.17 Price increases in response to the crisis have been muted. While there is uncertainty about the future level of inflation, it is expected to fall from the current CPI rate of 1.5 per cent this year,[4] partly as a result of falling oil prices.

General themes

Strategic vision and a focus on outcomes

1.18 We continue to stress the need for a more strategic approach from the government, linking workforce policies and pay to departmental plans. Where these plans are developed, it is important that the government increases the emphasis on implementing them more quickly. In recent months, we have seen that remarkable transformation can be achieved at pace in our public services. With public sector borrowing rising to record levels,[5] increasing productivity and efficiency in public services become even more important. Government plans, therefore, need highly accomplished and committed individuals to lead further innovation and improvement in the services delivered to the public.

1.19 While there has been progress against some of the strategic priorities we have highlighted over the last three years, we continue to be disappointed that there is insufficient focus on outcomes and the achievement of best value. This often leads to costly and unintended consequences. For example, the productivity costs of high levels of internal churn[6] in the SCS (often the only way an individual can increase their pay) can far exceed the apparent savings from rigidly limiting headline pay rises.

1.20 As part of our initiative to encourage a longer-term strategic approach to pay, the SSRB has established strategic priorities to assist departments focus on areas where action is most urgent. This year, we have included a separate chapter on the strategic priorities and set out further detail to assist departments in addressing the issues we have identified. Our assessment can be found in Chapter 2.

Pensions

1.21 While it is not within our remit to make recommendations on pension policy, we continue to comment where pensions and their taxation affect recruitment, retention and motivation.

1.22 Given the importance of pensions in the total remuneration package of public sector employees, we have continued to model changes in take-home pay and total net remuneration[7] over the last decade for representative roles in our remit groups. While take-home pay is highly visible to individuals and, therefore, affects motivation and morale, we consider total net remuneration to be the most comprehensive and appropriate measure of remuneration because it takes account of not only taxation and pension contributions but also pension benefits accrued in the year.

1.23 Our analysis underlines the fact that pensions constitute a key element of the remuneration package for public sector workers. While public sector employees have seen their pensions decline in value and their contribution costs increase, their pensions

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4 CPI rate for March 2020. Latest data available, published April 2020.

5 In their Coronavirus Reference Scenario published 14 May 2020, the Office for Budget Responsibility (OBR) estimate that borrowing in the current financial (April 2020 to March 2021) will be £298.4 billion, around five times the amount borrowed in the latest full financial year (April 2019 to March 2020). This is almost twice as much as that borrowed in the financial year ending March 2010, at the peak of the financial crisis.

6 Job movement within an organisation.

7 See: Appendix B. Take-home pay is defined as annual gross pay (base pay plus any allowances) less employee national insurance contributions, income tax, employee pension contributions and any pension annual allowance tax charge. Total net remuneration adds on the pension benefits received in the year.

remain generally attractive. Consequently, pension benefits continue to be a significant concern for our remit groups and, increasingly, for their feeder groups.

1.24 For several years, we have highlighted the need for the government to consider the impact of pension taxation on senior leaders in the public sector, for whom there is less pension flexibility than their private sector equivalents. Changes in pension taxation announced in the March 2020 budget represent an important response to the problems we have been raising. We were pleased to see the steps the government has taken to reduce the serious effect pension taxation has had on many in our remit groups. We have modelled the impact of the latest changes on our groups and our analysis and conclusions are set out in Chapter 4. We will continue to monitor the pension aspect of public sector remuneration and its potential impact on recruitment and retention in future years.

Retaining talent

1.25 In most cases, levels of recruitment and retention for our remit groups remain satisfactory. However, we have ongoing concerns about whether the public sector continues to attract and, particularly, retain the best talent in the feeder groups as these are the very people needed to fill the senior roles in the future. We urge the government to develop measures to assess this.

Clarity between central, devolved and departmental control

1.26 We see continuing tensions, particularly in the SCS, between a central approach to pay and more localised arrangements, for example across the devolved governments and between individual government departments.

1.27 There are merits in either approach or a suitable mixture of the two. However, clarity is essential. In this regard, we would particularly encourage the government to consider carefully how its approach to pay is applied to those members of our remit groups in the devolved administrations. These members tend to consider themselves as being part of the UK-wide civil service or judiciary. A fractured approach to pay could result in confusion, lowered morale and geographical churn.

Compatibility between senior pay and those for other grades or ranks

1.28 In relation to the SCS and the senior military, we have been asked by the government to consider compatibility with what was negotiated or recommended for the rest of the civil service and military. However, we do not know what advice the government will receive and what decisions it will make about pay for groups outside our remit. If the government wants us to consider this issue, it should be clear about what it wants and what information it will provide to us so that we can take this into account.

1.29 We stress, in any event, that the factors which determine pay for senior leaders can differ significantly from others in the organisation and that our remit is to consider the evidence on recruitment and retention for our remit groups independently.

Diversity

1.30 We have highlighted for several years, and included within our strategic priorities, how important it is that our remit groups should better reflect the society they serve and the broader workforce for which they are responsible. While we have seen progress on diversity across our remit groups, further efforts are required in many areas. We would welcome more granular data on diversity for all the remit groups, as well as demonstration of a more sustained ambition regarding what can and should be achieved.

The value and better use of the SSRB

1.31 In 2018, we commented on our own role and considered how the government could make better use of the SSRB's expertise and knowledge. Existing examples of where this expertise and knowledge have successfully been applied include:

- The Major Review of the Judicial Salary Structure which was commissioned by the Ministry of Justice (MoJ).
- Our engagement with the Cabinet Office on developing proposals for pay progression for the SCS.
- Our collaborative work with the Department of Health and Social Care to explore and test the viability of an expanded SSRB remit in relation to senior health managers.

1.32 We have welcomed these opportunities to provide additional support to the government. However, we are disappointed that we have been unable to make such progress in relation to chief police officer pay, for which we have a statutory responsibility, and the pay of Police and Crime Commissioners. We hope that the Home Office will rectify this in the next pay round.

1.33 We have also previously highlighted the benefits that a single ministerial lead on senior public sector pay could bring, mirroring the Review Body's span of responsibility. We have still not received a formal reaction to the proposal we made in October 2017, and reiterated in both our 2018 and 2019 Reports, and would welcome a response from Ministers.

Looking forward

1.34 We have noted earlier the extraordinary circumstances in which we have finalised the recommendations in our Report this year. The impact of Covid-19 – on individuals, on society and on the economy – will be significant and long lasting. We are unlikely to see a return to the world which existed before its onset. This will bring both challenge and opportunity and will have significant consequences for the public sector groups covered by the SSRB. They should anticipate new expectations, new working arrangements and new leadership requirements. In these changing circumstances, the SSRB will work closely with the government to ensure that the future pay and reward of senior public servants are aligned with the realities of a nation moving through unprecedented times.

Chapter 1

Executive Summary (part 2): remit groups

Remit group characteristics

1.35 The nature of the roles in our remit groups varies significantly. However, as senior leaders in their organisations or professions, members share key features and challenges. This has been exemplified by the pension taxation issue which we have highlighted in recent years. A core part of our role is helping the government to understand both where there are common issues that need to be addressed and where there are specific problems for organisations or professions that need focused intervention.

1.36 As further background, we have provided descriptive information this year across our individual remit groups. This is set out in Appendix C.

The Senior Civil Service

1.37 We are encouraged by the progress made by the Cabinet Office and the collaborative approach to working with the SSRB on delivering improvements to the SCS pay framework. There is, however, more to be done. In previous reports, we have highlighted the need for a coherent pay and workforce strategy to address what we consider to be serious issues affecting the productivity and effectiveness of the senior civil service (SCS). These issues, many of which are acknowledged by the government, are discussed in detail in Chapter 5. Two particularly pressing and related problems are:

- High levels of uncontrolled job movement within the civil service ('internal churn') to the detriment of delivering outcomes. This degree of churn is expensive, not just in terms of the direct costs such as recruitment and training, but also indirectly through the loss of expertise, knowledge and hence productivity.[8] Higher rates of churn undermine accountability and adversely affect the delivery of policy and projects.
- The absence of a pay progression system. This means that staff are not generally rewarded for increasing effectiveness, developing capability and deepening expertise over time. This, and the lack of proactive management of people's movement through the system, have been driving high levels of churn within the SCS.

1.38 Further issues of concern include:

- The lack of a strategic vision for the future shape and size of the SCS in the light of changing demands and the skills it needs to deliver outcomes.
- Pay proposals overly focused on limiting annual pay increases but which may lead to costs considerably in excess of the apparent savings.
- Low confidence in the performance management system, with too much emphasis placed on process rather than on quality.
- A tension between the centre of government wishing to control the pay system and the delegation of responsibility to departments. The government needs to be clear about what it wants to delegate, make certain this is properly articulated and put mechanisms in place to ensure adherence.

[8] The Institute for Government estimated the cost of churn to be between £36 million and £74 million each year in terms of recruitment, training and lost productivity. As a comparison, 1 per cent of the SCS paybill is approximately £6 million. See: Moving On: The cost of high turnover in the civil service, https://www.instituteforgovernment.org.uk/sites/default/files/publications/IfG_staff_turnover_WEB.pdf

- The divergence in the vision for the SCS and the application of reward principles for SCS members across the different governments in the UK.
- Anecdotal evidence of reduced levels of morale in the feeder group. This may result in too many of the best people leaving the civil service and never entering the SCS.

1.39 In 2017, the Cabinet Office set out its long-term vision and strategy for the SCS and the pay and reward framework that underpins it. Progress towards this has been made, including:

- A more targeted approach to the annual pay award to address some of the anomalies arising from not having a proper pay progression system, years of pay restraint and overlapping pay bands. Tackling these anomalies has enabled larger pay awards to be made to capable members who had been trapped at the lower end of the pay range.
- Short-term action to address some of the serious flaws in the performance management system such as the removal of forced distribution.

1.40 In the evidence submitted to us in March 2020, the government reinforced its message about a long-term strategic vision and reiterated the need for an SCS that:

- Has leaders with stronger professional 'anchors' and specialist skills.
- Continues to grow world class capability and functional expertise internally while recruiting and retaining specialist skills externally.
- Provides greater reward for higher performers and those who develop capability by remaining in post for longer, enabling greater depth of experience, confidence and leadership skills.

1.41 We concur with these principles. However, while we are encouraged that progress has been made, we believe it is crucial that the government acts with greater urgency to provide the funding and to set out the implementation plan and timetable to deliver these changes.

1.42 In recent years, the civil service, at all levels, has faced significant challenges in preparing for the UK's exit from the European Union. More recently, large numbers of public sector workers, including civil servants, have been leading the national response to the coronavirus pandemic. These efforts have reaffirmed the commitment and resilience of the civil service. We have already considered the effect of Covid-19 in the context of public sector pay in part 1 of the Executive Summary.

1.43 In our view, a key challenge for the government is determining the purpose, size and composition of the future SCS. We consider that the Cabinet Office needs to assess the changing demands placed upon the SCS both now and in the longer term and to identify the outcomes it needs it to deliver. This should then drive decisions about the size and composition of the SCS and the skills its members need to achieve the desired outcomes and be effective leaders of the rest of the civil service. We believe this will enable a centrally-managed senior leadership cadre to operate more efficiently and to focus more strongly on the outcomes it seeks to deliver. The government's approach to pay and reward needs to support the development and sustainment of this cadre for both the immediate future and the longer term.

Government proposals this year

1.44 In its evidence in March 2020, the government said that its objective for this year's pay award was to move towards the new pay framework, underpinned by its three core principles.[9] There was a particular focus on capability-based pay progression, Director General pay and the right level of pay for the SCS.

Pay recommendations

1.45 Over the last few years, there has been a significant increase in the size of the SCS, due largely to the increase in workload arising from the UK's exit from the European Union. This has contributed to a 10 per cent increase in the paybill in the last year alone. Although there are indications of fragile morale in the SCS, this does not currently appear to be affecting recruitment, which remains stable overall with no critical problems. However, there remain concerns from those in the internal feeder groups about whether the increase in salary from grade 7 or 6 to pay band 1 is worthwhile, given the significant additional accountability and changes to terms and conditions such as a lack of overtime and a reduction in flexible working opportunities. This could result in a reduction of the recruitment pool from which future SCS members can be appointed.

1.46 In terms of retention, there is no significant outflow from the SCS and the resignation rate remains stable. The evidence does not show any particular problems with top performers leaving the SCS. However, it is important to ensure the proportion of high-quality staff leaving the SCS and the feeder groups is not excessive. We believe measures should be put in place to monitor this over time and would welcome further evidence on the retention of talented staff. We are encouraged by the extensive talent and development schemes in place. However, we would like to see the government articulate how these fit in with the wider strategic vision and approach to career management.

1.47 In our view, it is essential to reduce the rate of internal churn, both between and within departments. This is vital to maximise the benefits of developing experience, expertise and skills in post and increase accountability for the successful delivery of outcomes. We continue to believe that pay progression is the highest priority as a means of rewarding and incentivising staff to stay in post. We have yet to see the detail of how the proposed capability-based approach will address this problem in a simple, timely and cost-effective manner.

1.48 In oral evidence, the government told us that a pay award of between 1.5 to 2.5 per cent would be fair and necessary. In written evidence, it said that the headline figure for the SCS should not be higher than that agreed for the delegated grades.[10] Given its stated intention that we should consider the delegated grades and SCS coherently, the government should be clear in future about what it wants and what information it will provide to us so that we can take this into account. While we are mindful of awards in other parts of the public sector, we do not believe that simply following pay awards elsewhere can be consistent with our duty to consider independently all the evidence put before us about our remit groups.

1.49 We acknowledge that the government implemented our 2019 pay recommendations in line with our specified order of priority and note that a similar approach to the pay award has been proposed by the Cabinet Office this year. As we have noted in part 1 of the Executive Summary, the government has asked that we should continue to base our recommendations on the evidence provided pre-Covid-19.

1.50 We are again making our recommendations for an annual pay award in the absence of a proper pay progression system. We are firmly of the view that pay progression continues

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[9] The government's stated principles are to move to a set of consistent pay ranges by professional grouping over time; to provide greater reward for high performers and those who develop capability by remaining in role; and to provide clearer rules and control on how people move through and around the SCS pay system.

[10] On 18 May 2020, the Cabinet Office published the delegated pay guidance which stated that departments are able to make average pay awards within the range of 1.5 to 2.5 per cent.

to be the highest priority. We therefore consider that the pay award this year should be weighted towards allocating funding to address anomalies arising from the lack of pay progression for capable members who have been stuck at the lower end of the pay range for some time. However, we are cognisant of the importance of strong leadership and maintaining morale at this critical time. It is therefore our view that all eligible members of the SCS should get some form of pay award this year. We also continue to believe that an element of the pay award should be used to increase pay band minima to support the principle of narrowing pay ranges.

1.51 On the basis of all these factors, **we have judged that a 2 per cent increase in the SCS paybill is justified.** This paybill increase should be applied in the following order of priority:

- One per cent of the paybill increase should be used to mitigate anomalies arising from the lack of pay progression and to alleviate other pay anomalies. We understand that, last year, departments found this element of the pay award particularly beneficial given the flexibility it gave them to address these issues. We therefore reiterate that this 1 per cent should be used to facilitate pay progression for those members who are at the lower end of their pay range and who have not seen significant pay rises in recent years. It should also be used to address anomalies, including in relation to those SCS members who have increased their effectiveness and deepened their expertise. **Given that the priority for funding this year should be to address problems arising from the lack of a pay progression system and other anomalies, this allocation should be ring-fenced.**
- 0.1 per cent should be used to increase the pay band minima across all pay bands. This includes a £5,000 increase to pay band 3, as set out below.
- All SCS members (with the exception of those on performance improvement measures) should receive a minimum 1 per cent pay award this year, either through benefitting from the increase to the minima or from a 1 per cent general pay award (or a combination of both to total 1 per cent). We estimate that this would represent only 0.9 per cent of the paybill increase because the cost of the pay award for those moving to the new minima has already been taken into account.

1.52 In terms of the specific government proposals that have been made this year:

- We support the proposal to raise the minima for all pay bands. However, while we accept the reasoning for not significantly lowering the maxima pending the development of a pay progression system, we consider that incremental steps could be taken to start reducing the maxima to enable faster progress to be made in narrowing the pay bands.
- We endorse the government's approach to Director General pay and support the proposal to increase the minimum of the pay range by £5,000 this year.[11] However, we do not consider that we have enough evidence at this point to endorse the further £5,000 increase proposed for next year.
- We continue to support the principle of non-consolidated awards to reward high performance. We welcome the removal of the forced distribution in the performance management system. However, we stress the need for continued monitoring within centrally defined parameters to ensure fairness and consistency.

1.53 We are encouraged by the continued openness of the Cabinet Office in discussing proposals and sharing the direction of travel with us. We consider this to be a major step

[11] The cost of raising the minimum for pay band 3 is included within the 0.1 per cent we have allocated to increase minima across all pay bands.

forward over the last couple of years. However, we think it is imperative that there is a greater pace of reform and firmer commitment to a timetable for implementing change.

1.54 We note that there is work underway to better understand the appropriate rates for SCS pay. We consider that this work should take the opportunity to redefine what the senior leadership cadre looks like, in terms of purpose, size and composition, and be undertaken in the context of the breadth of strategic and leadership responsibilities across the SCS. We are happy to input into this work as necessary.

1.55 We are cognisant of the challenging times ahead for the SCS and the responsibility it has in supporting the government's response to Covid-19. A well-motivated, high-calibre senior leadership cadre is critical to enable the government to function effectively. We again stress that the highest priority remains the successful implementation of pay progression, which should be paybill neutral over time. We urge the government not to lose momentum or focus in achieving this objective. We also consider that by concentrating on addressing the issues that are set out in paragraphs 1.37 and 1.38, the SCS will emerge as a stronger and more effective workforce.

Senior Officers in the Armed Forces

1.56 The evidence shows that recruitment and retention for the senior military currently remains at satisfactory levels. This remit group is able to attract sufficient numbers of personnel from the feeder group and there is no apparent evidence of declining quality.

1.57 Results from the 2019 Armed Forces Continuous Attitude Survey (AFCAS) show that morale among the senior military is similar to last year. However, the Ministry of Defence (MoD) set out some concerns in evidence and members of the remit group and the feeder group raised others during discussions. These issues are highlighted in the paragraphs below.

1.58 This year, as in previous years, one of the main issues noted was the impact of pension taxation on decisions to remain in Service and accept promotions. We have analysed and commented upon the effect of pension taxation policy on our remit groups in our last three Reports. Therefore, we welcome the government announcement in the March 2020 budget of changes to the annual allowance taper from April 2020. This should reduce the impact of the annual allowance tax charge on Service personnel in the senior military and the feeder group.[12] This is discussed further in paragraph 6.34. In future, we hope to receive evidence from the MoD that this has had a positive impact on the retention and motivation of individuals in the remit and feeder groups.

1.59 We were told in various evidence sessions that the overall military offer has been eroded. Although direct comparisons can be difficult, remit group members thought that comparable roles in the civilian sector do not have such high levels of accountability and responsibility and allow a better work-life balance. Other factors which detract from the employment offer are the uncertainty of continuity of employment beyond the current posting at 1-star and above, the removal of non-pay elements of the package, heavy workloads and the effect of Service life on families. There is a risk that too much reliance is placed on a public service ethos overriding pay as a consideration in career choices. A 'tipping point' could soon be reached and these issues could start to have a negative effect on individuals' decisions to remain in the military or to accept promotion.

1.60 Retention and promotion of the most talented individuals from the feeder group to the senior military is vital in an internally sourced organisation such as the Armed Forces if a high-quality workforce is to be maintained. Any sudden increase in voluntary outflow from either the remit group or the feeder group would be challenging for the military.

[12] We note that individuals may still face an annual allowance tax charge this year.

As we have stated in previous reports, it is therefore a priority that the MoD puts in place mechanisms to provide better data on the number, and particularly the quality, of those leaving the remit group and crucially the feeder group. This is to ensure the future pipeline of talented officers to the senior military is monitored and any emerging issues can be identified and addressed promptly.

1.61 While the numbers remain small,[13] some additional roles are now being advertised as opportunities for civilians as well as for members of the senior military. This may create additional flexibility in increasing the recruitment pool for the MoD. However, this could lead to reduced career opportunities for the senior military and, if not managed transparently and fairly, could lead to remuneration and retention problems as different contractual terms and conditions are offered.

1.62 Increasingly, the skills needed by the senior military in areas such as cyber require intensive training and investment. The policy of only one guaranteed posting at 1-star and above and the lack of active talent management for some specialist roles increase the risk of these skills being lost to the private sector after considerable investment.

1.63 We note the MoD's request that the recommendation for the senior military pay award should take into consideration the award recommended by the Armed Forces' Pay Review Body (AFPRB) for the rest of the Armed Forces. The MoD says this is in order to restore the automatic minimum increase in base pay of 10 per cent for individuals on promotion from OF6 (1-star) to OF7 (2-star). However, we stress that an award equivalent to that recommended for the rest of the military would not restore the 10 per cent differential but would only prevent further erosion of it. While we are mindful of awards for members of the rest of the Armed Forces, our focus is necessarily on the pay levels required to retain and recruit members of the senior military.

1.64 We are aware of the potential effect on morale and cohesion of members of the senior military consistently receiving lower pay awards than the rest of the military. However, there are no recruitment and retention issues in the senior military, unlike elsewhere in the Armed Forces. If different pay awards are made to the AFPRB and SSRB remit groups this year, the MoD could continue to apply the Specially Determined Rate of Pay (SDRP)[14] for those individuals who require it. Nonetheless, we recognise that this is a temporary approach that is not sustainable in the long term. The MoD may prefer to consider our suggestions for a more strategic approach to maintaining the 10 per cent increase to pay on promotion. These can be found in paragraph 6.102.

1.65 We recognise the significant numbers of public servants, including members of the senior military and the rest of the Armed Forces, that have been involved in leading the response to the coronavirus pandemic. These efforts have reaffirmed the commitment and resilience of the members of the Armed Forces and their ability to respond rapidly in times of national crisis.

1.66 As we have noted in part 1 of the Executive Summary, the government has asked that we should continue to base our recommendations on the evidence provided pre-Covid-19.

1.67 **The above considerations lead us to recommend an across the board consolidated pay award of 2 per cent for all members of the senior military.**

1.68 We remain concerned that some of the X-Factor components appear to be affecting members of the senior military to a greater extent, through the increasing frequency of overseas deployments, exceptionally heavy workloads and the impact of Service life on

[13] Over the last year, the MoD informed us that there were five roles that were advertised for open competition. Currently three of these are held by members of the senior military and two by members of the SCS.

[14] A rate of pay set above the increment to which the individual would normally be entitled.

families. However, the MoD told us in written evidence and the Chief of the Defence Staff (CDS) confirmed in oral evidence, that there was currently no evidence to support a change to the X-Factor taper. We note the MoD's proposal to leave the formal review of the X-Factor taper until the next scheduled five-yearly review of X-Factor in 2023.[15] However, we believe that our continuing concern warrants earlier consideration of this. We will continue to monitor the situation. If it deteriorates, we will return to this issue next year.

1.69 In oral evidence, we were told that many reviews were taking place under the People Transformation Programme which we understand builds on the Defence People Strategy. It is important for us to receive more information about these reviews, including how they fit into the overall Defence strategy, and about the timescales for their implementation. We would particularly like to know how consideration of the future remuneration strategy for members of the senior military fits into these reviews.

The Judiciary

Our remit for the 2020-21 pay round

1.70 This is the first annual review of judicial pay we have conducted since our Major Review of the Judicial Salary Structure was submitted in September 2018.[16] This year, the government asked us to make a recommendation for an annual pay award for all salaried judicial office holders, without regard to pension scheme membership. Because of worsening recruitment problems at the District Bench, the government asked us particularly to consider District Judge recruitment and retention.

1.71 We have also been asked to review the appropriate salary placement of two groups of judges (Upper Tribunal Judges and Senior Masters and Registrars) and to consider the issue of rewarding intermediate leadership. Our response to these requests is set out in part 2 of Chapter 7.

Context: government response to the Major Review remuneration recommendations

1.72 Since the Major Review, there has been substantial progress. Both the government and the judicial leadership have taken significant steps in response to our observations and recommendations. In particular, we welcome the proposal to address judicial leadership within the judicial pay structure in the current pay round.[17] Nonetheless, some of the measures put in place are temporary fixes.

1.73 In the Major Review, we concluded that there were serious problems in recruitment to High Court and Circuit Judge posts. An important reason was a decline in the total net remuneration on offer to applicants since 2010.[18] Our modelling showed that this had largely been caused by changes in judicial pension arrangements and the way that these

[15] The AFPRB is currently carrying out research to ensure the X-Factor components are fit for purpose for the next X-Factor review in 2023. It expects to report on this research in its 2021 Report.

[16] Two annual pay awards have been made since the Major Review. In 2018, the government awarded the judiciary a 2 per cent pay award (rather than the 2.5 per cent we had recommended) backdated to April 2018. This was announced alongside its initial response to the Major Review in October 2018. The government was still considering its response to the Major Review when our work for 2019 started and we were not asked to make a recommendation for judicial pay that year. As a result, the government's pay award of 2 per cent in 2019 was made without recourse to SSRB advice.

[17] See: paragraph 7.198 for further details.

[18] See: Appendix B. Take-home pay is defined as annual gross pay (base pay plus any allowances) less employee national insurance contributions, income tax, employee pension contributions and any annual allowance tax charge. Total net remuneration is calculated as take-home pay plus the value of the additional amount added to the annual pension during the year. It does not take account of issues related to the lifetime allowance for pension contributions.

interacted with the revised pensions taxation regime.[19] We noted that the Ministry of Justice (MoJ) wished to attract applications from high-quality barristers and solicitors with a wide range of civil, commercial or criminal experience, and that, despite their other motivations (such as a commitment to public service), these groups would not apply unless they believed that the overall financial package on offer was sufficiently attractive.

1.74 While it is beyond our remit to comment on either pension policy or pension taxation, we must take account of them where they affect the recruitment, retention and motivation of public sector workers, as they have done particularly with the judiciary. In the light of the 2015 changes to the judicial pension, our Major Review recommended increases in judicial salaries to the minimum level we judged necessary to attract more applicants of the quality that the government had said that it wanted. We directed the largest pay increases to groups where the pension changes had caused the largest reductions in total remuneration.

1.75 In its full response to our Review in June 2019,[20] the government accepted our analysis. However, it announced that it would address the underlying cause of the recruitment and retention problems that we identified through future changes to the judicial pension scheme, rather than implementing the salary uplifts we recommended (32 per cent for High Court Judges, 22 per cent for Circuit Judges and 8 per cent for District Judges in the New Judicial Pension Scheme (NJPS)).[21] Pending such changes, short-term recruitment and retention allowances (RRAs) were awarded to those NJPS judges in roles where the government considered the problems were most acute.[22] These RRAs were about seven percentage points lower than the pay increases we had recommended. The District Bench, where we had flagged emerging recruitment issues and had recommended an 8 per cent salary uplift, did not receive an RRA.

1.76 As a result of the changes to the annual allowance pension taxation taper in the March 2020 budget, the government has since announced alterations to these RRAs. This is because these pension tax changes go some way to offset the deterioration in total remuneration that senior judges have suffered in recent years. From April 2020, the government withdrew RRAs completely for Circuit Judges and Upper Tribunal Judges, while the RRA for eligible High Court Judges (and those above them in the judicial hierarchy) remains at 25 per cent.[23]

1.77 We can understand the government's approach and, indeed, our modelling on the effect of the March 2020 budget changes supports the changes in the quantum of the RRAs. However, the budget changes do not resolve the long-term issues about how the judiciary, at different levels, is to receive a sufficiently attractive level of total net remuneration to address the serious recruitment problems it faces. For example, the lifetime allowance is likely to be reached for many members of the judiciary either before appointment or during their service on the Bench. This applies especially because many

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[19] Our analysis showed the change in inflation-adjusted (real) take-home pay and total net remuneration for High Court, Circuit and District Judges under the JUPRA93 and NJPS15 pension schemes between 2009-10 and 2017-18. It found that, across all groups of judges, those who were in the NJPS pension scheme had significantly lower inflation-adjusted take-home pay and total net remuneration in 2017-18 relative to those in the JUPRA93 scheme, though these varied in size for different salary groups.

[20] The government issued an initial response to the Major Review in October 2018.

[21] For judges covered by the NJPS, we recommended that the pay of a High Court Judge should rise to £240,000; that of a Circuit Judge and equivalents to £165,000; and that of a District Judge and equivalents to £117,000.

[22] RRAs are only awarded to those judges in the NJPS or those eligible to be in it (including judges who had opted out of the pension scheme). Before the March 2020 budget changes, Circuit Judges, Upper Tribunal Judges and other identified roles in group 6.1 received a 15 per cent RRA. This has now been removed. High Court Judges and above continue to receive a 25 per cent RRA.

[23] See: paragraph 7.49 for further details.

enter the judiciary late in their careers, having already built up pension provision.[24] When the judicial pension scheme was unregistered for tax purposes, the lifetime allowance did not apply to judges and hence the pension was more valuable. This advantage no longer applies, thereby lessening the financial attractiveness of judicial service. Moreover, the March 2020 budget changes and their consequences highlight the fact that the current RRAs create further anomalies in an already complicated system with two such different pension schemes in place. We have already seen the effect on judicial morale and cohesiveness in many of the submissions we received this year. We believe that the RRAs can only be short-term measures and, if retained for too long in their current form, will cause damage, not only to current recruitment but to longer-term aspirations for the judiciary.

1.78 The government's proposals for addressing judicial recruitment problems by reforming judicial pensions have not yet been published. While it is outside our remit to comment on pension policy, we believe it is a matter of urgency to reach a more stable and less divisive settlement in some form, not least to improve the sense of collegiality and cohesiveness among the judiciary as a whole. Until the plans are published, no one can assess how successfully they will provide a stable foundation for future judicial remuneration, and whether they will be successful in addressing the evident recruitment problems. It is in this context that we have considered our recommendations for this year.

Developments in judicial recruitment and retention since the Major Review

1.79 Since the Major Review, there have been many judicial competitions and appointments. At the High Court and Circuit Bench, numbers of applications and appointments have increased, although it is impossible to know the extent to which the expectation of pension reform was a factor in addition to the RRAs. However, shortfalls in appointments remain at High Court and Circuit Bench levels, with both benches continuing to operate below the statutory or desired complement. We have seen no evidence of more early retirements, possibly because the McCloud judgment[25] meant that some judges no longer face an abrupt change to their pension scheme.

1.80 In the Major Review, we had noted emerging problems with recruitment to the District Bench which the government chose not to address in its response. These problems have intensified, both in terms of the number and quality of both applicants and appointees.[26] There are also concerns about judicial morale. We discuss District Judges further from paragraph 1.86.

1.81 We believe the delay in implementing RRAs in Scotland and Northern Ireland has undermined the established convention of pay parity across the UK jurisdictions and the principle of a UK-wide judiciary. It has also caused resentment.

Pay recommendations for 2020-21

1.82 As noted above, we recommended significant salary uplifts in the Major Review, as we believed these were needed to address the recruitment difficulties we had identified. The government has announced it will address the issue by future reforms to the judicial pension scheme, thereby creating a more attractive financial offering to encourage more applications. We therefore think it imperative that the government moves with urgency to consult about and implement the judicial pension changes that it undertook to make in June 2019. We have made our pay recommendations for this year on the understanding that it will do so. Further delay would risk undermining judicial trust

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[24] The Judicial Diversity Statistics show that 42 per cent of the judiciary (including fee-paid judges) are over the age of 60, with only 5 per cent under the age of 40.

[25] See: from paragraph 4.24 for further details on the McCloud judgment.

[26] See: paragraph 7.114.

in government, with damaging consequences for recruitment and retention. If things have not significantly moved forward by next year, and there is no improvement in the recruitment and retention situation, we will have to consider recommendations that respond appropriately, drawing on the approach we took in the Major Review.

1.83 Meanwhile, much of the evidence we have seen this year would normally justify our recommending a significant pay increase for new members of all judicial groups. While the general recruitment situation has not worsened significantly (except for the District Bench), it has not improved as much as is needed.

1.84 We note the MoJ's proposal is for a 2 per cent pay award and that the government has asked that we continue to base our recommendations on the evidence provided pre-Covid-19.

1.85 We have discussed in part 1 of the Executive Summary the potential impact of Covid-19 on the economy, pay, and government finances. Given this, and the government's intent to deliver pension reform, we have decided not to recommend higher pay increases this year. **We therefore recommend a pay award of 2 per cent for all the judiciary, pending the longer-term reform we hope to see next year.** If, however, recruitment difficulties at their current scale persist, and there is no movement towards a more lasting solution, we will need to reconsider whether higher pay increases are needed next year.

District Judges

1.86 We were asked in this year's remit letter to look particularly at District Judge recruitment and retention.

1.87 As noted above, there is evidence that the recruitment difficulties we flagged in the Major Review have worsened for the District Bench (though not for other group 7 judges). We also heard a lot of evidence about poor morale for this group. A very high number of District Judges (366 out of 410) wrote to the President of the Association of Her Majesty's District Judges to raise concerns about their level of pay, and express their disappointment at the government's response to the Major Review. Judges in salary group 7 (for example, District Judges and First-tier Tribunal Judges) were particularly unhappy about being excluded from the award of any RRA, especially after it was extended to the Circuit Bench. We think it likely that this disaffection, and its communication to potential applicants, has contributed to the recruitment difficulties for District Judges.

1.88 The view of the Lord Chancellor, the judicial leadership[27] and the Judicial Appointments Commission (JAC) is that the recruitment problems at the District Bench are likely to be solved by the replenishment of the fee-paid Deputy District Judge (DDJ) feeder pool following several years of little or no recruitment of DDJs. This is relevant as District Judges are required to have previous judicial experience. The Lord Chancellor and the judicial leadership believe that, given the recruitment exercises now being run for the DDJ pool, this will in due course create a satisfactory number of good quality applicants for salaried District Judge roles.

1.89 In oral evidence,[28] the judicial leadership acknowledged that pay affects morale and may therefore be affecting recruitment.[29] However, it believed that the feeder pool shortfall,

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[27] In this context, we use the term judicial leadership to refer to the Lord Chief Justice of England and Wales and the Senior President of Tribunals. When discussing Scotland and Northern Ireland, it will also include the Lord President of the Court of Session and the Lord Chief Justice of Northern Ireland.

[28] This evidence was given before the March 2020 budget changes.

[29] This was set out in more detail in written evidence. See: paragraphs 7.73 and 7.74 for further details.

perceived poor working conditions and increased workloads are the principal factors that need to be addressed.

1.90 We agree that there are many factors behind the shortfall in recruiting District Judges.[30] We agree too that the depletion of the feeder pool is significant, though we note that there are still over 700 judges in it.[31] We have not, however, seen evidence that newly-appointed DDJs will apply for full-time salaried District Judge posts at the same rate as their predecessors. We also note that the Major Review showed that District Judges, in general, took a pay cut to join the judiciary, while this was not true, on average, for First-tier Tribunal Judges. Having seen the evidence about the strength of feeling towards the government's decision not to provide an RRA for group 7 judges, we are not convinced that pay is irrelevant. On the contrary, we doubt whether the current levels of pay are sustainable.

1.91 For these reasons, we considered recommending an additional pay award to recently appointed group 7 judges.[32] However, we are reluctant to start making separate awards to different categories of judges at a time when there is the impending prospect of significant judicial pension reform and when judicial cohesion seems to us in need of bolstering. We also note there is not a general recruitment issue for tribunal judges in group 7. In addition, as mentioned above, we are conscious that we do not yet have evidence on whether an increase in DDJs will translate into improved recruitment of salaried District Judges. Nor do we know how news of the changes to the RRAs will be received by the District or Circuit Benches, since we believe that pay relativities, as well as absolute levels of pay, have affected sentiment and recruitment. **On balance, we have decided not to recommend an award or allowance targeted at the District Bench this year. However, we will look closely at District Judge recruitment next year and should there be no notable improvement to the recruitment position we highlighted in the Major Review, we will consider a targeted award then.**

Observations

1.92 In the Major Review, we made some observations about issues which, while not directly about pay, we believed were relevant to judicial recruitment and retention. These included: workforce planning; court infrastructure and administrative support; and career management. We are encouraged by the progress in some of these areas. We particularly welcome the steps taken since the Major Review to improve the judicial HR function and to make resources available for the senior judiciary to exercise its leadership and management responsibilities effectively. We comment on these further in paragraph 7.66.

1.93 In our Report this year, we have continued to make observations about these issues where we consider it would be helpful to do so. These include the following:

- While recognising that there are no objective measures of judicial applicants' 'quality', we believe that it is essential to have more data than are currently available about this issue. Such data would require careful consideration and interpretation, but a lack of data makes it impossible to go beyond guesswork or anecdotal claims, a situation that is even less satisfactory. We would therefore like to see all three judicial appointments bodies across the UK collect from all applicants evidence that helps track some key trends in applications and appointments.

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[30] See: paragraph 7.118.

[31] This is following the recruitment of 320 DDJs in 2018-19, many of whom would not have had a sufficient number of sitting days to be eligible for the 2019-20 District Judge competition.

[32] This would apply to judges not in the JUPRA pension scheme.

- We noted in the Major Review that a short timeframe for applications and an over-rigid adherence to a competency framework in the recruitment process creates significant disincentives for some potential applicants.[33] While the JAC has taken steps to address these issues for High Court Judges in England and Wales, we would encourage all three judicial appointments bodies to consider implementing similar changes for all judicial recruitments.
- We noted in the Major Review the effect that poor working conditions and a lack of administrative support were having on judicial morale and the attractiveness of judicial appointment. We understand that the judicial leadership continues to press the government for funds to tackle these issues. As we continue to hear from judges about the effect of the working environment, we are concerned that failure to address these issues also influences the attractiveness of judicial posts to the solicitors and barristers the appointment process needs to draw in. We are also concerned that new ways of working, to accommodate trials during Covid-19, will exacerbate these issues, particularly with regard to the need for administrative support. We will therefore continue to monitor the position and would welcome further evidence in the next round.

Job placements

1.94 As part of their evidence, the Lord Chief Justice and Senior President of Tribunals commissioned a report from Accenture on the principles and approach to judicial pay and grading and leadership allowances.[34] In that report, Accenture focussed on the pay and grading and leadership allowance considerations for groups 5 and 6.1, including the position of the Upper Tribunal Judges and the Senior Master and Registrar posts.

1.95 We consider that the approach taken by Accenture is in accord with the findings of the SSRB's Major Review, even if their detailed recommendations are slightly different. The Accenture proposals for a new 'intermediate' pay group between the present 5 and 6.1, and their recommendation that the Upper Tribunal Judges and Senior Masters and Registrars be placed in that new group, are entirely consistent with our own thinking. The leadership of the judiciary has commended the Accenture report as a positive contribution and the Accenture proposals are consistent with the propositions from the MoJ. **We therefore recommend that a new intermediate group should be created between groups 5 and 6.1 and that the Upper Tribunal Judges and Senior Masters and Registrars are placed in that group.**

Leadership allowances

1.96 We were not asked in the original remit letter from the Lord Chancellor to consider the issue of group 6.1 judicial leadership, which was scheduled for next year. However, following discussions arising from the Accenture report, the Lord Chancellor subsequently wrote to the SSRB Chair on 18 May 2020, seeking our views on the proposal made by Accenture with an eye to addressing the issue this year.

1.97 Our approach to rewarding judicial leadership was set out clearly in the Major Review. The Accenture proposals to the Judicial Executive Board appear to us to accord with the findings of the Major Review and they meet many of the key aims that our proposals were designed to address. They have also identified the relevant 'intermediate leadership'

[33] The Attractiveness of Senior Judicial Appointments to Highly Qualified Practitioners, Dame Hazel Genn DBE QC on behalf of the Judicial Executive Board, 2008. The Attractiveness of Judicial Appointments in the United Kingdom, Report to the Senior Salaries Review Body, University of Cambridge, 2018 (see: https://www.gov.uk/government/organisations/review-body-on-senior-salaries). Report on QCs Attitudes regarding Appointment as a Senator of the College of Justice, 2017 (see: http://www.scotland-judiciary.org.uk/Upload/Documents/ReportonQCsattitudesreappointmentasSenator.PDF). Barriers to High Court Appointments in Northern Ireland, QUB, 2019 (see: https://pure.qub.ac.uk/files/192730958/ReportFINAL.pdf).

[34] Accenture, Judicial Pay Grading & Leadership Allowances Review, final report, April 2020, unpublished.

posts that we were concerned about in the Major Review. We welcome this step forward. **We recommend that the judicial leadership, with support from the MoJ, implements these proposals for recognition of these Circuit Bench leadership posts now, rather than waiting a year. These allowances should be paid at the equivalent rate of the new intermediate salary group between groups 5 and 6.1 and only for the duration that the leadership post is held.**

Senior Leaders in the National Health Service

1.98 In our 2017 Report, the SSRB recommended that consideration should be given to extending the SSRB remit to cover all relevant senior leaders in the NHS and facilitate greater consistency and coherence in their remuneration. In response, the Secretary of State for Health wrote to the SSRB Chair, asking the SSRB to work with his department to develop a view on the practicalities of the SSRB providing advice on setting pay for both Executive and Senior Managers (ESMs)[35] and Very Senior Managers (VSMs)[36] in the future. We have now considered this fully and are confident that we can advise the government on the remuneration of all senior leaders in the NHS. A detailed update is provided in Chapter 8.

Chief Police Officers

1.99 We have a statutory responsibility to review chief police officer pay. We also believe that there is a strong case for the pay of senior leaders in the public sector to be considered separately from the more junior grades and in the context of senior leaders in other public sector groups.

1.100 Our last review of chief police officer pay took place in 2017. The Home Office then advised that, for the next two pay rounds, chief police officer pay would be considered by the Police Remuneration Review Body. The rationale for this was to facilitate the development of, and the transition to, a new pay and reward framework for the police.

1.101 In June 2019, the then Home Secretary wrote to the SSRB Chair to say that chief police officer pay would continue to be considered by the Police Remuneration Review Body. This is therefore the third year that we have been asked not to review the pay of chief police officers, as statute requires. During this time, we understand there has been little tangible progress with police pay reform and that a new pay framework has yet to be implemented. We expect that this remit group will return to the SSRB in the 2021-22 pay round.

Police and Crime Commissioners

1.102 In 2018, we were commissioned to review the salaries of Police and Crime Commissioners (PCCs). This is a small remit group, with a limited evidence base on which to make annual pay recommendations.

1.103 Our 2018 Report required considerable time, effort and resources. It recorded our concerns that the Home Office appeared to have no clear workforce strategy for PCCs and had limited engagement with them. The government's response to our Report reinforced this view. It largely ignored our recommendations and provided no explanation for doing so. We remain unclear why our advice was sought and then not followed.

1.104 We noted in our 2018 Report that it is not necessary or proportionate to conduct a full review of the pay of this remit group every year. In June 2019, the then Home Secretary

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[35] An ESM is defined as someone who holds an executive position in one of the DHSC's Arm's Length Bodies (ALBs). These managers currently fall within the SSRB remit.

[36] A VSM is defined as someone who holds an executive position in an NHS Trust or NHS Foundation Trust. These managers do not currently fall within the SSRB remit.

wrote to the SSRB Chair stating that the next annual review of PCC pay would not be commissioned until after the PCC elections had concluded in 2020. However, as these elections have been postponed for a year, it is unclear whether the Home Office will commission a review of PCC pay in the next round. We stress that before commissioning the next formal review of PCC pay, the Home Office needs to consider how best it can use the SSRB's expertise in relation to the remit group and what it expects of us.

Summary of recommendations and observations

Chapter 5: The Senior Civil Service

Recommendations

Recommendation 1: We recommend an increase to the SCS paybill of 2 per cent, which should be allocated in accordance with the recommendations and priorities set out below:

- Priority 1: To mitigate anomalies arising from the lack of pay progression and to alleviate other pay anomalies (1 per cent).
- Priority 2: To increase the pay band minima (0.1 per cent).
- Priority 3: To provide a pay increase of 1 per cent to all those not benefitting from the increase to the minima or those benefiting by less than 1 per cent (0.9 per cent).[37]

Recommendation 2 (Priority 1): We recommend that 1 per cent of the paybill should be allocated to address problems arising from the lack of a pay progression system and other anomalies. This should be distributed to SCS members dependent on:

- demonstration of increased effectiveness and deepened expertise; and
- their position in the pay range.

This allocation should be ring-fenced.

Recommendation 3: The Cabinet Office should provide evidence to demonstrate, in accordance with Recommendation 2, that the application of our recommendation has resulted in higher awards to:

- those who demonstrated evidence of increased effectiveness and deepened expertise; and
- who were relatively low in the pay range.

Recommendation 4: We recommend that the government invests in and implements a credible, robust and simple pay progression system as a priority in order to reduce churn and maximise the productivity and effectiveness of the SCS.

Recommendation 5 (Priority 2): We recommend that 0.1 per cent of the paybill should be used to increase the pay band minima from April 2020 to the following levels:

- Pay band 1: £71,000 (currently £70,000)
- Pay band 2: £93,000 (currently £92,000)
- Pay band 3: £120,000 (currently £115,000)

[37] We estimate that this will cost 0.9 per cent as this element will not apply to those SCS members benefitting 1 per cent or more from the minima increases.

Recommendation 6: We recommend that the Cabinet Office should make incremental steps in reducing the maxima this year.

Recommendation 7 (Priority 3): We recommend that all eligible SCS members not benefitting from the increase to the minima should receive a 1 per cent pay award.[38] Those SCS members who benefit by less than 1 per cent from the minima increase, should receive an additional consolidated pay award to total 1 per cent.

Observations

Observation 1: We consider that full implementation of the workforce strategy, with the priority on pay progression, is a pressing priority. We believe it is vital that the government moves more urgently and sets out the implementation plan and timetable to deliver these changes. [5.124]

Observation 2: The SSRB would like to understand the Cabinet Office vision for the future purpose, size and composition of the SCS, how this will be achieved and how the development of a sustainable, senior leadership cadre fits into its broader longer-term strategy. [5.125]

Observation 3: The right balance needs to be found between controlled movement across roles as part of a structured approach to developing talent and managing careers, and uncontrolled movement driven by individual preferences and higher financial reward. Pay incentives should align better to support the right balance. We would like to see further evidence next year, including data on rates of controlled movement and rates of undesirable churn between and within departments. [5.129]

Observation 4: The Cabinet Office has said that it intends to undertake further detailed analysis to better understand the right level of SCS pay. We agree that a holistic approach is appropriate and more beneficial in the long term than tinkering around the edges. This work is fundamental to the implementation of pay progression and we therefore stress that it should be carried out and completed urgently. We look forward to seeing details of this research as it progresses. [5.143]

Observation 5: We would like to see a clear statement on how the new performance management system will interact with capability-based pay progression. [5.148]

Observation 6: We would like to receive evidence on whether the size of the non-consolidated award pot remains appropriate within any new SCS pay framework.[39] [5.149]

Observation 7: We would welcome evidence on the application of non-consolidated end-of-year awards in line with the Cabinet Office guidance next year. [5.150]

Observation 8: In the evidence next year, we would like to see a statement on where responsibility lies for SCS pay between different governments in the UK, and evidence on how pay is managed and implemented across its different constituents. [5.152]

Observation 9: We continue to encourage the Cabinet Office to consider sharing detailed information with the FDA and Prospect, including the data underlying government proposals. Furthermore, we would encourage the Cabinet Office to publish this data. [5.154]

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[38] Those SCS members who are currently subject to performance improvement measures should not receive any increase in pay. Therefore, the recommendations should not be applied to these staff until they have exited such measures.

[39] The pot is currently limited to 3.3 per cent of the SCS paybill. This covers both end-of-year and in-year awards.

Chapter 6: Senior Officers in the Armed Forces

Recommendations

Recommendation 8: We recommend that all members of the senior military, including Medical and Dental Officers (MODOs), should receive a 2 per cent consolidated increase to base pay.

Recommendation 9: We recommend that the minimum guaranteed increase to base pay (excluding X-Factor) on promotion from 1-star to 2-star does not fall below 10 per cent.

Recommendation 10: We recommend that there is no change to the incremental pay structure for the senior military.

Recommendation 11: We recommend no change to the current pay arrangements for MODOs:

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

Observations

Observation 10: In oral evidence we were told many reviews were taking place under the People Transformation Programme which we understand builds on the Defence People Strategy. While each of the initiatives seemed valuable, it was difficult to understand how they linked together and how they will contribute to the overall Defence strategy. There was little information about when these reviews would be taking place, the expected outcomes and measures of success. It would be helpful to find out how consideration of the future remuneration strategy for members of the senior military fits into these reviews and to receive information on any likely timings for implementation. We request that the MoD keeps us informed of any developments in relation to the reviews carried out under the People Transformation Programme that will affect members of the remit group and the feeder group. [6.105]

Observation 11: We ask that the MoD continues to provide data on the effect of pension taxation charges on our remit group and the feeder group for future pay rounds. [6.106]

Observation 12: We believe it is a priority that the MoD put in place mechanisms to provide better data on the number, and particularly the quality, of those leaving the remit group and crucially the feeder group. We expect to work more closely with the MoD over the coming year to improve the data in relation to Higher Command and Staff Course (HCSC) graduates.[40] We also expect to be updated on the analysis of the HMRC post-Service earnings data and on any developments in relation to tracking careers via the longitudinal studies. [6.107]

Observation 13: We would like to receive data from the MoD annually on the number of posts advertised as opportunities available for civilian or members of the senior military and urge consideration of the impact of this on the overall approach to reward strategy. [6.108]

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[40] The requirements are set out in paragraph 6.71.

Observation 14: We note the MoD's proposal to leave the formal review of the X-Factor taper until the next scheduled five-yearly review of X-Factor in 2023.[41] However, we believe that our continuing concern warrants earlier consideration of this. We will continue to monitor the situation. If it deteriorates, we will return to this issue next year. [6.109]

Observation 15: We would like to hold discussion groups with both the remit and feeder groups annually and will seek the MoD's assistance in arranging these. [6.110]

Observation 16: We expect the MoD to provide us with data on the specific steps it is taking to broaden the talent pool and improve diversity and inclusivity in the Armed Forces. [6.111]

Chapter 7: The Judiciary

Recommendations

Recommendation 12: We recommend that all members of the judiciary should receive a consolidated 2 per cent pay award.

Recommendation 13: We recommend the creation of a new intermediate salary group between existing groups 5 and 6.1.

Recommendation 14: We recommend that Upper Tribunal Judges should be moved to the new intermediate salary group between groups 5 and 6.1.

Recommendation 15: We recommend that Senior Masters should be moved to the new intermediate salary group between groups 5 and 6.1.

Recommendation 16: We recommend that the judicial leadership, with support from the MoJ, implements the proposals for recognition of Circuit Bench leadership posts now, rather than waiting for another year. These allowances should be paid at the equivalent rate of the new intermediate salary group between groups 5 and 6.1 and only for the duration that the leadership post is held.

Observations

Observation 17: As we continue to hear from judges about the effect of the working environment, we are concerned that failure to address these issues influences the attractiveness of judicial posts to the solicitors and barristers the appointment process needs to draw in. We are also of the view that it is neither an effective nor an efficient use of judicial time to be carrying out administrative tasks, which we believe a proper focus on outcomes (rather than immediate cost savings) would support. We will therefore continue to monitor the position and would welcome further evidence in the next round. [7.67]

Observation 18: We would like to see all three judicial appointments bodies collect from all applicants evidence that helps track trends that can shed light on the issue of judicial quality. We believe these measures should include: the grading system currently used by the JAC (and carried out by peer reviewers); pre-appointments earnings; and information about the professional background of applicants. [7.91]

[41] The AFPRB is currently carrying out research to ensure the X-Factor components are fit for purpose for the next X-Factor review in 2023. It expects to report on this research in its 2021 Report.

Observation 19: We would encourage all three judicial appointments bodies to consider implementing changes to the application process for all judicial recruitments within a reasonable time frame. These changes should include a longer application period and the inclusion of CVs. [7.92]

Observation 20: We hope that the Scottish government will consider taking the requisite legislative action to convert the statutory complement of Senators to an FTE definition. [7.128]

Observation 21: On balance, we have decided not to recommend an award or allowance targeted on the District Bench this year. However, we will look closely at District Judge recruitment next year and we will consider recommending a targeted award then if the evidence supports it. [7.156]

Observation 22: We also urge that any decisions, whether temporary or permanent, are made with reference to the principle of pay parity across all three jurisdictions in the UK. We consider that implementation should be made simultaneously in all three jurisdictions. [7.158]

Chapter 2

The SSRB's strategic approach

Introduction

2.1 Historically, the government's main expectation of the SSRB, and the SSRB's principal focus, has been the production of annual recommendations on increases in basic pay. In recent years, we have urged the government to take a more strategic approach. We have highlighted in previous reports particular areas where we consider this should happen. We continue to believe it is critical that there is a more strategic approach, which lifts the sights of the government and remit groups above the simple question of annual basic pay increases.

2.2 In our 2016 Report,[42] we highlighted a number of strategic priorities that departments managing their senior workforces need to take into account. These are listed in box 2.1. We believe that departments need to be clear about their long-term objectives and their future operating model, and to develop the effective workforce strategies required to support them. In the context of the current response to Covid-19, it is more important than ever that departments articulate their long-term aims. Annual changes to pay need to be linked to longer-term strategy and departmental plans.

2.3 Over the last three years, we have assessed our remit groups against these priorities. While there have been steps in the right direction, we have not seen sufficient progress towards a more strategic approach.

2.4 This year, we have included a separate chapter on the strategic priorities to provide greater focus on them. We consider it important to continue to provide commentary on the strategic context of our remit groups and the progress that is being made to implement effective pay and reward systems. We have been told that this has been helpful to the government.

2.5 In the sections which follow, we have highlighted the areas which we believe to be of greatest concern for our remit groups. For these areas, we have included both short and long-term objectives to illustrate where we consider progress could be achieved. We would like departments to provide evidence on the progress they have made against these strategic priorities and the objectives in their evidence for the next round.

2.6 A summary of each remit group's position against our strategic priorities is provided in the tables at the end of this Chapter.

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[42] 38th Annual Report on Senior Salaries 2016. See: https://www.gov.uk/government/publications/thirty-eighth-annual-report-on-senior-salaries-2016

Box 2.1: **Strategic priorities**

- **Total reward:** In making pay recommendations, the SSRB needs to consider a range of factors alongside basic pay and bonuses, including pensions, relative job security and the value of benefits in kind.
- **Pay and workforce strategy:** Departments need to be clear about their long-term objectives, their future operating model and the pay and workforce strategy required to support them. Annual changes to pay need to be linked to longer-term strategy.
- **Focus on outcomes:** There should be more focus on maximising outcomes for lowest cost and less fixation on limiting basic pay increases across the board.
- **Action on poor performance:** Greater analysis is required of where value is being added and action taken where it is not.
- **Performance management and pay:** There needs to be demonstrable evidence that appraisal systems and performance management arrangements exist and are effective, and of a robust approach to reward structure and career development.
- **Better data:** Better decision-making requires better data, particularly in respect of recruitment, retention and attrition. Emerging issues and pressures need to be identified promptly and accurately so that appropriate action can be taken.
- **Feeder groups:** The feeder groups that will supply the next generation of senior public sector leaders must be closely monitored. The data relating to them needs careful scrutiny for early warning signs of impending problems.
- **Targeting:** Where evidence supports it, pay should be targeted according to factors such as the level of responsibility, job performance, skill shortages and location.
- **Central versus devolved tensions:** Tensions that exist in the system that hinder the development of a coherent workforce policy, such as between national and local control, need to be explicitly recognised and actively managed.
- **Diversity:** The senior workforces within our remit groups need to better reflect the society they serve and the broader workforce for which they are responsible.

Senior Civil Service

2.7 Overall, we are encouraged by how the Cabinet Office has engaged with and responded to our strategic priorities. Workforce data from the Cabinet Office has always been of a good standard and it continues to improve. There is a genuine receptiveness to our proposals for new data collections and analysis.

2.8 Over the last two years, the Cabinet Office has accepted our recommendations to target pay awards and our rationale for doing so. In our 2019 Report, we set out our priorities for the application of the pay award to ensure the majority of the award was used to target anomalies caused by the lack of a pay progression system. We note that these priorities were accepted by the government and also largely applied by the departments as intended. We have now started to receive targeted pay proposals from the Cabinet Office, alongside evidence that sets out where it considers the annual award should be prioritised. A move away from across the board pay awards is a progressive step and, as future financial pressures unfold, the targeting of the award will become increasingly important.

2.9 As set out in Chapter 5, we consider that the highest priority for the Cabinet Office is the implementation of a pay progression system. While the Cabinet Office has devoted considerable time and effort into developing an approach to this issue, we believe that it now needs to urgently make pay progression a reality.

2.10 There are a number of other underlying strategic issues which we consider also need to be addressed. These are:

- Ensuring that pay policies encapsulate a strategic vision for the SCS and the delivery of productive outcomes. This should include consideration of the future purpose, size and composition of the SCS.
- Rolling out an effective performance management system which is compatible with the new pay progression system and forms part of a coherent reward package.
- Providing clarity about the issues on which the centre of government is setting the direction for the SCS and those where departments have autonomy.
- Ensuring there is a plan for how pay decisions are applied to those members of our remit group working across the different governments in the UK.

Focussing on outcomes

2.11 We consider that there should be more focus on outcomes within the SCS pay strategy. In recent years, there has been too much fixation on limiting headline pay increases across the board and too little attention to maximising outcomes for lowest cost. For example, the lack of strategic control over the size and shape of the SCS has contributed to a substantial increase in the paybill. We consider it is important to understand why this growth has happened, whether it is more predominant in certain professions and the extent to which grade inflation is a factor.

2.12 We believe that the Cabinet Office needs to assess the immediate and future demands placed upon the SCS and to identify the outcomes it wishes it to deliver. Detailed analysis should then be undertaken on the composition and structure of the SCS and the skills its members need both in relation to achieving these outcomes and in being effective leaders of the rest of the civil service. This would enable a centrally-managed senior leadership cadre to operate more efficiently and to focus more strongly on the outcomes the government wishes it to deliver.

2.13 We would expect a strategy for the SCS to include an approach to talent management that ensures the public sector attracts, develops and retains strong senior leaders who can deliver, and are held accountable for, transformation in public services. In our view, any such approach is fundamentally undermined by the rapid movement between roles within and between departments. In Chapter 5, we reiterate our concerns about the high levels of internal churn in the SCS, set against external benchmarks and the effect it has on delivering outcomes. This degree of churn is expensive, not just in terms of the direct costs arising from recruitment and training, but also indirectly through the loss of expertise, knowledge and hence productivity. High rates of churn undermine accountability and adversely affect the delivery of policy and projects. We believe that both the absence of pay progression and the lack of proactive management of people's movement through the system have been driving high levels of churn within the SCS.

2.14 We think that the right balance needs to be found between controlled movement across roles as part of a structured approach to developing talent and managing careers, and uncontrolled movement driven by individual preferences and higher financial reward. Pay incentives should align better to support that balance. A pay progression system that will incentivise SCS members to develop in role, with rewards for achievement, should be implemented as a matter of urgency.

2.15 We would therefore like to see a statement of how pay progression will link to reducing churn, and how it will be monitored and assessed. We would like to see further evidence of the cost of churn in terms of productivity and efficiency and a view on what the appropriate rate of job moves for the SCS should be.

2.16 We would also like to receive further evidence on the extent to which consultants and temporary staff are used and needed in the SCS and the type of skills required. Currently, we do not have a true understanding of the total cost of the workforce employed to deliver the SCS functions. Next year, we would like to receive data on the cost of consultancy and temporary staff at SCS level and an understanding of how these external staff are used.

Performance management

2.17 As we continue to hear from our discussions with SCS members, there remains a widespread lack of confidence in the current performance management system. We acknowledge that there have been short-term tactical steps to address some of our previous concerns, for example, in relation to the removal of forced distribution. However, there does not yet appear to be a long-term strategy for performance management. A holistic review of the system, for which we have been pressing since 2016, has still not been undertaken.

2.18 We consider that a robust approach to reward and career development is long overdue. The Cabinet Office has said that a full review of performance management will be undertaken in 2020 with changes implemented from 2021-22. We would therefore expect to see meaningful progress towards development of a new system in the evidence for the next round, alongside a clear implementation plan.

2.19 We would like to see a statement of how a new performance management system would interact with capability-based pay progression. Managers need to have a proper understanding of how to assess and distinguish between performance and capability growth to ensure a fair application of both systems. We acknowledge that this balance will be difficult to strike, and we consider that guidance and support needs to be given to managers on the implementation, interrelationship and application of these systems.

Tensions between central and departmental control

2.20 In previous reports, we have set out our concerns about unresolved tensions between central and departmental control within the SCS pay framework. We consider it vital that the Cabinet Office clearly articulates the system it wants, whether that be centralised management of the workforce, delegation to departments or a specified balance between the two.

2.21 We acknowledge that the Cabinet Office has taken steps to address this. In our 2017 Report, we noted that the pay budget was largely delegated to departments which then determined how pay awards were implemented, irrespective of the accepted recommendations. Since that time, centralised guidance has been put in place and departments have reported back to the Cabinet Office on how the pay award has been implemented. As we noted earlier, evidence was provided that the 2019 pay award was largely applied by departments in line with the specified order of priority recommended by us and accepted by the government. This good practice should continue.

Tensions between national and local (devolved) control

2.22 We are increasingly aware of tensions between a UK-wide SCS pay framework and the pay policies operating across the different governments. For a number of years, SCS members working in the Scottish and Welsh governments have not received non-consolidated bonuses due to the pay policies operated locally by the respective administrations. We understand that in Scotland, savings generated by not distributing the non-consolidated performance bonus pot in 2019 were used to introduce a simple pay progression system with five levels of target pay.

2.23 There is a clear divergence between the centralised SCS pay framework and its application in Scotland. In the evidence next year, we would like to see a statement on where responsibility lies for reward for the SCS between the different governments in the UK, and evidence on how pay is managed and implemented across its different constituents.

Senior Officers in the Armed Forces

2.24 While the evidence for the senior military shows that recruitment and retention remain at satisfactory levels, we have been increasingly concerned about talent management. It is crucial that those in the feeder groups continue to aspire to senior military roles because they are the sole pipeline for the future senior cohort. If a career in the senior military does not look sufficiently appealing, for pay or other reasons, too many of the most talented members of the feeder group may choose to leave.

2.25 Progression to the senior military is exclusively by promotion from the feeder group. The monitoring of recruitment and retention of this group, in relation to both the numbers, and particularly the quality, of personnel is therefore vital.

2.26 In our discussion groups, we heard that there was a considerable dependency by the government on the public service ethos and loyalty of the senior military. However, it was pointed out that the next generation coming through the ranks might not weigh up their options in the same way as the current cohort. We therefore consider it important for the Ministry of Defence (MoD) to understand the different generational attitudes to senior pay, conditions of service and work-life balance, and to reflect this in the development of their senior pay strategy.

2.27 Securing a high-quality future senior military should be a key focus for the MoD. The areas on which we consider the MoD should concentrate are:

- Ensuring that mechanisms are in place to provide better data on the number, and particularly the quality, of those leaving the remit group and crucially the feeder group. This is to ensure the future pipeline to the senior military is monitored and issues identified early.

- Developing a pay and workforce strategy for the senior military which takes into account the development of specialist skills and the management of careers to retain expertise and talent.
- Building a greater understanding of the different aspirations of the new generation in the feeder groups.
- Continuing working towards a senior military with a diversity profile which is broadly reflective of the society it serves.

Better data

2.28 Over the last few years, there has been an improvement in the workforce data provided by the MoD. We are encouraged by its commitment to providing better data on leavers. However, we would like to see more evidence of how this work is developing and a commitment to a timescale for delivering it, particularly given this is a relatively small remit group.

2.29 The need for better data on the quality of those leaving and remaining in our remit group and feeder group is something we have highlighted in our last three Reports. It is also important to understand the factors affecting the decisions to leave and to have information on what roles these individuals go to after leaving the military. We welcome the steps the MoD has taken in starting work on the longitudinal studies to track members of the feeder group over a 10-year period and on the work with HMRC to obtain information on post-Service earnings. The MoD says it also plans to look at the Armed Forces Continuous Attitude Survey (AFCAS) as part of the People Transformation Programme to improve the human insights it provides. This is particularly important as we have concerns that the results in the AFCAS in relation to morale do not match up with what we hear from discussion groups.

2.30 We also suggest that independent exit interviews would be a good way for the MoD to obtain reliable feedback from those leaving the senior military.

2.31 We expect to work more closely with the MoD over the coming year on improving the data in relation to Higher Command and Staff Course graduates, on the findings of the HMRC post-Service earnings data and on any developments in relation to tracking careers via the longitudinal studies.

Pay and workforce strategy

2.32 In oral evidence, we were told that there were several reviews taking place as part of the People Transformation Programme. We understand these build on the Defence People Strategy and we welcome such change initiatives. However, it is not evident to us how these strands integrate with each other or how they contribute to, and guide, the overall approach to pay or specific pay decisions.

2.33 We note the growth of a civilian strand of the workforce that operates alongside the senior military and the increase[43] in additional roles being advertised as opportunities either for civilians or for members of the senior military. We acknowledge that there have always been two parallel systems in place. However, there appear to be increasing tensions arising from having two workforces on different salaries and terms and conditions.

2.34 Furthermore, the capability needed by the senior military in areas such as cyber skills increasingly requires intensive training and investment. The policy of only one

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[43] The MoD informed us that there are currently five roles that have been advertised for open competition. Currently three of these are held by members of the senior military and two by members of the SCS.

guaranteed posting at 1-star and above and the lack of active talent management for some specialist roles increase the risk of these skills being lost to the private sector after considerable investment.

2.35 We think it is important that the MoD has a clear workforce plan which reflects: how senior reward relates to that applying to the rest of the Armed Forces; developing and retaining specialist skills and talent; and how it intends balancing roles between the senior military and the civilian cohort. In the next round, we would, therefore, like to see evidence of how the pay and reward strategies reflect these issues.

Diversity

2.36 The Armed Forces acknowledges that it needs to be broadly representative of the society it exists to defend. We note the leadership commitment to increasing diversity and the positive action that has been taken in respect of opening up all military roles, including close combat roles, to female Service personnel and the aspiration for 15 per cent of all 1-star posts to be held by female officers by 2030.

2.37 We recognise that, in an organisation such as the Armed Forces where there is currently no external recruitment, it will take a number of years for increases in diversity in the lower ranks to feed through to the feeder groups and subsequently to the senior military. It is therefore disappointing that the proportion of female and BAME officers at OF4 to OF6 has fallen slightly this year.

2.38 We request that the MoD provides us with data on specific strategies designed to broaden the talent pool and improve diversity and inclusivity in the Armed Forces.

The judiciary

2.39 The last assessment of the judiciary against our strategic priorities was set out in our 2017 Report, just after we had commenced our Major Review of the Judicial Salary Structure.

2.40 We recognise that the judiciary is a different type of workforce from our other remit groups and that the application of the strategic priorities applies in different ways. We also acknowledge that, although the Ministry of Justice (MoJ) is technically the 'employer' and provides financial resources for the judiciary, constitutional responsibility for many aspects of judicial workforce strategy sits with the senior judiciary.

2.41 The strategic areas that we believe are priorities are as follows:

- Continuing development of a workforce strategy that reflects the need to:
  - Plan for and recruit the judiciary of the future, both in numbers and quality.
  - Reward leadership within a coherent structure.
  - Improve administrative support and the working conditions of the court estate.
- Addressing the tensions that undercut the principle of a UK-wide judiciary.
- Developing longer-term evidence collection to provide better data.

Pay and workforce strategy

2.42 We have noted in previous Reports that the SSRB can add significant value by undertaking periodic, detailed reviews of reward structures. We were encouraged by the government's request that we carry out a Major Review of the Judicial Salary Structure which we completed in 2018. We have been advised that the issues we identified in the Major Review have been very useful to the judiciary and the MoJ.

2.43 We note that the modernisation programme of the courts and justice system, which began in 2017, is underway. There have been some improvements, particularly with respect to digital working, as demonstrated in the operation of the courts during Covid-19. We would like to understand how a pay and workforce strategy relates to this reform programme.

2.44 In Chapter 7,[44] we set out the position in relation to recruitment at different levels of the judiciary over the last few years. While it is arguable that the introduction of new recruitment and retention allowances (RRAs), coupled with the government's promise of pension reform, have stopped the problems on the High Court and Circuit benches from worsening, the position has not improved as much as is needed. Furthermore, there is evidence that the recruitment difficulties we flagged in the Major Review have intensified at the District Bench.

2.45 We stress that a long-term solution to remuneration, whether it be the government's chosen route of pension reform or otherwise, needs to be delivered as a matter of urgency. Should this not happen, other steps will have to be taken to attract the required complement of suitably qualified people into the judiciary.

2.46 In the short term, we recommend greater urgency to making changes in the system for recruiting judges, as set out in Chapter 7.[45] In the long term, because judges are largely recruited from an external labour market of highly-paid professionals, the need for higher pay levels may be unavoidable in the absence of pension reform.

2.47 We have argued that, in line with the philosophy of the Constitutional Reform Act 2005, the judicial leadership needs to be more proactive in identifying specific pay and grading issues and taking steps to resolve them. We welcome the action taken by the judicial leadership this year, with the commissioning of the Accenture review and the consideration of a range of posts, including intermediate leadership posts, at the Circuit Bench.

2.48 We noted in the Major Review the effect that poor working conditions and a lack of administrative support were having on judicial morale and recruitment, as well as on the efficiency of the operation of courts. We understand that the senior judiciary continues to press the government for funds to tackle these issues. We are concerned that failure to address these matters reduces the attractiveness of judicial posts to future applicants and impedes efficiency in the use of judicial time. In our view, these are examples of a failure to focus on outcomes.

2.49 We would therefore like to see evidence next year on the steps taken to develop a longer-term strategy which takes into account the requirement to recruit sufficient numbers of qualified judges. This will include consideration of the need to improve the working conditions of, and support for, the judiciary. A clear workforce plan should also address the senior judiciary's vision for harmonising courts and tribunals and cross-deployment between the two, to enable better management of resources and delivery of outcomes.

Central vs devolved tensions

2.50 The new RRAs announced in June 2019 were given only to the judiciary in England and Wales.[46] This meant that courts judges in Scotland (Senators and Sheriffs) and Northern

[44] See: paragraph 7.80 onwards.

[45] See: paragraphs 7.191 and 7.192.

[46] Upper Tribunal Judges in Reserved Tribunals in Scotland were eligible for RRAs.

Ireland (High Court Judges and County Court Judges) did not receive the new RRA.[47] This is contrary to the principle of pay parity that underpins the notion of a UK-wide judiciary.

2.51 We believe that any decisions, whether temporary or permanent, should be made with reference to the principle of pay parity across all three jurisdictions in the UK. We also consider that implementation should be made simultaneously in all three jurisdictions.

Better data

2.52 In this round, we have regularly heard concerns about the quality of new appointments to various levels of the judiciary but perhaps most particularly to the Circuit and District benches. These concerns are largely anecdotal, though backed by some limited data from the Judicial Appointment Commission (JAC) assessment ratings.

2.53 We believe that the issue of the quality of judicial applicants is important, although we recognise that there are no objective measures of it. Our view is that it is essential to have more data than currently available. We think it should be possible to collect more data at the applicant stage and to do so more consistently across the jurisdictions of the different judicial appointments bodies. Such data would require careful consideration and interpretation. However, a lack of data makes it impossible to go beyond guesswork, or anecdotal claims, a situation which is even less satisfactory. We do not consider that collecting this data would undermine continuing efforts to improve judicial diversity.

2.54 We believe that all three judicial appointment bodies across the UK should collect evidence that helps track key trends in applicants and appointees. These measures could include: grading of the type currently used by the JAC (and carried out by independent peer reviewers); pre-appointment earnings; and the professional background of candidates. We have raised this point in all the jurisdictions and would be happy to work with the judicial appointments bodies to explain our reasoning and encourage progress.

2.55 We noted in the Major Review that a short timeframe for applications to become judges and an over-rigid adherence to a 'competency' framework create significant disincentives for some potential applicants.[48] While the JAC has taken steps to address these issues for High Court Judges in England and Wales, we encourage all three judicial appointment bodies to consider implementing similar changes for all judicial recruitments within a reasonable timeframe.

2.56 The Major Review highlighted a number of areas where further evidence would have been beneficial. These included evidence on the pre-appointment earnings of all judicial applicants and the economic contribution of the judiciary. We would like to work with the MoJ in developing this sort of evidence over the next couple of years in preparation for any future Major Reviews.

Other SSRB remits

2.57 Although we are not reviewing all of the remits in our terms of reference this year, we consider it remains relevant to comment on where we think our strategic priorities could assist departments to focus on where improvement is needed.

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[47] Senators in Scotland and High Court Judges in Northern Ireland continue to be in receipt of the 11 per cent RRA awarded in 2017.

[48] The Attractiveness of Senior Judicial Appointments to Highly Qualified Practitioners, Dame Hazel Genn DBE QC on behalf of the Judicial Executive Board, 2008. The Attractiveness of Judicial Appointments in the United Kingdom, Report to the Senior Salaries Review Body, University of Cambridge, 2018 (see: https://www.gov.uk/government/organisations/review-body-on-senior-salaries). Report on QCs Attitudes regarding Appointment as a Senator of the College of Justice, 2017 (see: http://www.scotland-judiciary.org.uk/Upload/Documents/ReportonQCsattitudesreappointmentasSenator.PDF). Barriers to High Court Appointments in Northern Ireland, QUB, 2019 (see: https://pure.qub.ac.uk/files/192730958/ReportFINAL.pdf).

Senior health managers

2.58 In Chapter 8, we set out how we think the SSRB could add value in advising the government on developing a pay and reward framework for senior health managers. In the last review of Executive and Senior Managers' pay in 2017, we said that the data provided needed serious improvement. We are encouraged by the Department of Health and Social Care's willingness to explore the extent of data availability and quality that would be needed should we be asked to look at the expanded remit. We are encouraged by progress but there are gaps in areas such as recruitment and retention data, morale and motivation of the workforce and the career paths, intentions and motivation of the next generation of senior managers that need to be addressed.

Chief Police Officers

2.59 We have not been asked to review the pay for chief police officers since 2017. As we noted in Chapter 1, we strongly believe consideration of their pay should be returned to the SSRB in the next round.

2.60 If this happens, we ask the Home Office to revisit the Supplement to our 2017 Report,[49] where we comment on how these strategic priorities apply to this workforce. In particular, we documented the need for a central coordinating body taking overall responsibility for commissioning, collating, analysing and presenting available data and information to us. We hope that there have been improvements in this respect and that a complete and high-quality evidence base has been developed.

Police and Crime Commissioners

2.61 In our 2018 Review of Police and Crime Commissioner (PCC) pay, we acknowledged that not all of our strategic priorities are relevant to this remit group. However, where they do apply, we did consider that there was scope for considerable improvement. In particular, we were struck that the Home Office did not appear to have a clear strategic plan for PCCs and had limited engagement with them. We also noted that the role of a PCC had evolved and continued to do so.

2.62 We encourage the Home Office, with input from the Association of Police and Crime Commissioners where necessary, to develop a long-term strategic vision for this group, which reflects any future planned changes to the role and the pay and reward structure that is needed to underpin it. This could be complemented by developing a better understanding of the motivations and backgrounds of individuals seeking and holding these posts.

2.63 It is currently unclear when the Home Office will commission the next review of PCC pay. As we set out in Chapter 9, we would welcome the assurance from the Home Office in advance of commissioning any review, that it will engage seriously with both the review and its findings. This should include consideration of the strategic position of this workforce.

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[49] Supplement to the 39th Annual Report on Senior Salaries 2017. See: https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/644105/CCS207_CCS0917970822-1_59848_SSRB_Police_Supplement_Accessible.pdf

Assessment of remit groups

Table 2.1: Assessment of the position of the SCS against the SSRB's strategic priorities

Key				
	Green:	Area of little concern	↑:	Improving trajectory
	Amber:	Area of some concern	↔:	Stable trajectory
	Red:	Area of significant concern	↓:	Declining trajectory

Senior civil service				
			Objectives	
		Current position	2020-21 evidence	Medium term
Strategic approach	**Pay and workforce strategy:** Departments need to be clear about their long-term objectives, their future operating model and the pay and workforce strategy required to support them. Annual changes to pay need to be linked to longer-term strategy. [↔]	There has been further progress in developing a longer-term workforce strategy. However, the pace of reform remains slow and it is important to move quickly to an implementation phase, particularly with pay progression.	Implementation plan (including a cost-benefit analysis) for pay progression in 2021 and how it will link to reducing internal churn.	Articulation of where the SCS will be in 10 years and what pay strategy is needed for this model.
	Focus on outcomes: There should be more focus on maximising outcomes for lowest cost and less fixation on limiting basic pay increases across the board. [↔]	The lack of strategic control over the size and shape of the SCS has contributed to a substantial increase in the paybill.	Evidence on the underlying reasons for the growth in the paybill including the use of temporary staff. Analysis of the purpose, size and composition of the SCS cadre.	
	Targeting: Where evidence supports it, pay should be targeted according to factors such as the level of responsibility, job performance, skill shortages and location. [↔]	The Cabinet Office has made targeting proposals for the second year. It also implemented the 2019 pay award in accordance with the SSRB recommended priorities.	Continued targeting of pay awards to relieve compression of numbers at the lower end of pay ranges.	Review of targeting is needed once pay progression is implemented.
	Central versus devolved tensions: Tensions that exist in the system that hinder the development of a coherent workforce policy, such as between national and local control, need to be explicitly recognised and actively managed. [↔]	The Cabinet Office has put in place centralised guidance and monitoring systems to ensure adherence to it. We are increasingly aware of differences between a UK-wide SCS and the pay policies operating across different governments of the UK.	A statement on where responsibility lies for SCS pay between the different governments in the UK, and evidence on how pay is implemented and managed across the different parts of it.	

Senior civil service				
			Objectives	
		Current position	2020-21 evidence	Medium term
Performance	**Performance management and pay:** There needs to be demonstrable evidence that appraisal systems and performance management arrangements exist and are effective, and of a robust approach to reward structure and career development. [↔]	There is a continued lack of confidence in the performance management system despite the interim measures taken in 2019, which included the removal of forced distribution.	A statement of how the new performance management system interacts with capability-based pay progression.	Implementation of a new performance management system which is understood by those operating it and commands the respect of SCS members.
Performance	**Action on poor performance:** Greater analysis is required of where value is being added and action taken where it is not. [↑]	The Cabinet Office stated that preliminary feedback from departments suggests that the removal of forced distribution has enabled them to identify poor performers more easily and take appropriate action, including increased support to those consistently receiving a low box marking.	Further evidence of how the removal of forced distribution has affected the management of poor performance.	
Data	**Better data:** Better decision-making requires better data, particularly in respect of attrition, retention and recruitment. Emerging issues and pressures need to be identified promptly and accurately so that appropriate action can be taken. [↑]	Overall, high quality data continue to be provided. This year, the Cabinet Office has provided new data on departmental turnover.	Further data on churn *within* departments to enable a full picture on internal churn to be monitored and assessed.	
Data	**Feeder groups:** The feeder groups that will supply the next generation of senior public sector leaders must be closely monitored. The data relating to them needs careful scrutiny for early warning signs of impending problems. [↑]	We have received new evidence provided on the accelerated development schemes. However, we would like to see more data on tracking the careers of these individuals, in particular, at which point they leave or enter the SCS.		Monitoring of Fast Stream career paths to assess at which point they are leaving the civil service.
Data	**Diversity:** The senior workforces within our remit groups need to better reflect the society they serve and the broader workforce for which they are responsible. [↔]	There is an improved picture on gender and ethnic minority numbers. However, the SCS does not reflect the ethnicity of either the wider civil service or the UK population.	Data on diversity at a more granular level to enable analysis by grade within the SCS, including socio-economic backgrounds.	Improved BAME diversity, especially at Permanent Secretary and Director General level.

Table 2.2: **Assessment of the position of the senior military against the SSRB's strategic priorities**

Key				
	Green:	Area of little concern	↑:	Improving trajectory
	Amber:	Area of some concern	↔:	Stable trajectory
	Red:	Area of significant concern	↓:	Declining trajectory

Senior military				
			Objectives	
		Current position	**2020-21 evidence**	**Medium term**
Strategic approach	**Pay and workforce strategy:** Departments need to be clear about their long-term objectives, their future operating model and the pay and workforce strategy required to support them. Annual changes to pay need to be linked to longer-term strategy. [↔]	The MoD said that a number of reviews building on the Defence People Strategy were underway. However, it is not evident to us how these strands integrate with each other or how they contribute to, and guide, the overall approach to pay or specific pay decisions.	Evidence of an overall senior military workforce strategy which delivers the quality and quantity of leaders required to deliver Defence aims. Information on how the balance is achieved between 'generalist' and 'specialist' requirements and senior military and civilian roles. Demonstrate how pay works alongside other factors, e.g., career planning, in retention and motivation of the senior military.	
	Focus on outcomes: There should be more focus on maximising outcomes for lowest cost and less fixation on limiting basic pay increases across the board. [↔]	This is a small cohort which provides limited scope for innovation in pay. Many roles are difficult to evaluate as outcomes are not easily measurable (e.g. operations/defence engagement).		
	Targeting: Where evidence supports it, pay should be targeted according to factors such as the level of responsibility, job performance, skill shortages and location. [n/a]	Targeting is argued to be currently inappropriate for this group. However, targeting pay awards to retain specialist skills may need to be considered in the future.		
	Central versus devolved tensions: Tensions that exist in the system that hinder the development of a coherent workforce policy, such as between national and local control, need to be explicitly recognised and actively managed. [↔]	No evidence that such tensions exist.		

Senior military				
			Objectives	
		Current position	2020-21 evidence	Medium term
Performance	**Performance management and pay:** There needs to be demonstrable evidence that appraisal systems and performance management arrangements exist and are effective, and of a robust approach to reward structure and career development. [↔]	The appraisal process is robust. Progression into the senior military is based on performance and potential. Annual increments are conditional on satisfactory performance.	Evidence of the outputs of the new appraisal system that includes 180-degree feedback which is being piloted between February and August 2020.	
	Action on poor performance: Greater analysis is required of where value is being added and action taken where it is not. [↔]	No evidence that it is an issue. Poor performance is tackled appropriately either by informal, appraisal or administrative action. There have been instances where individuals have been required to resign due to poor performance. Unsatisfactory performers are also unlikely to be given a second posting.	Evidence from the MoD on how many individuals are not given a second posting due to poor performance.	
Data	**Better data:** Better decision-making requires better data, particularly in respect of attrition, retention and recruitment. Emerging issues and pressures need to be identified promptly and accurately so that appropriate action can be taken. [↔]	We are encouraged by the MoD's commitment to providing better data on the number and quality of leavers. However, we would like to see more evidence of how this work is developing and a commitment to a timescale for delivering it, particularly given it is a relatively small remit group.	Evidence on how work to develop a better evidence base on the number, and particularly the quality, of those leaving both the remit and feeder groups is developing and a timetable for delivering it.	Provide updates on the longitudinal studies in place to track careers of members of the feeder group over a ten-year period and provide information from HMRC on post-Service earnings. Continue to monitor the number and quality of those remaining in and leaving the Armed Forces in both the remit and feeder groups.
	Feeder groups: The feeder groups that will supply the next generation of senior public sector leaders must be closely monitored. The data relating to them needs careful scrutiny for early warning signs of impending problems. [↔]	We have heard that there was a considerable dependency by the government on the public service ethos and loyalty of the senior military. However, it was pointed out that the next generation coming through the ranks might not weigh up their options in the same way as the current cohort.	We would like to work more closely with the MoD on improving data on Higher Command and Staff Course graduates.	The MoD should put in place a mechanism to understand the different generational attitudes to senior pay, conditions of service and work-life balance, and to reflect this in the development of their senior pay strategy.

Senior military				
			Objectives	
		Current position	2020-21 evidence	Medium term
Data	**Diversity:** The senior workforces within our remit groups need to better reflect the society they serve and the broader workforce for which they are responsible. [↔]	There is a poor diversity profile, although the number of female senior military officers increased by one, compared to the previous year. However, the number/percentage of female and BAME officers in the feeder groups has fallen slightly this year.	We expect the MoD to provide us with data on the specific steps it is taking to broaden the talent pool and improve diversity and inclusivity in the Armed Forces.	The MoD should provide us with evidence of how the People Transformation Programme is achieving one of its aims which is to ensure that Defence is a diverse and inclusive organisation.

Table 2.3: **Assessment of the position of the judiciary against the SSRB's strategic priorities**

Key	**Green:**	Area of little concern	As our last assessment was in 2017, we have not included trajectory arrows.
	Amber:	Area of some concern	
	Red:	Area of significant concern	

The judiciary				
			Objectives	
		Current position	2020-21 evidence	Medium term
Strategic approach	**Pay and workforce strategy:** Departments need to be clear about their long-term objectives, their future operating model and the pay and workforce strategy required to support them. Annual changes to pay need to be linked to longer-term strategy. [Amber]	We recognise that the judicial leadership has taken steps to improve the judicial HR function with appropriate support from the MoJ.	We would welcome evidence on the steps taken to develop a longer-term strategy which takes into account the need to recruit sufficient numbers of qualified judges. This should also reflect courts and tribunal harmonisation and cross-deployment of resources between the two.	
	Focus on outcomes: There should be more focus on maximising outcomes for lowest cost and less fixation on limiting basic pay increases across the board. [Amber]	We continue to hear concerns from judges about poor working conditions and the lack of administrative support received and how this impedes efficiency in the use of judicial time. We acknowledge that the judicial leadership continues to press the government for funds to tackle these issues.		

The judiciary				
			Objectives	
		Current position	2020-21 evidence	Medium term
Strategic approach	**Targeting:** Where evidence supports it, pay should be targeted according to factors such as the level of responsibility, job performance, skill shortages and location. [Amber]	Both the MoJ and judicial leadership asked us not to recommend differential awards this year. While we have recommended an across the board increase for all judges, we will look closely at District Judge recruitment next year and we will consider recommending a targeted award then if the evidence supports it.	Consideration of proposals for targeted pay awards.	
	Central versus devolved tensions: Tensions that exist in the system that hinder the development of a coherent workforce policy, such as between national and local control, need to be explicitly recognised and actively managed. [Amber]	The application of the new RRAs to England and Wales only[50] was contrary to the principle of pay parity that underpins the notion of a UK-wide judiciary.	Evidence that any decisions, whether temporary or permanent, are made with reference to the principle of pay parity across all three jurisdictions in the UK and implemented simultaneously.	
Performance	**Performance management and pay:** There needs to be demonstrable evidence that appraisal systems and performance management arrangements exist and are effective, and of a robust approach to reward structure and career development. [Green]	Unique nature of the judicial role makes this difficult. However, all judges are now offered regular career-based conversations and appraisals take place across a range of courts and tribunals judges, with a view to ensuring that judges are clear about the standards expected and receive support for future development.	Evidence of the development of appraisal systems.	Evidence of how leadership allowances have been implemented.
	Action on poor performance: Greater analysis is required of where value is being added and action taken where it is not. [Green]	No evidence that this is an issue. All issues of misconduct are dealt with by the Judicial Conduct and Investigations Office.		

50 Upper Tribunal Judges in Reserved Tribunals in Scotland were eligible for RRAs.

The judiciary					
			Objectives		
		Current position	2020-21 evidence	Medium term	
Data	**Better data:** Better decision-making requires better data, particularly in respect of attrition, retention and recruitment. Emerging issues and pressures need to be identified promptly and accurately so that appropriate action can be taken. [Amber]	There is a good quality of workforce data provided. However, we consider that more data on the quality of judicial applicants should be provided (see paragraph 2.52).	Consistent evidence from the judicial appointment bodies on the quality of judicial applicants.	Evidence on the pre-appointment earnings of judicial applicants and appointees at all levels. Evidence on the economic contribution of the judiciary.	
	Feeder groups: The feeder groups that will supply the next generation of senior public sector leaders must be closely monitored. The data relating to them needs careful scrutiny for early warning signs of impending problems. [Amber]	An increase in the number of judicial competitions and appointments is critical to prevent the depletion of feeder pools, as has happened in the past.	Continued provision of evidence on fee-paid judicial roles.		
	Diversity: The senior workforces within our remit groups need to better reflect the society they serve and the broader workforce for which they are responsible. [Amber]	There are relatively good and improving data. The MoJ, JAC and Judicial Office are collaborating on a report that will bring together judicial diversity statistics with JAC statistics on those recommended for appointment. This may include data from the professional bodies which would give a fuller picture of the eligible pool and better inform the approach to improving judicial diversity.	Evidence on diversity from the project to bring together judicial and professional diversity data.		

Chapter 3

Economic context

Summary

3.1 Each year, we consider our recommendations in the context of the current and expected economic climate and the position of public sector finances. This year, we find ourselves in an unprecedented position. As a result of the coronavirus pandemic, and the measures taken to address it, we can expect a sharp and deep economic contraction.

3.2 At this stage of the coronavirus pandemic, there is a very high degree of uncertainty over the eventual impact on the economy. The magnitude and duration of the economic downturn will depend upon many unknowns, including the length of lockdown, the success of the measures taken to suppress the pandemic, the effectiveness of government support to business, and the speed at which consumer and business confidence returns. Regardless of these uncertainties, it is clear that in the first half of 2020 there will have been a very large fall in GDP, probably larger than any economic crisis in modern history. However, this crisis is of a very different nature to previous recessions and the long-term implications are highly uncertain.

3.3 Estimates of the size of the contraction in the economy this year range up to 14 per cent. Different sectors of the economy will face very different impacts, with some public services seeing large-scale changes both in the pattern of demand and the means of delivery.

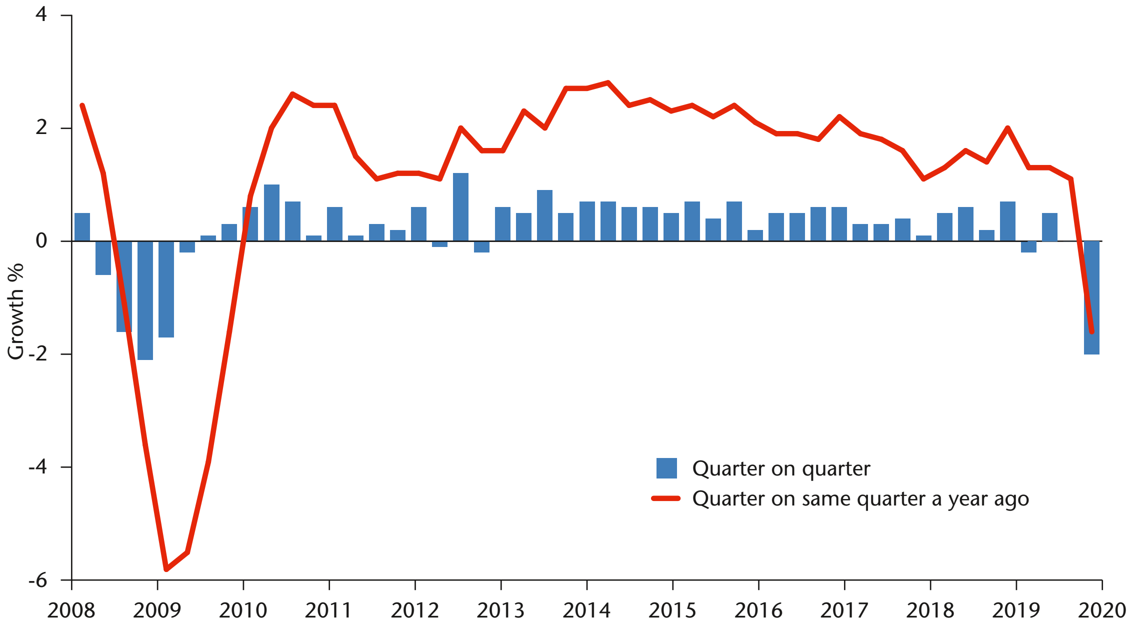
3.4 The government response has been wide ranging, including a commitment to pay 80 per cent of the wages of furloughed workers, up to £2,500 a month. This will lead to a large increase in public sector borrowing but should reduce the long-term damage to the economy.

3.5 We have considered the data and economic evidence available up to 13 May 2020. Prior to the current crisis, economic growth was flat, CPI inflation was below target, employment was at record levels and, while average earnings growth had picked up, pay pressures remained muted. Further detail on the latest economic data is given in Appendix A.

Economic growth

3.6 UK GDP increased by 1.4 per cent between 2018 and 2019, held back by weak global growth and Brexit-related uncertainty. GDP was estimated to have fallen by 2.0 per cent in quarter 1 2020, the largest fall since quarter 4 2008 (see figure 3.1). The decline in the first quarter largely reflects the 5.8 per cent fall in output in March 2020, with widespread monthly declines in output across the services, production and construction industries.

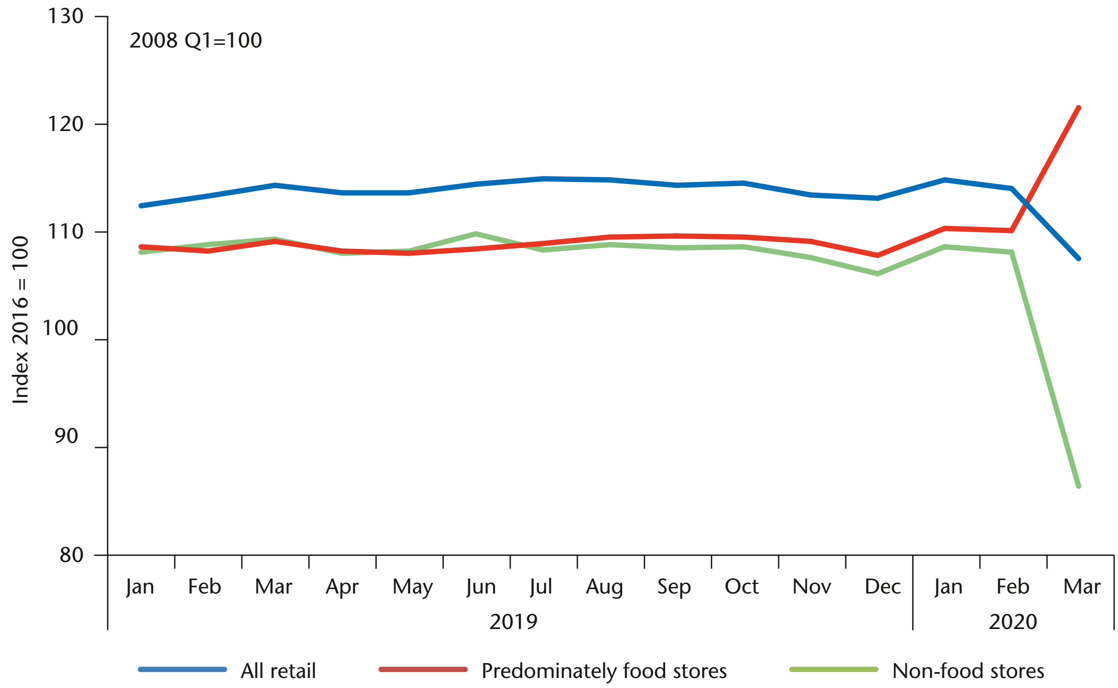
Figure 3.1: **GDP, quarterly and four-quarter growth, 2008 to 2020**



Source: ONS, Gross Domestic Product, quarter-on-quarter growth rate (IHYQ); four-quarter growth rate (IHYR). Chained volume measure at market prices, seasonally adjusted, UK.

3.7 Short-term economic indicators suggest the economy took a very sharp downturn in the second half of March 2020 in response to temporary business closures, social distancing measures, markedly reduced consumer spending, and disruption to global supply chains. The value of retail sales fell by 5.7 per cent between February and March as the social distancing measures started to take effect (see figure 3.2). The value of non-food retail sales fell by 20.1 per cent, while food sales rose by 10.4 per cent.

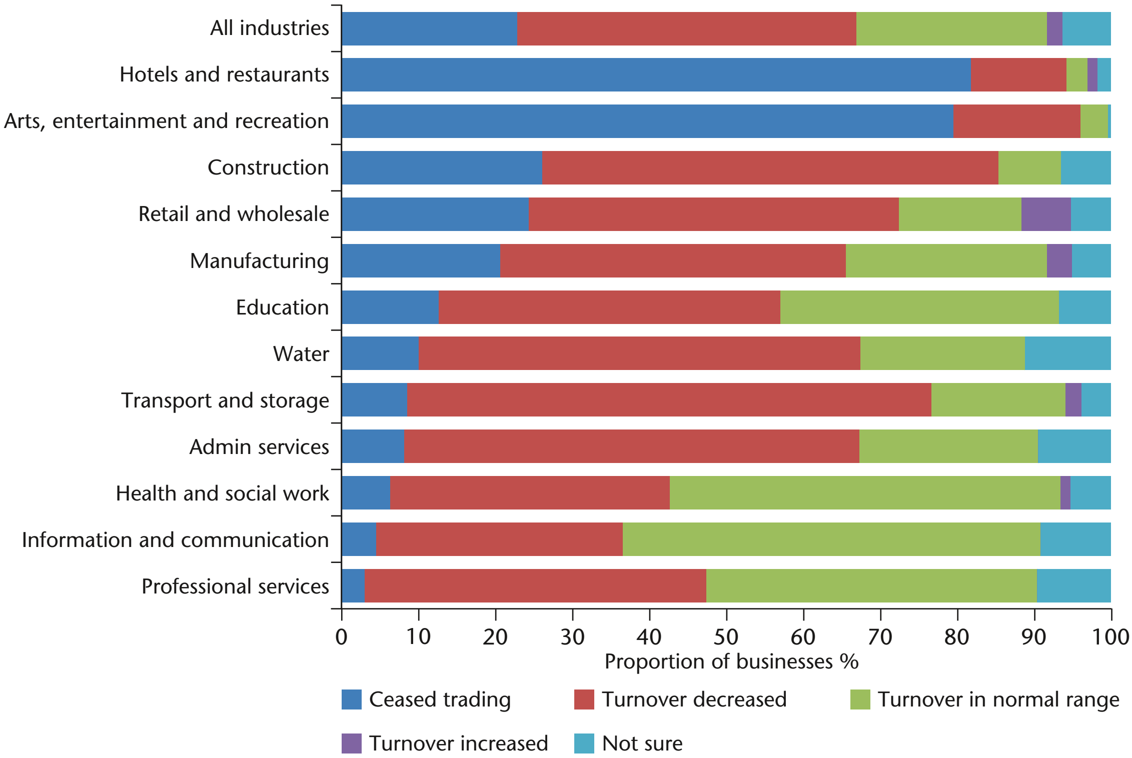
Figure 3.2: **Retail sales, January 2019 to March 2020**



Source: ONS, Retail Sales Index. All retail including automotive fuel (J5C4); predominantly non-food stores (EAQY); Predominantly food stores (EAQW), GB.

3.8 The impact of Covid-19 will differ markedly across the economy. Sectors involving social interaction, such as restaurants, hotels, hairdressers, and tourism, have seen a fall in business to near zero. Sectors such as utilities, communications and public services are likely to see sustained demand but may face difficulties in delivering services. In an ONS survey of employers, 23 per cent of businesses reported they had temporarily or permanently stopped trading by mid-April (see figure 3.3). This ranged from 82 per cent of businesses in the hotels and restaurants sector to 3 per cent of professional services firms. A further 44 per cent of businesses had seen a fall in revenue.

Figure 3.3: **Trading status of businesses, 6 to 19 April 2020**



Source: Business Impact of Covid-19 Survey (BICS), period 6 April 2020 to 19 April 2020, published 7 May 2020, UK.

3.9 The Office for Budgetary Responsibility (OBR) constructed a scenario to illustrate how the economic disruption might manifest itself, what this might mean for the public finances and to provide a reference point against which to assess new developments.[51] It assumed that people's movements (and thus economic activity) was heavily restricted for the three months covering the second quarter of this year. It then assumed the impact was halved in the third quarter and activity returned to pre-outbreak levels in the fourth quarter of 2020. This scenario did not build in any account of longer-term damage to the economy. The Bank of England constructed a similar economic scenario, based on a set of stylised assumptions about the pandemic and the responses of governments, households and businesses.[52] It also expected the fall in GDP to be temporary, with economic activity picking up relatively rapidly as social distancing measures were relaxed. It expected that the economy would take some time to recover to its previous path as a degree of precautionary behaviour by households and businesses persisted.

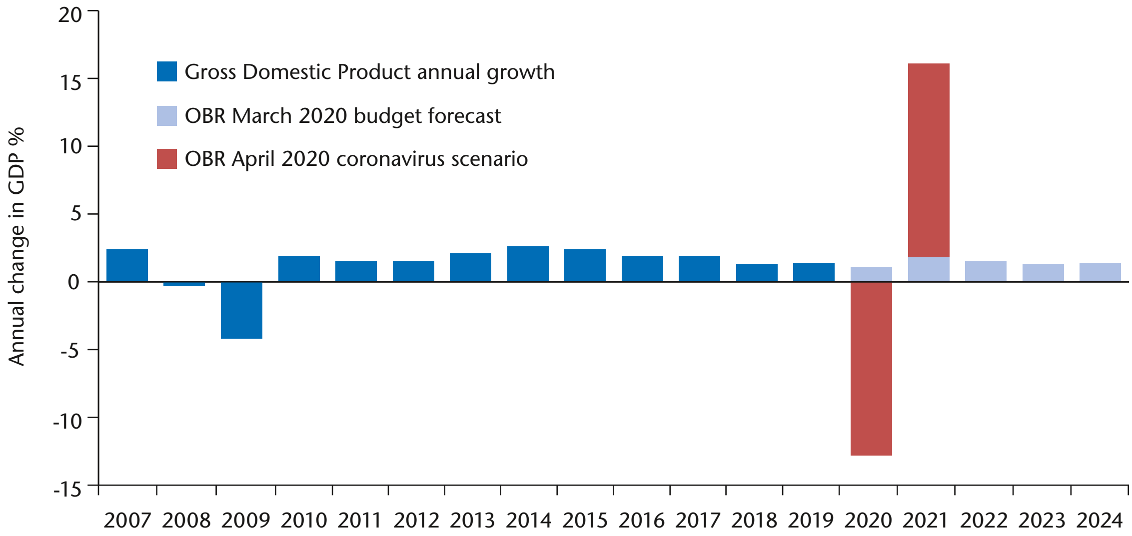
3.10 The OBR's assumed scenario showed a very sharp drop in economic output of 35 per cent in the second quarter of 2020. This gave a 12.8 per cent reduction in GDP over the year but then growth of 18 per cent in 2021 (see figure 3.4). The Bank scenario

[51] Office for Budgetary Responsibility, Commentary on the OBR coronavirus reference scenario, 14 April 2020. See: https://obr.uk/coronavirus-analysis/

[52] Bank of England, Monetary Policy Report May 2020. See: https://www.bankofengland.co.uk/report/2020/monetary-policy-report-financial-stability-report-may-2020

suggested a slightly shallower contraction in the second quarter of this year, of 25 per cent. Over two thirds of this fall was due to reduced consumption, as the lockdown and social distancing guidance restricted household spending, with sharp contractions in housing and business investment accounting for most of the rest of the fall. The Bank expected a slightly weaker bounce back in the second half of the year than the OBR, so that the year-on-year contraction in the economy would be 14 per cent and the economy would not regain its pre-Covid-19 size until the second half of 2021.

Figure 3.4: **Gross Domestic Product, year-on-year growth, 2007 to 2024**



Source: ONS, GDP, year-on-year growth (IHYP), seasonally adjusted, 2007 to 2019. OBR, Economic and fiscal outlook, March 2020; OBR, Coronavirus reference scenario, April 2020.

3.11 The range of independent forecasts received in April by HM Treasury is shown in table 3.1. Both the OBR and the Bank projections suggested a sharper downturn, but then a stronger recovery, than independent forecasters. The median forecast contraction for 2020 was 6.4 per cent but output was only typically expected to grow by 4.9 per cent in 2021, leaving the economy below the level of activity before the pandemic.

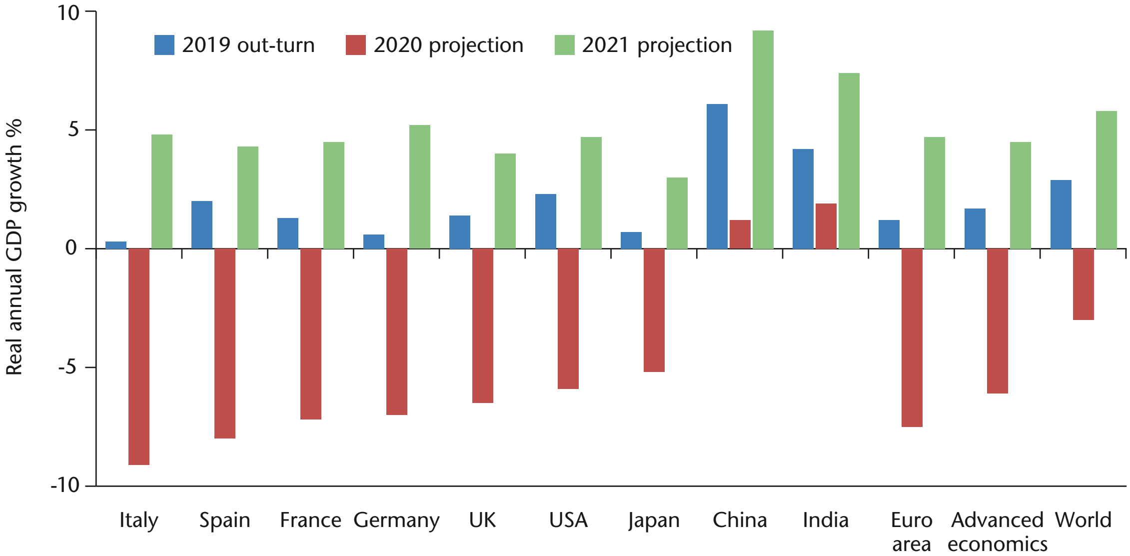
Table 3.1: **Range of forecasts for GDP growth, 2020 and 2021**

Year	OBR scenario forecast %	Bank of England illustrative scenario %	Median independent forecast %	Range of independent forecasts %
2020	-12.8	-14	-6.4	-1.9 to -10.2
2021	17.9	15	4.9	1.1 to 10.3

Source: OBR, Commentary on the OBR coronavirus reference scenario; Bank of England, Monetary Policy Report May 2020; HM Treasury, Forecasts for the UK economy April 2020 (independent forecasts made in April only).

3.12 The spread of Covid-19 and the measures taken to protect public health have caused a substantial reduction in economic activity around the world. In its April World Economic Outlook, the International Monetary Fund (IMF) said that the global economy was projected to contract by 3 per cent in 2020, much worse than during the 2008-09 financial crisis (see figure 3.5). In its baseline scenario, which assumes that the pandemic fades in the second half of 2020 and containment efforts can be gradually unwound, the global economy was projected to grow by 5.8 per cent in 2021 as economic activity normalises, helped by policy support. The IMF said that the risks for even more severe outcomes were substantial and that effective policies were essential to forestall these.

Figure 3.5: **IMF economic growth projections, annual growth, 2019 to 2021**



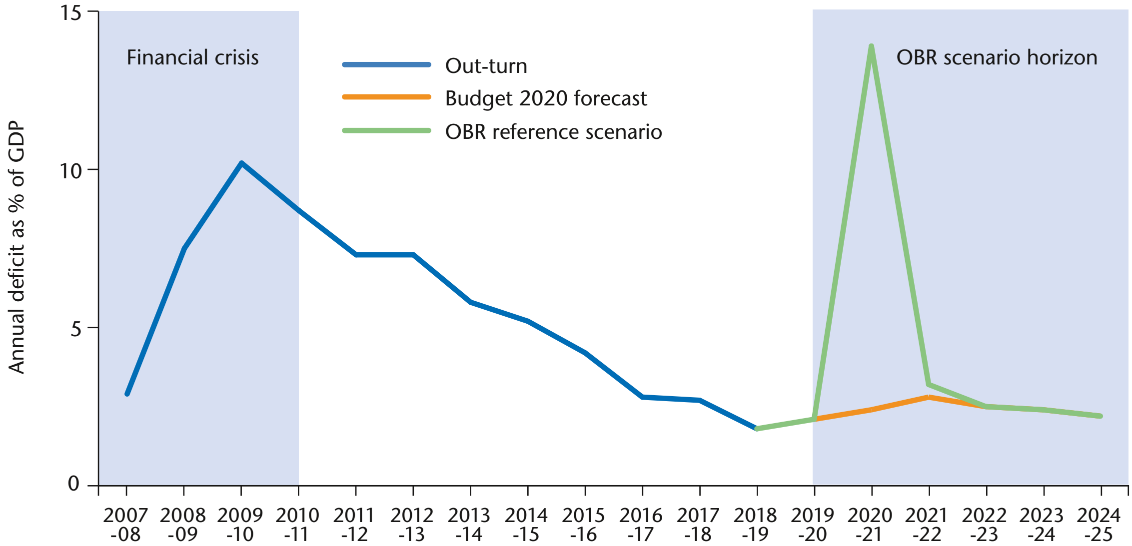
Source: IMF, World Economic Outlook, April 2020.

Public finances

3.13 The government has introduced a number of policies to mitigate the damage from the pandemic on the economy including a scheme to pay 80 per cent of the wages of furloughed workers and grants for the self-employed with profits under £50,000, both of up to £2,500 a month. There have also been increases to Universal Credit and housing benefit, business rates support and grants to small businesses, and additional public service spending. The economic forecasts vary in their assumptions not only about the costs of these schemes but about their effectiveness in protecting the economy from longer-term damage.

3.14 The OBR's scenario estimated that these policy announcements would cost £100 billion this financial year. Receipts were estimated to be £130 billion lower, mostly due to lower income tax and VAT. This was offset by lower debt interest payments of around £10 billion, reflecting the lower bank rate, and a small underspend of £2 billion by departments. Overall, the OBR estimated that this increased public sector borrowing in 2020-21 by £218 billion relative to its March budget forecast, to reach £273 billion or around 14 per cent of GDP (see figure 3.6). In the absence of any policy announcement, the OBR was working on the basis that, once the crisis has passed and all the policy interventions had unwound, borrowing would fall back relatively quickly to roughly the pre-crisis forecast, although net debt would remain around £260 billion higher (10 per cent of GDP). Independent forecasters expected the public sector deficit to remain at very high levels, of over £100 billion, in 2021.

Figure 3.6: **OBR forecast of public sector deficit, 2007-08 to 2024-25**



Source: OBR, Coronavirus reference scenario.

Inflation

3.15 In March 2020, prior to the full impact of the coronavirus pandemic on the economy, the CPI and CPIH rates of inflation were both at 1.5 per cent, and the RPI rate was at 2.6 per cent. Inflation had been on a broad downward path in 2018 and 2019, with falling prices for petrol and clothing, as well as price cuts for gas and electricity.

3.16 Forecasters are expecting inflation to remain subdued as a result of the current economic situation. Short-term changes to both supply and demand for different goods and services during the lockdown period mean that there will be downward pressure on some prices and upward pressure on others. Sterling has fallen significantly, while oil prices have dropped sharply in recent months. The OBR expected the net result of those effects to be a temporary drop in CPI inflation to 0.7 per cent in the second quarter of 2020, followed by a rise to 2.7 per cent in 2021. The Bank of England expected a lower path for CPI inflation, averaging 0.6 per cent in 2020 overall, but falling to zero at the end of the year, given falling oil and energy prices and the weakness of demand (see table 3.2).

Table 3.2: **Range of forecasts for CPI inflation, 2020 and 2021**

Year	OBR scenario forecast %	Bank of England illustrative scenario %	Median independent forecast %	Range of independent forecasts %
2020	1.2	0.6	1.1	0.4 to 2.5
2021	2.3	0.5	1.9	0.6 to 2.6

Source: OBR, Commentary on the OBR coronavirus reference scenario; Bank of England, Monetary Policy Report May 2020; HMT, Forecasts for the UK economy April 2020 (independent forecasts made in April only).

Employment

3.17 In the period prior to the pandemic, the UK labour market had continued to strengthen, with employment reaching record levels and the unemployment rate at a historic low. The longer-term effects on the economic downturn on the level of employment are unknown, but it is likely that there will be a weaker labour market in the medium term, as employers respond to lower demand and cut back on hiring.

3.18 Employers have made a number of short-term responses to the economic shutdown. These include: changes to working hours; changes to staffing levels including furloughing, lay-offs and redundancies; different working practices; and changes to recruitment.

3.19 Early indicators suggest there has been a rise in redundancies and a fall in the number of job vacancies but that the government's Coronavirus Job Retention Scheme has reduced the number of job losses in the short term. HMRC said that 800,000 employers had applied to the Coronavirus Job Retention Scheme, covering 6.3 million jobs, with the value of claims totalling £8 billion by 3 May 2020. The number of new Universal Credit claims suggests that unemployment has risen sharply. In total, around 2 million new claims were made between the start of March and mid-April. The unemployment levels will be kept down while employers are using the furlough scheme.

3.20 Under the OBR's scenario of the impact of Covid-19, the unemployment rate is expected to rise sharply, from 4 per cent at the start of 2020 to 10 per cent in the second quarter, equivalent to an increase in unemployment of 2.1 million, to a total of 3.4 million. The OBR expects the reversal of unemployment to be slower than GDP, with unemployment to remain at 5 to 7 per cent through 2021. The Bank of England expects the unemployment rate to rise to 9 per cent in the second quarter of this year and to fall only gradually during the rest of 2020 and 2021.

Table 3.3: **Range of forecasts for the unemployment rate, 2020 and 2021**

Year	OBR scenario forecast %	Bank of England illustrative scenario %	Median independent forecast %	Range of independent forecasts %
2020	7.3	8	6.5	4.8 to 12.1
2021	6.0	7	5.3	4.0 to 9.2

Source: OBR, Commentary on the OBR coronavirus reference scenario; Bank of England, Monetary Policy Report May 2020; HMT, Forecasts for the UK economy April 2020 (independent forecasts made in April only) – relates to quarter 4, not annual average.

Earnings growth

3.21 Whole economy average weekly earnings growth was at 2.8 per cent in the three months to February 2020, having fallen back from a medium-term peak of 4.0 per cent in June 2019. Surveys indicate that many employers are likely to postpone decisions on pay awards in the current economic climate. As well as furloughing workers, some companies have cut executive pay to reduce costs during the shutdown. The Bank of England expected average weekly earnings in the second quarter of 2020 to be around 5 per cent lower than a year earlier, largely driven by pay reductions for those on the Coronavirus Job Retention Scheme.

Table 3.4: **Range of forecasts for average earnings growth, 2020 and 2021**

Year	OBR scenario forecast %	Bank of England illustrative scenario %	Median independent forecast %	Range of independent forecasts %
2020	-7.3	-2	1.7	-4.2 to 4.0
2021	18.3	4	2.2	-0.6 to 3.9

Source: OBR, Commentary on the OBR coronavirus reference scenario; Bank of England, Monetary Policy Report May 2020; HMT, Forecasts for the UK economy April 2020 (independent forecasts made in April only).

Conclusions

3.22 In making our recommendations, the government has asked us to pay attention to unemployment, average weekly earnings in the private sector and inflation. While there are wide bands of uncertainty around any estimates of activity at the present time, the economy is expected to shrink by up to 14 per cent this year, a larger fall than in any economic crisis in modern history. The current crisis makes it particularly difficult for employers to make pay decisions in the light of what may be a temporary downturn. Understandably, many are deferring decisions. While general labour market and wage pressures will weaken this year, the uncertainty of the current economic situation makes it much more difficult than usual to foresee the impact on public sector pay or the implications for the recruitment and retention of our remit groups.

Chapter 4

Pensions and total net remuneration

Overview

4.1 Recruitment and retention for our remit groups are affected by a range of factors in addition to basic pay, including pensions, job security, and the value of broader benefits such as the opportunity to do interesting and important work. It is beyond our remit to make recommendations on pension policy or taxation. However, where these issues have an effect on the recruitment or retention of senior public sector workers, it is important that we take account of them. If need be, changes in these factors could be offset by modifications to basic pay.

4.2 As we have highlighted before, the tax regime affects public sector workers disproportionately, as the pension makes up a far higher proportion of their remuneration package than for senior private sector employees. In addition, public sector workers lack the flexibility over their pensions that private sector employees typically have. Changes to the pension annual allowance announced in the March 2020 budget were an important recognition of the very high marginal tax rates and disincentives that many senior public sector workers have faced. These reforms will go some way towards addressing the problems we have set out in previous reports. From this year onwards, only a few members of our remit groups will be affected by the annual allowance taper,[53] such as the High Court Judges and the Chief of the Defence Staff, although many still face annual allowance tax charges. It is also the case that many of our remit group members have lower total net remuneration than a decade ago. Moreover, the impact of the pension lifetime allowance means that many senior public sector workers face very high effective marginal tax rates and are unable to benefit from the pension on offer. This has damaged recruitment, particularly to the judiciary.

Factors which affect total remuneration

4.3 There have been many changes to taxation and pensions over the last decade which have affected the overall remuneration of our remit groups.

4.4 On income tax, allowances have been cut and tax rates raised. In particular:[54]

- There have been increases in the income tax personal allowance.
- A taper has been introduced that withdraws the personal allowance for those earning above £100,000.
- An additional rate of income tax of 50 per cent was introduced for those earning above £150,000 in 2010-11. This was reduced to 45 per cent in 2013-14.
- National insurance has been increased from 1 to 2 per cent for those earning more than the upper earnings limit.

4.5 The amount of tax relief on pension contributions and the terms of public sector pension schemes have become less generous. In particular:

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[53] The annual allowance taper reduces an individual’s annual allowance, the amount of pension that can be accrued tax-free in any given year, by £1 for every £2 of adjusted income (income less pension contributions plus value of pension accrual) beyond the adjusted income threshold. This threshold was £150,000 in 2019-20 and was increased to £240,000 for 2020-21. Pension accrual in excess of the annual allowance is taxed as if it were normal income.

[54] Note that income tax levels are different in Scotland. In particular, the additional rate is currently 46 per cent and the higher rate is 41 per cent. The higher rate threshold is lower in Scotland than in the rest of the UK.

- The annual allowance, i.e. the amount of pension benefit that can be accrued from tax-free income, was reduced to £40,000 a year in 2014-15, having been at £255,000 in 2010-11.
- An annual allowance taper was introduced from 2016-17 which reduced the annual allowance to a lower limit of £10,000 for those with total income (salary plus pension less contributions) above £210,000.
- The total income at which the annual allowance is at this lower limit was increased in the March 2020 budget to £312,000 for the 2020-21 tax year, while the lower limit on the annual allowance was reduced to £4,000.
- Member contribution rates to public sector pension schemes were increased, with the exception of the Armed Forces.
- Final salary pension schemes were replaced with career average pension schemes in 2015, typically with higher accrual rates and higher pension ages, for those who were more than 10 years from retirement in 2012.
- The 2015 New Judicial Pension Scheme (NJPS) is registered for tax purposes, unlike its predecessor, the 1993 Judicial Pension Scheme (JUPRA).

4.6 Our modelling is an in-year analysis, so does not take account of the lifetime allowance or income tax paid on pension benefits received in retirement. It also assumes that annual allowance charges are paid upfront, rather than through Scheme Pays.[55] It tracks a single pay point, so does not take account of any pay progression increases that individuals might receive. To take full account of changes to take-home pay and total net remuneration stemming from the public sector pay policy from 2010-11, as well as the changes to taxation, we start our analysis in 2009-10.

4.7 The changes to taxation and pensions outlined above have led to a significant reduction in take-home pay and total net remuneration over the last decade for many senior public sector employees. Higher earners in defined benefit pension schemes have faced very high effective marginal tax rates, where relatively large increases in pensionable income could lead to little change in take-home pay.[56] This occurs because the withdrawal of tax relief on imputed pension benefits above the annual allowance causes an immediate tax liability.

4.8 The implications of this for our remit groups are potential disincentives to take a promotion or apply for senior posts, and potential incentives to seek reductions in working hours or retire early. For example, someone breaching their annual allowance in a typical career average scheme faces a marginal tax rate of roughly 55 per cent. If they are also being tapered, they face a marginal tax rate of roughly 80 per cent. These negative impacts have grown as more remit group members have lost the capacity to carry forward any unused annual allowance for three years, and as more individuals are faced with large, and sometimes unexpected, annual allowance tax bills. The loss of value in the overall remuneration package has caused recruitment problems in some areas, notably the judiciary.

4.9 While public and private sector employees are subject to the same pension taxation regime, the impact has been different across the sectors for a number of reasons. First, pension benefits tend to make up a much smaller proportion of the overall package for private sector employees. Second, private sector employees are likely to be in a defined

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[55] Most allowance charges can be paid through Scheme Pays. This allows individuals to pay for their annual allowance charges by reducing the value of their pension rather than paying using cash. This option is more expensive the further away an individual is from retirement, reflecting the interest associated with deferring payment for many years, and will almost always result in a reduction of total net remuneration in excess of the cost of paying the charges up front. A more detailed definition can be found in box B.1 in Appendix B of this Report.

[56] More detail on the marginal tax rates faced by higher earners can be found in Appendix B.

contribution scheme, with flexible pension contributions. This means that breaches of the annual allowance can be more easily avoided. Public sector employees are nearly all in defined benefit schemes, so imputed pension benefits will typically be automatic, even if this causes the annual allowance to be breached and leads to in-year tax liabilities. Third, there has been a different approach taken in the private sector to pension benefits for senior employees, partly in response to the reductions in the annual and lifetime allowances. Typically, the private sector response has been to offer a cash payment in lieu of pension to high earners who are affected by the reduced annual allowance, or who have hit their lifetime allowance. Consequently, the outcome on take-home pay for private sector employees has been much less significant or has led to an increase in take-home pay at the expense of pension benefit.

4.10 In last year's Report, we stated that the current pension taxation regime posed a significant recruitment and retention risk to senior staff across the public sector. We again recommended that pension flexibility should be examined as a matter of urgency, with the aim of reducing the perverse incentives that senior public sector employees may be facing. We are pleased that some action has been taken to deal with the problems we have identified.

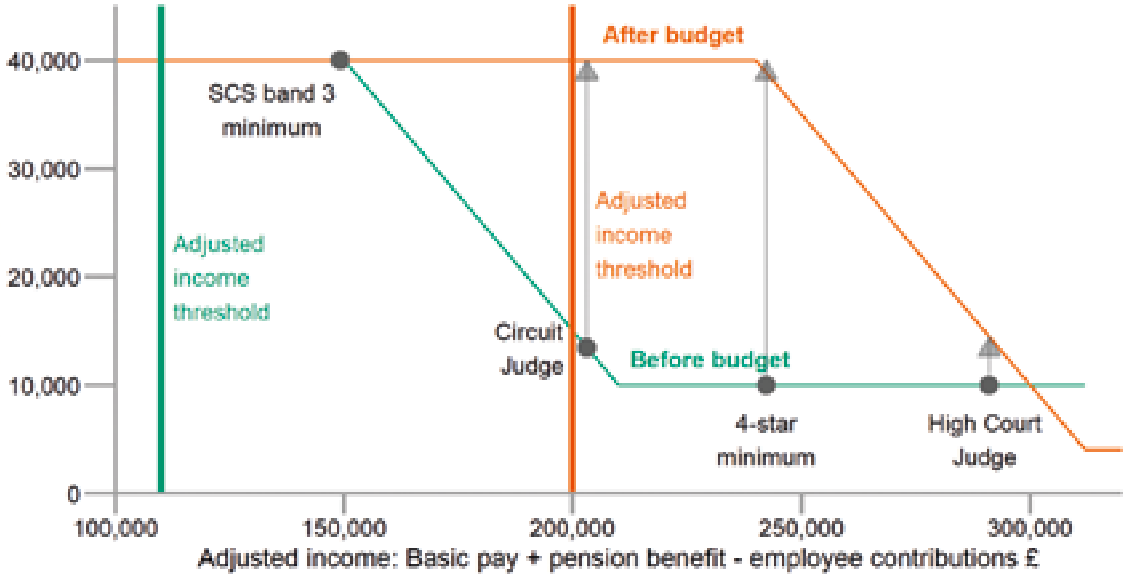
Changes to the pension annual allowance taper

4.11 Changes to the annual allowance taper were announced in the March 2020 budget, effective from the 2020-21 tax year. The threshold at which adjusted income, rather than basic pay, is used to calculate the annual allowance, was increased by £90,000, from £110,000 to £200,000.[57] The threshold at which the annual allowance begins to be tapered was increased by £90,000, from £150,000 to £240,000. The minimum annual allowance was decreased by £6,000, from £10,000 to £4,000.

4.12 These changes are illustrated in figure 4.1. Everyone who lies in the section of the graph where the green line is below the orange line stands to benefit from the changes. This covers anyone who met the old adjusted income threshold of £110,000 with total income (base pay minus pension contributions plus pension benefit) greater than £150,000 but less than £300,000. The maximum amount an individual can benefit from the changes is £13,500. Those with total income between £210,000 and £240,000 will receive this, having moved from a fully tapered annual allowance of £10,000 to an un-tapered annual allowance of £40,000. Those with total income above £300,000 will lose out (by up to £2,700), as the annual allowance tapers down to the new lower minimum of £4,000.

[57] Threshold income is defined as gross pay minus the employee pension contribution. Adjusted income is defined as the threshold income plus the pension benefit.

Figure 4.1: **Annual allowance before and after budget changes, by level of adjusted income**



Note: The judicial roles shown are in the NJPS. Those in JUPRA are not subject to the same tax regime. The Circuit and High Court Judge salaries include the RRA.

Changes in take-home pay and total net remuneration

4.13 We have updated our analysis of how total net remuneration has changed at specific pay points within our remit groups over the last decade (see Appendix B). This looks at roles across each remit group to see how different salary levels are affected. The analysis uses the pay band minimum to filter out the effects of pay progression or promotion and focuses on how remuneration for the same role has changed over time. Take-home pay is calculated as gross pay (base pay plus performance-related pay, allowances and pay premiums) less employee national insurance contributions, income tax, employee pension contributions and any annual allowance charges. Total net remuneration is calculated as take-home pay plus the value of pension accrual during the year. This modelling takes account of the annual allowance but not the lifetime allowance.

4.14 The individual roles in our remit groups saw nominal increases in total net remuneration ranging between 0.2 and 11.1 per cent over the year between 2018-19 and 2019-20 (see table 4.1). The Permanent Secretary minimum saw the lowest increase, with total net remuneration increasing by £260 (0.2 per cent). High Court Judges saw the highest increase last year as the RRA was increased to 25 per cent; take-home pay increased by £15,673 (18.4 per cent) and total net remuneration increased by £17,048 (11.1 per cent).

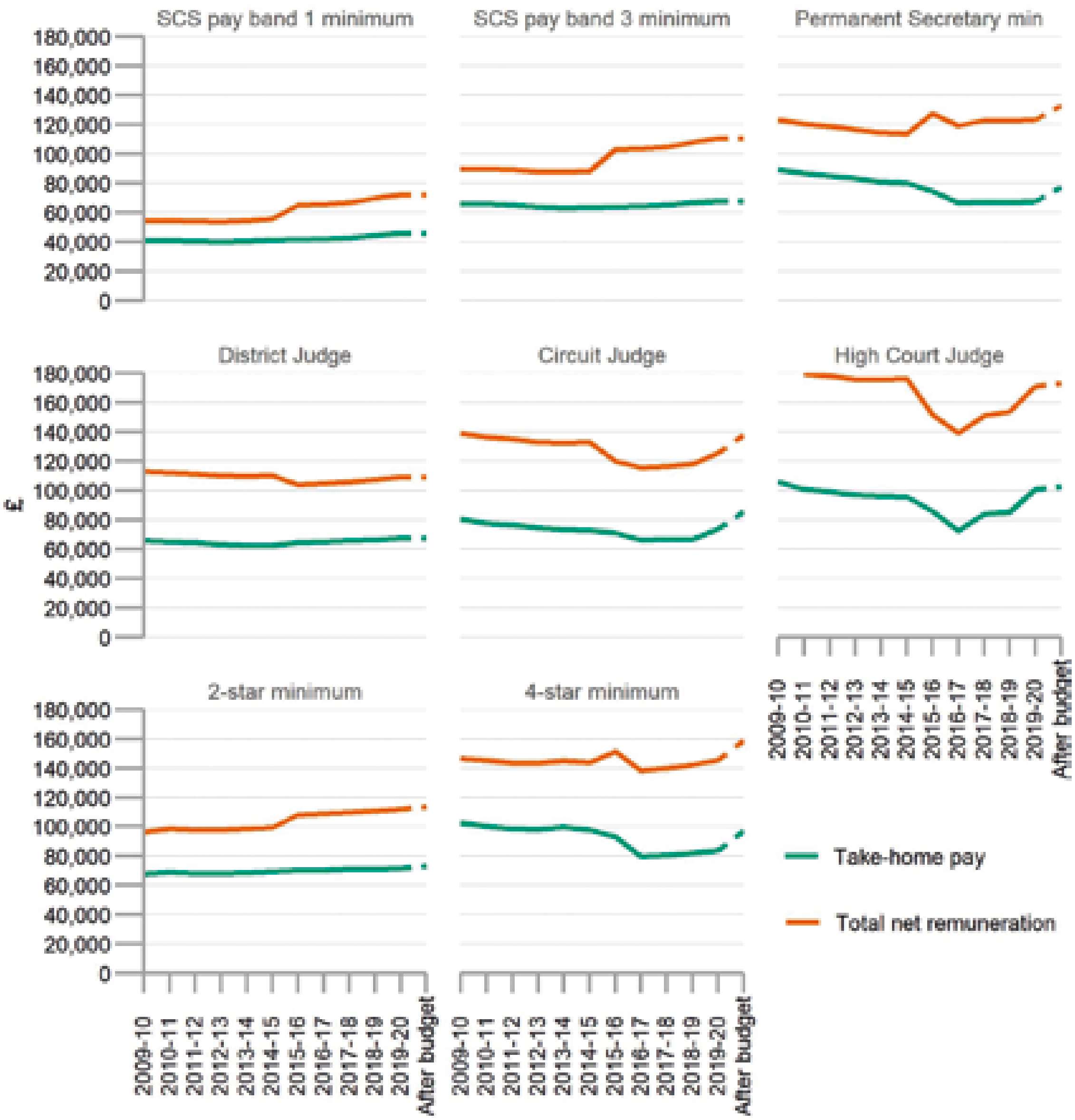
Table 4.1: **Increase in total net remuneration, 2018-19 to 2019-20 and 2009-10 to 2019-20**

	2018-19 to 2019-20		2009-10 to 2019-20	
Role	**Nominal %**	**Inflation adjusted %**	**Nominal %**	**Inflation adjusted %**
SCS pay band 1 minimum	3.3	1.5	32.1	6.2
SCS pay band 3 minimum	2.3	0.5	22.8	-1.3
Permanent Secretary minimum	0.2	-1.6	0.1	-19.6
2-star minimum	1.1	-0.6	16.3	-6.6
4-star minimum	2.0	0.2	-1.0	-20.5
District Judge	1.7	-0.1	-3.2	-22.3
Circuit Judge	6.6	4.7	-9.5	-27.3
High Court Judge	11.1	9.1	-7.4	-25.6

Notes: See Appendix B for more details. This excludes the impact of taxes paid on retirement, such as the lifetime allowance charge.

4.15 Figure 4.2 depicts the trend in total net remuneration over the period 2009-10 to 2019-20. Permanent Secretaries, Circuit Judges, High Court Judges, and 4-star officers still have nominal take-home pay below the level 10 years ago. The Permanent Secretary minimum has seen the largest fall, with take-home pay 24.5 per cent below 2009-10 levels in 2019-20. The SCS pay band 1 minimum has seen the largest increase in take-home pay, of 13.2 per cent since 2009-10. Because of an increase in the accrual rate in most of the new pension schemes, especially the civil service scheme, fewer groups have seen their total net remuneration fall over the last decade. In particular, Permanent Secretaries increased their total net remuneration by 0.1 per cent over the same period in nominal terms. Total net remuneration at the SCS pay band 1 minimum increased the most of any group, by 32.1 per cent.

Figure 4.2: **Nominal take-home pay and total net remuneration for the SCS, senior military and judiciary, 2009-10 to 2019-20**

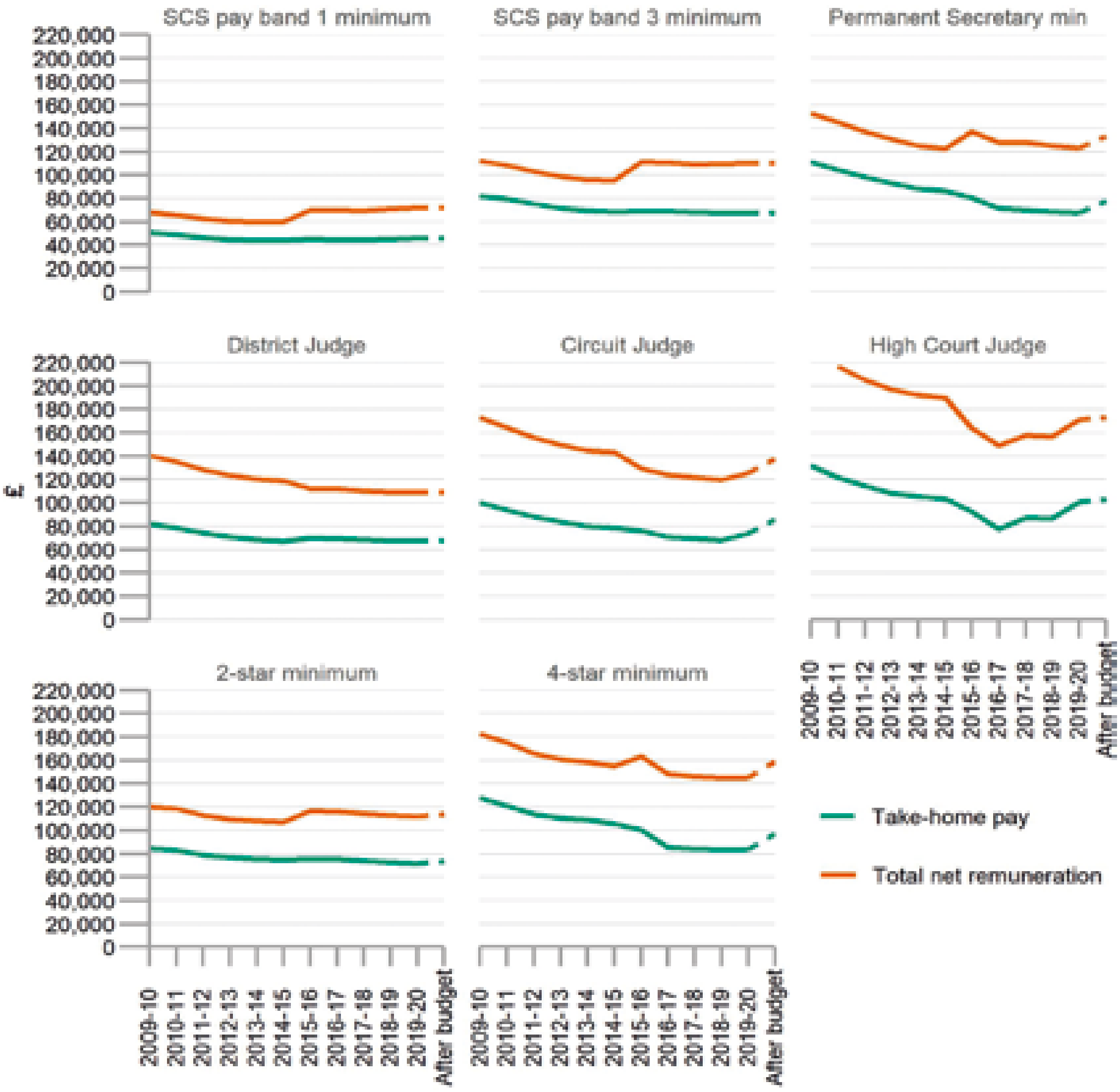


Source: OME analysis. See Appendix B.

Note: The dotted lines update the 2019-20 figures as if the annual allowance change had happened in the 2019-20 tax year and account for no other changes.

4.16 Figure 4.3 shows these trends adjusted for inflation. The SCS pay band 1 minimum is the only role in this analysis to have seen a real increase in total net remuneration since 2009-10, due to increases in the pay band minimum and the higher accrual rate in the new pension scheme. The Permanent Secretary minimum has seen a fall in total net remuneration of nearly 20 per cent in real terms since 2009-10, due to pension taxation and higher pension contributions. The 4-star minimum has seen a fall of 20.5 per cent over the period, due to annual allowance charges and the higher rate of income tax. As highlighted in our Major Review, the biggest falls in real total net remuneration have been for the judicial roles, of between 22 and 27 per cent, due to higher pension contributions, pension taxation, and a lower accrual rate in the 2015 pension scheme. These falls would have been even larger were it not for the introduction of the RRAs for Circuit and High Court Judges, which offset this by 5.4 per cent and 17.2 per cent respectively.

Figure 4.3: **Inflation-adjusted take-home pay and total net remuneration for the SCS, senior military and judiciary, 2009-10 to 2019-20**



Source: OME analysis. See Appendix B.

Note: The dotted lines update the 2019-20 figures as if the annual allowance change had happened in the 2019-20 tax year and account for no other changes.

Impact of changes to the annual allowance taper

4.17 Remit group members with basic pay (excluding pension contributions) of £110,000 or higher will be affected by the change to the annual allowance taper from April 2020. This will deliver cash gains of up to £13,500 for those who see the maximum increase in their pension annual allowance from £10,000 to £40,000. Those with total income (basic pay plus the value of the additional pension less pension contributions) above £300,000 will lose out, as the minimum annual allowance is reduced from £10,000 to £4,000. In our analysis, this only affects the Chief of the Defence Staff. The impact of the annual allowance changes on members of our remit groups is set out in table 4.2 (and shown as dotted lines in figures 4.2 and 4.3).

Table 4.2: **Benefit to SSRB remit groups of March 2020 budget pension taxation changes**

Role	Basic pay	Tax benefit from changes	Remaining annual allowance charge	Still being tapered?
SCS band 1 minimum	£70,000	£0	£0	No
SCS band 2 minimum	£92,000	£0	£0	No
SCS band 3 minimum	£115,000	£0	£1,075	No
Permanent Secretary minimum	£150,000	£10,047	£6,505	No
2-star minimum	£118,431	£1,750	£127	No
3-star minimum	£137,794	£7,543	£2,763	No
4-star minimum	£180,733	£13,500	£9,687	No
Chief of the Defence Staff	£276,318	-£2,700	£40,530	Yes
District Judge	£112,542	£0	£710	No
Circuit Judge	£161,332	£11,947	£5,434	No
High Court Judge	£236,126	£2,016	£25,038	Yes
Chief Constable (Manchester)	£199,386	£13,500	£7,960	No

4.18 This is a significant improvement for those who are taken out of the annual allowance tapering range and are no longer subject to the very high marginal tax rates the taper induces. Only a very few of the highest paid civil servants and the most senior members of both the judiciary and the Armed Forces will be affected by the taper from this year. This is not, however, enough to reverse the falls in take-home pay and total net remuneration seen over the longer term for most groups, especially once inflation is taken into account.

Lifetime allowance

4.19 The lifetime allowance is the maximum amount of pension savings that can be accumulated by an individual. The allowance was reduced from £1.8 million in 2010-11 to £1.0 million in 2016-17, and has been increased to £1.073 million for 2020-21.[58] The lifetime allowance will be a relevant consideration for many high earning public sector workers, as many will have accrued a defined benefit annual pension greater than the £52,750[59] required to breach the lifetime allowance in 2019-20.

4.20 We cannot model the effect of the lifetime allowance on any particular group, since the lifetime allowance charge will depend on the pension an individual has accrued over the course of their entire career. For those drawing their pension as income, the cost of breaching the lifetime allowance is 25 per cent of the pension benefit in excess of the lifetime allowance, in effect removing much of the tax benefit of the original contribution. If the final annualised pension is between £50,000 and £150,000, the income tax paid on the annual pension received would be 40 per cent, giving a total marginal tax of 55 per cent on any pension accrual above the lifetime allowance (closer to 60 per cent for those on a 45 per cent marginal tax rate). Similarly, pensions drawn as a lump sum are subject to a 55 per cent lifetime allowance charge.

[58] For some affected by these changes, protections were available that allowed pension holders to freeze their lifetime allowance at previous levels. More details on these protections, and the conditions associated with them, are available in Appendix B.

[59] In 2018-19 with no lump sum.

4.21 The lifetime allowance leads to two problems for public sector workers in our remit groups. First, for those who have already reached the lifetime allowance and frozen it at a level when the ceiling was higher than its current value, there will be a strong incentive to leave the pension scheme. This requires giving up an otherwise valuable benefit which formed a substantial portion of overall remuneration.

4.22 Second, if members of our remit groups who have reached the lifetime allowance ceiling do not opt out of the pension scheme, they might also face annual allowance charges, potentially leading to marginal tax rates of over 100 per cent.

4.23 Evidence from our remit groups suggests that many members will have reached or expect to reach their lifetime allowance. In the private sector, we would expect employees to opt out of a pension scheme once their lifetime allowance has been reached and take a cash allowance instead. While we do not have statistical evidence about the impact of the changes of the lifetime allowance on applicants from professional legal practice joining the judiciary, we know that changes to the judicial pension scheme have had a marked effect, as many senior legal practitioners will have built up large private pension funds.

The McCloud pension case

4.24 In June 2019, the Supreme Court refused to grant the government permission to appeal in the McCloud judicial pensions case.[60] This followed a Court of Appeal decision in December 2018 that the government's transitional arrangements with respect to judicial and firefighter pension schemes constituted age discrimination.[61] The judgment itself made no comment on the nature of the remedy or compensation.

4.25 The government has accepted that the judgment applies to all of the main public service pension schemes which were reformed at the same time, including the civil service, the police, the Armed Forces, and the NHS schemes. The same remedy will be applied to all members of public service pension schemes who are in the same position as the claimants. The government made a provisional estimate that the impact of the judgment could cost the equivalent of around £4bn a year.[62] The Treasury will be consulting on proposals to address the McCloud judgment for members of all public service pension schemes later this year.

4.26 The difference between the value of the old and new pension schemes is particularly marked for the judiciary, since JUPRA was not registered for tax purposes. This is a very significant financial benefit for those who are breaching the annual or lifetime allowances. We highlighted in our Major Review that, in the past, candidates for the judiciary accepted that they were foregoing the high salaries earned in professional legal practice, with the attractive pension scheme being the main financial incentive. The Ministry of Justice is planning to introduce a new judicial pension scheme that will cover all members of the judiciary. In oral evidence in March, the Lord Chancellor told us he intended to consult on the new scheme in the spring.

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[60] The Lord Chancellor and Secretary of State for Justice and another v McCloud and Mostyn and others [2018] EWCA Civ 2844.
Sargeant v London Fire and Emergency Planning Authority and others [2018] EWCA Civ 2844
https://www.judiciary.uk/judgments/lord-chancellor-v-mccloud-and-others-judgment/

[61] These transitional arrangements determined which judges and firefighters could remain members of the old pension schemes, and which had to become members of the newer schemes, described in the judgment as less favourable. The criteria determining this was based on the member's age. A judge less than 10 years from the old JPS pension age (in most cases 65) on 1 April 2012 could remain in the old pension scheme until retirement. A judge 10 years or over but less than 13.5 years from the old JPS pension age on 1 April 2012 could also stay in the current JPS scheme for a period beyond April 2015, the length of which was calculated according to age. All other JPS scheme members moved into the new scheme in April 2015.

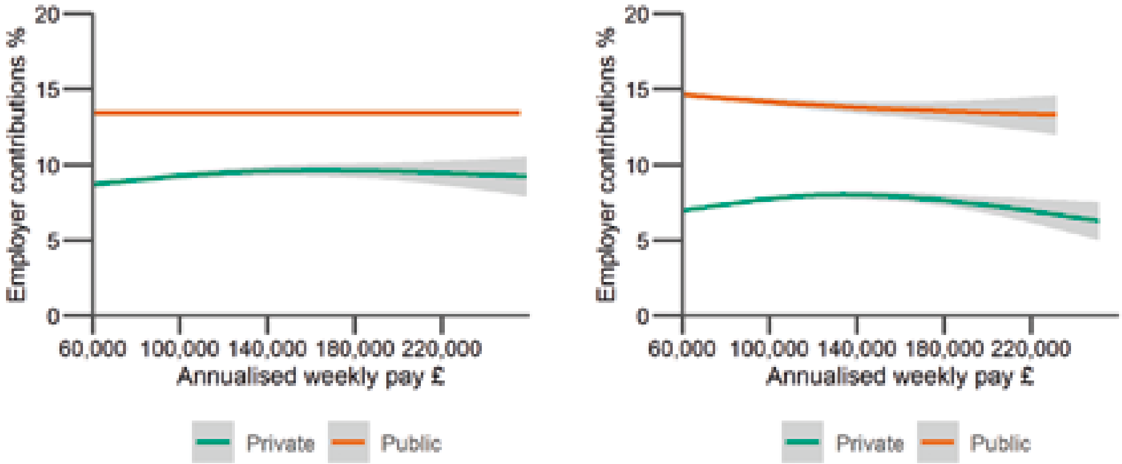
[62] See: https://www.parliament.uk/business/publications/written-questions-answers-statements/written-statement/Commons/2019-01-30/HCWS1286/

4.27 We cannot model the impact of the McCloud remedy or the new judicial pension scheme at this stage, as at the time of writing we have not seen the details of the remedy or the new judicial pension scheme.

Comparisons to the private sector

4.28 Pension provision in the public and private sectors follow very different patterns. Figures 4.4 and 4.5 model employee and employer pension contribution rates in the public and private sectors among those with pensionable earnings above £60,000 a year.[63] The public sector has higher average contribution rates across the whole income distribution for both employee and employer contributions, making pensions a necessarily larger portion of total net remuneration in the public sector than the private sector. The private sector typically has higher pay at the upper end of the earnings distribution which more than compensates for this gap when looking at overall total remuneration.

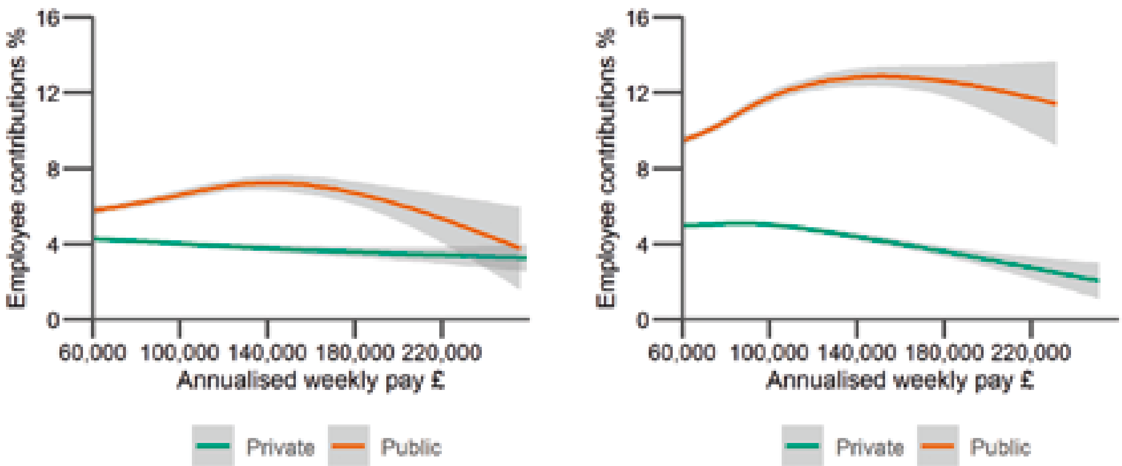
Figure 4.4: **Average employer pension contribution rates, 2011 and 2019**



Source: ONS, Annual Survey of Hours and Earnings 2011 and 2019.

Notes: Grey area shows 95 per cent confidence interval.

Figure 4.5: **Average employee pension contribution rates, 2011 and 2019**



Source: ONS, Annual Survey of Hours and Earnings 2011 and 2019.

Notes: Grey area shows 95 per cent confidence interval. Sections of the graph with wide confidence intervals indicate small sample sizes at that income level, causing unreliable estimates.

63 The model used is a generalised additive model, using weekly earnings of those earnings greater than £1,150 a week in the Annual Survey of Hourly Earnings dataset, a sample of around 1 per cent of the UK workforce.

4.29 The public and private sectors are notably different in the pattern of contribution rates as income increases. In the private sector, average employer contribution rates increase to a peak as annualised pay rises to around £130,000 and declines slowly thereafter. Average employee contribution rates in the private sector peak at an income of around £80,000 and decline more steeply thereafter. In the public sector, by contrast, employer contribution rates slowly but steadily decline as income increases and employee contribution rates steadily increase until annualised income reaches £150,000. Employee contribution rates have also significantly risen in the public sector since 2011. Note that sample sizes are too small in the public sector to reliably estimate the relationship between contribution rates and income for incomes above £150,000.

4.30 There are a number of reasons why pension contributions fall for higher earners in the private sector. Some employers have capped pension contributions at certain salaries. There is also often more flexibility to reduce contributions and replace them with base pay, including the contributions employers would have made. This is a rational response to the pension taxation regime, as marginal tax rates on pension benefits are often higher than income tax. Note that the downward trend in private sector contributions is much more severe now than it was in 2011, especially for employees, before pension tax allowances were reduced. Public sector workers who lack this flexibility have contribution rates that reflect the progressive design of public sector pension schemes, whereby higher earners contribute a greater proportion of their income. This makes it unhelpful to make direct comparisons of the value of the pension between the public and private sectors for senior roles, without a full comparison of the overall remuneration package.

Conclusions

4.31 The changes to the annual allowance taper in the Budget represent significant increases in total remuneration for some members of our remit groups and, more importantly, remove some of the very high marginal tax rates and perverse incentives which this regime created. However, we note that the increases in taper thresholds push the issue further up the earnings distribution and will need to be closely monitored in future. Many of our remit group members are still affected by the pension annual allowance and may still be subject to unexpectedly high tax bills and disincentives to seek promotion or apply for certain roles. We have estimated that even those breaching the annual allowance who are not being tapered could face marginal tax rates of up to 75 per cent.[64]

4.32 The lifetime allowance remains a major issue for many of our remit group members. The relative attractiveness of employment in the public sector for senior individuals is lessened when the value of the pension component, typically a larger share of remuneration than for private sector work, is diminished. Private sector employers will often facilitate a switch to the use of cash allowances in lieu of employer pension contributions when lifetime allowance ceilings have been reached. We continue to recommend that the government examine similar flexibilities for senior public sector employees.

4.33 We expect substantial further reform to public sector pensions over the next year or two, following the proposed remedies to the McCloud judgment, responses to the regular valuation of pensions schemes[65] and the design of the new judicial pension scheme. Their respective pension schemes are of substantial value to our remit group members and we will continue to monitor the impact the changes to total remuneration have on recruitment and retention.

[64] Our calculations suggest that this would be the marginal tax rate on income for an individual in breach of the annual allowance in a typical career average pension scheme with an accrual rate of 2.2 per cent, pension contributions of 8 per cent, and earning between £100,000 and £125,000.

[65] In September 2018, the government said that the initial results of the first post-reform valuations indicated that members should get improved pension benefits for employment over the period April 2019 to March 2023. The government has paused this revaluation while the issues raised in McCloud are addressed.

Chapter 5

Senior Civil Service

Summary

5.1 We are encouraged by the progress made by the Cabinet Office and the collaborative approach to working with the SSRB on delivering improvements to the SCS pay framework. However, there is more to be done. In previous reports, we have highlighted the need for a coherent pay and workforce strategy to address what we consider to be serious issues affecting the productivity and effectiveness of the senior civil service (SCS). These issues, many of which are acknowledged by the government, are discussed in detail later in this chapter. Two particularly pressing and related problems are:

- High levels of uncontrolled job movement within the civil service ('internal churn') to the detriment of delivering outcomes. This degree of churn is expensive, not just in terms of the direct costs such as recruitment and training, but also indirectly through the loss of expertise, knowledge and hence productivity.[66] Higher rates of churn undermine accountability and adversely affect the delivery of policy and projects.
- The absence of a pay progression system. This means that, staff are not generally rewarded for increasing effectiveness, developing capability and deepening expertise over time. This, and the lack of proactive management of people's movement through the system, have been driving high levels of churn within the SCS.

5.2 Further issues of concern include:

- The lack of a strategic vision for the future shape and size of the SCS in the light of changing demands and the skills it needs to deliver outcomes.
- Pay proposals overly focused on limiting annual pay increases but which may lead to costs considerably in excess of apparent savings.
- Low confidence in the performance management system, with too much emphasis placed on process rather than on quality.
- A tension between the centre of government wishing to control the pay system and the delegation of responsibility to departments. The government needs to be clear about what it wants to delegate, make certain this is properly articulated and put mechanisms in place to ensure adherence.
- The divergence in the vision for the SCS and the application of reward principles for SCS members across the different governments in the UK.
- Anecdotal evidence of reduced levels of morale in the feeder group. This may result in too many of the best people leaving the civil service and never entering the SCS.

5.3 In 2017, the Cabinet Office set out its long-term vision and strategy for the SCS and the pay and reward framework that underpins it. Progress towards this has been made, including:

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[66] The Institute for Government estimated the cost of churn to be between £36 million and £74 million each year in terms of recruitment, training and lost productivity. As a comparison, 1 per cent of the SCS paybill is approximately £6 million. See: Moving On: The cost of high turnover in the civil service, https://www.instituteforgovernment.org.uk/sites/default/files/publications/IfG_staff_turnover_WEB.pdf

- A more targeted approach to the annual pay award to address some of the anomalies arising from not having a proper pay progression system, years of pay restraint and overlapping pay bands. Tackling these anomalies has enabled larger pay awards to be made to highly capable members who had been trapped at the lower end of the pay range.
- Short-term action to address some of the serious flaws in the performance management system such as the removal of forced distribution.

5.4 In the evidence submitted to us in March 2020, the government reinforced its message about a long-term strategic vision and reiterated the need for an SCS that:

- Has leaders with stronger professional 'anchors' and specialist skills.
- Continues to grow world class capability and functional expertise internally while recruiting and retaining specialist skills externally.
- Provides greater reward for higher performers and those who develop capability by remaining in post for longer, enabling greater depth of experience, confidence and leadership skills.

5.5 We concur with these principles. However, while we are encouraged that progress has been made, we believe it is crucial that the government acts with greater urgency to provide the funding and to set out the implementation plan and timetable to deliver these changes.

5.6 In recent years, the civil service, at all levels, has faced significant challenges in preparing for the UK's exit from the European Union. More recently, large numbers of public sector workers, including civil servants, have been leading the national response to the coronavirus pandemic (Covid-19). These efforts have reaffirmed the commitment and resilience of the civil service. We have already considered the effect of Covid-19 in the context of public sector pay in part 1 of the Executive Summary.

5.7 In our view, a key challenge for the government is determining the purpose, size and composition of the future SCS. We consider that the Cabinet Office needs to assess the changing demands placed upon the SCS both now and in the longer term and to identify the outcomes it needs it to deliver. This should then drive decisions about the size and composition of the SCS and the skills its members need to achieve the desired outcomes and be effective leaders of the rest of the civil service. We believe this will enable a centrally-managed senior leadership cadre to operate more efficiently and to focus more strongly on the outcomes it seeks to deliver. The government's approach to pay and reward needs to support the development and sustainment of this cadre for both the immediate future and the longer term.

Government proposals this year

5.8 In its evidence in March 2020, the government said that its objective for this year's pay award was to move towards the new pay framework, underpinned by its three core principles.[67] There was a particular focus on capability-based pay progression, Director General pay and the right level of pay for the SCS.

Pay recommendations

5.9 Over the last few years, there has been a significant increase in the size of the SCS, largely due to the increase in workload arising from the UK's exit from the European Union. This

[67] The government's stated principles are to move to a set of consistent pay ranges by professional grouping over time; to provide greater reward for high performers and those who develop capability by remaining in role; and to provide clearer rules and control on how people move through and around the SCS pay system.

has contributed to a 10 per cent increase in the paybill in the last year alone. Although there are indications of fragile morale in the SCS, this does not currently appear to be affecting recruitment, which remains stable overall with no critical problems. However, there remain concerns from those in the internal feeder groups about whether the increase in salary from grade 7 or 6 to pay band 1 is worthwhile, given the significant additional accountability and changes to terms and conditions such as a lack of overtime and a reduction in flexible working opportunities. This could result in a reduction of the recruitment pool from which future SCS members can be appointed.

5.10 In terms of retention, there is no significant outflow from the SCS and the resignation rate remains stable. The evidence does not show any particular problems with top performers leaving the SCS. However, it is important to ensure the proportion of high-quality staff leaving the SCS and the feeder groups is not excessive. We believe measures should be put in place to monitor this over time and would welcome further evidence on the retention of talented staff. We are encouraged by the extensive talent and development schemes in place. However, we would like to see the government articulate how these fit in with the wider strategic vision and approach to career management.

5.11 In our view, it is essential to reduce the rate of internal churn, both between and within departments. This is vital to maximise the benefits of developing experience, expertise and skills in post and increase accountability for the successful delivery of outcomes. We continue to believe that pay progression is the highest priority as a means of rewarding and incentivising staff to stay in post. We have yet to see the detail of how the proposed capability-based approach will address this problem in a simple, timely and cost-effective manner.

5.12 In oral evidence, the government told us that a pay award of between 1.5 to 2.5 per cent would be fair and necessary. In written evidence, it said that the headline figure for the SCS should not be higher than that agreed for the delegated grades.[68] Given the government's stated intention that we should consider the delegated grades and SCS coherently, the government should be clear in future about what it wants and what information it will provide to us so that we can take this into account. While we are mindful of awards in other parts of the public sector, we do not believe that simply following pay awards elsewhere can be consistent with our duty to consider independently all the evidence put before us about our remit groups.

5.13 We acknowledge that the government implemented our 2019 pay recommendations in line with our specified order of priority and note that a similar approach to the pay award has been proposed by the Cabinet Office this year. As we set out in part 1 of the Executive Summary, the government has asked that we continue to base our recommendations on the evidence provided pre-Covid-19.

5.14 We are again making our recommendations for an annual pay award in the absence of a proper pay progression system. We are firmly of the view that pay progression continues to be the highest priority. We therefore consider that the pay award this year should be weighted towards allocating funding to address the anomalies arising from the lack of pay progression for capable members who have been stuck at the lower end of the pay range for some time. However, we are cognisant of the importance of strong leadership and maintaining morale at this critical time. It is therefore our view that all eligible members of the SCS should get some form of pay award this year. We also continue to believe that an element of the pay award should be used to increase pay band minima to support the principle of narrowing pay ranges.

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[68] On 18 May 2020, the Cabinet Office published the delegated pay guidance which stated that departments are able to make average pay awards within the range of 1.5 to 2.5 per cent.

5.15 On the basis of all these factors, **we have judged that a 2 per cent increase in the SCS paybill is justified.** This paybill increase should be applied in the following order of priority:

- One per cent of the paybill increase should be used to mitigate anomalies arising from the lack of pay progression and to alleviate other pay anomalies. We understand that, last year, departments found this element of the pay award particularly beneficial given the flexibility it gave them to address these issues. We therefore reiterate that this 1 per cent should be used to facilitate pay progression for those members who are at the lower end of their pay range and who have not seen significant pay rises in recent years. It should also be used to address anomalies, including in relation to those SCS members who have increased their effectiveness and deepened their expertise. **Given that the priority for funding this year should be to address problems arising from the lack of a pay progression system and other anomalies, this allocation should be ring-fenced.**
- 0.1 per cent should be used to increase the pay band minima across all pay bands. This includes a £5,000 increase to pay band 3, as set out below.
- All SCS members (with the exception of those on performance improvement measures) should receive a minimum 1 per cent pay award this year, either through benefitting from the increase to the minima or from a 1 per cent general pay award (or a combination of both to total 1 per cent). We estimate that this would represent only 0.9 per cent of the paybill increase because the cost of the pay award for those moving to the new minima has already been taken into account.

5.16 In terms of the specific government proposals that have been made this year:

- We support the proposal to raise the minima for all pay bands. However, while we accept the reasoning for not significantly lowering the maxima pending the development of a pay progression system, we consider that incremental steps could be taken to start reducing the maxima to enable faster progress to be made in narrowing the pay bands.
- We endorse the government's approach to Director General pay and support the proposal to increase the minimum of the pay range by £5,000 this year.[69] However, we do not consider that we have enough evidence at this point to endorse the further £5,000 increase proposed for next year.
- We continue to support the principle of non-consolidated awards to reward high performance. We welcome the removal of the forced distribution in the performance management system. However, we stress the need for continued monitoring within centrally defined parameters to ensure fairness and consistency.

5.17 We are encouraged by the continued openness of the Cabinet Office in discussing proposals and sharing the direction of travel with us. We consider this to be a major step forward over the last couple of years. However, we think it is imperative that there is a greater pace of reform and firmer commitment to a timetable for implementing change.

5.18 We note that there is work underway to better understand the appropriate rates for SCS pay. We consider that this work should take the opportunity to redefine what the senior leadership cadre looks like, in terms of purpose, size and composition, and be undertaken in the context of the breadth of strategic and leadership responsibilities across the SCS. We are happy to input into this work as necessary.

[69] The cost of raising the minimum for pay band 3 is included within the 0.1 per cent we have allocated to increase minima across all pay bands.

5.19 We are cognisant of the challenging times ahead for the SCS and the responsibility it has in supporting the government's response to Covid-19. A well-motivated, high-calibre senior leadership cadre is critical to enable the government to function effectively. We again stress that the highest priority remains the successful implementation of pay progression, which should be paybill neutral over time. We urge the government not to lose momentum or focus in achieving this objective. We also consider that by concentrating on addressing the issues that are set out in paragraphs 5.1 and 5.2, the SCS will emerge as a stronger and more effective workforce.

Introduction

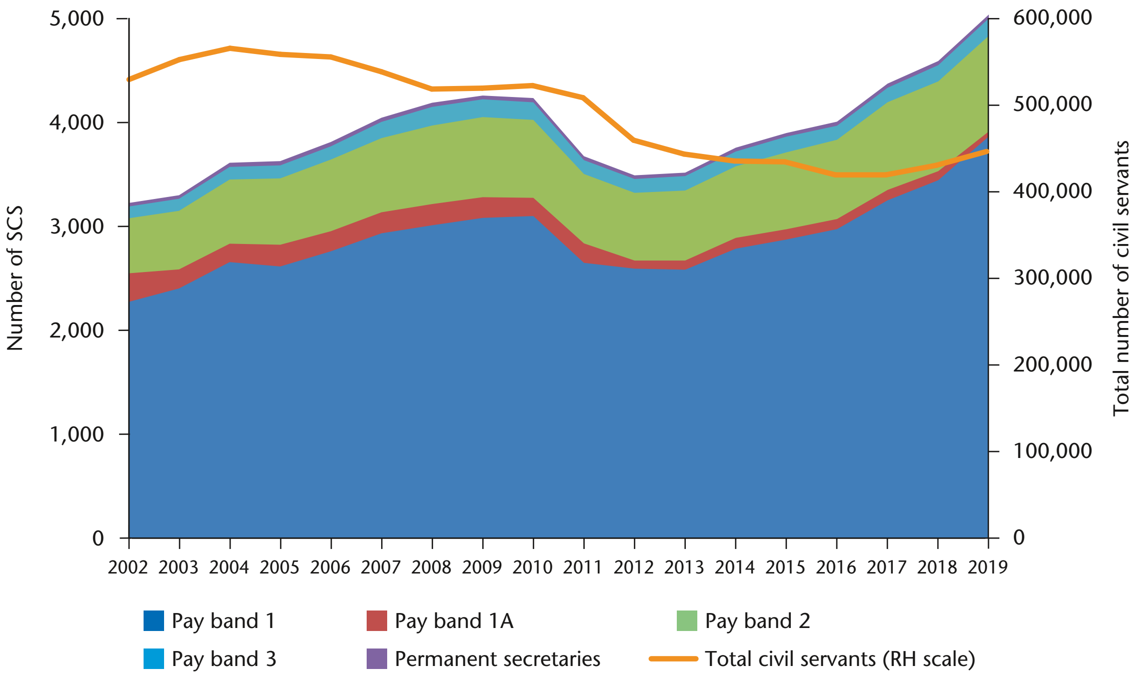
Structure of the chapter

5.20 The Cabinet Office continues to provide us with extensive and high-quality data.[70] Our key findings and analysis are presented in the paragraphs below with further background evidence provided in the Data Annex.

The remit group

5.21 In the first quarter of 2019, there were 5,036 members of the SCS, an increase of 447 (9.7 per cent) since 2018. This was the seventh successive year the SCS has increased in size since a low point of 3,616 in 2012 and it is the largest it has been since it was created in 1996. There are now 88 civil servants (in the delegated grades) for every one SCS member. This ratio has fallen from 93:1 in 2018 continuing a trend going back to at least 2002 (when it was 150:1).

Figure 5.1: **Total SCS staff by grade (headcount), 2002 to 2019**



Source: SSRB Reports, 2003-19. ONS, Public Sector Employment by Sector, Civil Service, GB, headcount (G7D6), quarter 1.

Note: SCS numbers are UK based, while whole civil service numbers are GB (i.e. not Northern Ireland) only.

5.22 Civil service statistics show that there has been even higher growth in the number of civil servants at grades 6 and 7 since 2012, with numbers up by 16,700, nearly 50 per cent. This growth in the higher grades has been in part due to the work on Brexit, which is shown by the data on growth in those departments with a heavy Brexit workload who

[70] Data and analysis are taken from the evidence pack provided by the Cabinet Office dated January 2020.

have tended to have taken on more additional staff. Over the same period there has been a large fall of 66,000 (31 per cent) in the number of administrative officers and assistants, which will also be driving the higher proportion of SCS in the civil service.[71]

5.23 Overall, the SCS accounts for 1.1 per cent of the civil service. However, the proportion varies across departments, from 13.5 per cent at the Competition and Markets Authority to 0.3 per cent at the Department for Work and Pensions.

5.24 The composition of the SCS in 2019 was as follows:[72]

- 45.1 per cent were women (an increase from 43.1 per cent in 2018).
- 6.1 per cent were from an ethnic minority background (an increase from 5.7 per cent in 2018).
- 67.9 per cent were based in London (a decrease from 69.2 per cent in 2018).

5.25 In 2019, 94.9 per cent of the SCS were employed on a permanent contract, with 4.9 per cent on a fixed-term contract and the remainder on casual and temporary contracts. Figures are not available for comparison to previous years. Given prior concerns raised about the cost of temporary labour in the civil service, particularly those documented by the National Audit Office in its 2016 report,[73] we would like to see further evidence about this, including trends for those on fixed-term contracts and their cost relative to the SCS paybill.

5.26 The proportion of SCS who have been members of the remit group for less than four years has risen from 50.3 per cent in 2018 to 52.6 per cent in 2019. This reflects high levels of recruitment over the last 12 months.

5.27 The median tenure of SCS members in their current post remains at just under two years, with 69 per cent being in post for less than three years. These figures highlight the high levels of churn within the SCS.

Government Commercial Organisation

5.28 The Government Commercial Organisation (GCO) was established in 2017 as the single employer of all commercial specialists in central government. The GCO has its own remuneration framework, which is designed to mirror those in the private sector with a focus on higher base pay, performance-related pay and reduced pension benefits.

5.29 Between October 2018 and September 2019, the number of people employed by the GCO (across all grades) increased from 341 to 858.[74]

5.30 Staff in the GCO are either on GCO terms and conditions or remain on their existing civil service ones. All externally recruited members are placed on GCO terms and conditions. Existing civil servants are assessed pre-appointment and those scoring highly have the option to transfer to GCO terms and conditions. All others remain on their existing contracts. As at August 2019, 36 per cent of GCO employees were on GCO terms and conditions.

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71 See: https://www.gov.uk/government/statistics/civil-service-statistics-2019

72 Further details on the composition of the SCS are set out in the Data Annex.

73 See: https://www.nao.org.uk/wp-content/uploads/2016/01/Use-of-consultants-and-temporary-labour.pdf

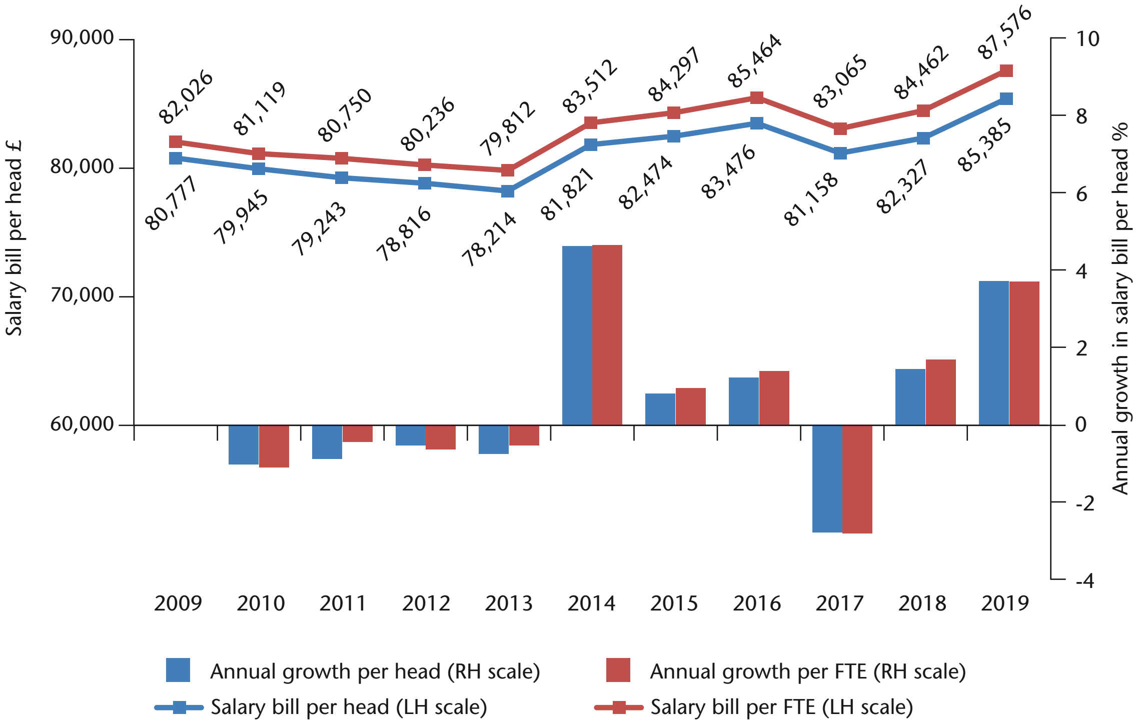
74 Table 5.3 sets out the different specialist grades for the GCO. These range from levels equivalent to civil service grade 7 up to SCS pay band 2. There are currently 194 members of the GCO who are in specialist grades equivalent to SCS pay bands 1 and 2.

5.31 Given that 57 per cent of GCO members were recruited internally, we would welcome evidence on the number of eligible civil servants who turned down the opportunity to move to GCO terms. This may illustrate the extent to which the pension element of the total reward package is valued and influences decision making.

SCS pay and the pay system

5.32 The paybill per head for the SCS increased by 3.7 per cent in the year to quarter 1 2019, the highest growth for five years (see figure 5.2). Salary bill per head increased from £84,462 to £87,576. As well as pay increases for those in post, this will have been affected by patterns of recruitment, promotion, leavers and grade restructuring.[75]

Figure 5.2: **Salary bill per head in the SCS, 2009 to 2019**

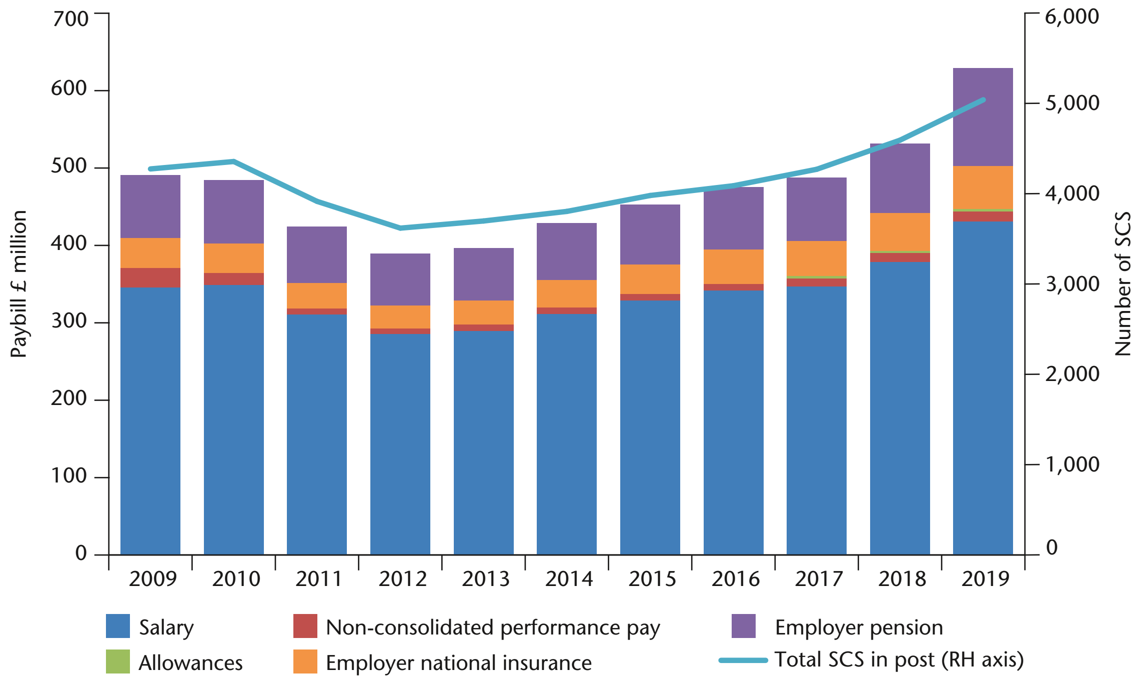


Source: SSRB report 2019; Cabinet Office supporting data to the SSRB, unpublished.

5.33 The overall SCS paybill at 1 April 2019 was £629 million, an increase of 18 per cent from 2018 (as shown in figure 5.3). This is largely driven by an increase in the size of the SCS (accounting for around half the paybill increase) and a significant increase in employer pension contributions (accounting for around a third of the paybill increase).

[75] The Cabinet Office has advised that the coverage for the paybill figures and that for the FTE/headcount may differ due to differences in treatment of staff on temporary promotion into the SCS, permanent secretaries, reference dates, etc.

Figure 5.3: **SCS paybill, 2009 to 2019**



Source: SSRB report 2019; Cabinet Office supporting data to the SSRB, unpublished.

Notes: Non-consolidated performance pay includes both in-year and end-of-year payments since 2017. Prior to 2017, it relates to end-of-year payments only. However, while there have been changes in the way in which the bonus pot is distributed, the budget for all awards remained capped at 3.3 per cent. Data on non-consolidated allowances are available and shown since 2017 only.

5.34 Table 5.1 sets out the current SCS pay bands. The median pay level at each grade is towards the bottom of the pay range. However, for the more senior grades, the gap between the minimum and the median salary increases.

Table 5.1: **SCS pay bands and median pay by pay band, 2019-20**

Pay band	Number in pay band	Pay band minimum £	Pay band maximum £	Median salary (excl. bonus pay) £
1 (Deputy Director)	3,861	70,000	117,800	76,700
1A (Deputy Director)	48	70,000[1]	128,900	80,000
2 (Director)	920	92,000	162,500	102,500
3 (Director General)	167	115,000	208,100	137,300
Permanent Secretary[2]	37	115,000[2]	200,000	172,500[3]
Total	5,033[4]			

1 The minimum for pay band 1A was increased in line with the increase to pay band 1 following a recommendation by the SSRB. The government restates in its evidence that this is a closed grade and departments should not recruit into it.

2 The Permanent Secretary minimum is taken as the bottom of the Permanent Secretary tier 3 pay band and the maximum as the top of the tier 1 pay band.

3 Midpoint of £5,000 pay band. Calculated from Cabinet Office figures.

4 This figure is lower than the total of SCS members in paragraph 5.21 because it excludes three members who are not assigned to pay bands.

5.35 Table 5.2 and figure 5.4 show the salary distribution of SCS members and how individuals are clustered toward the bottom of the pay ranges. Over 60 per cent of both Deputy Directors and Directors are in the lowest quartile of their pay band.

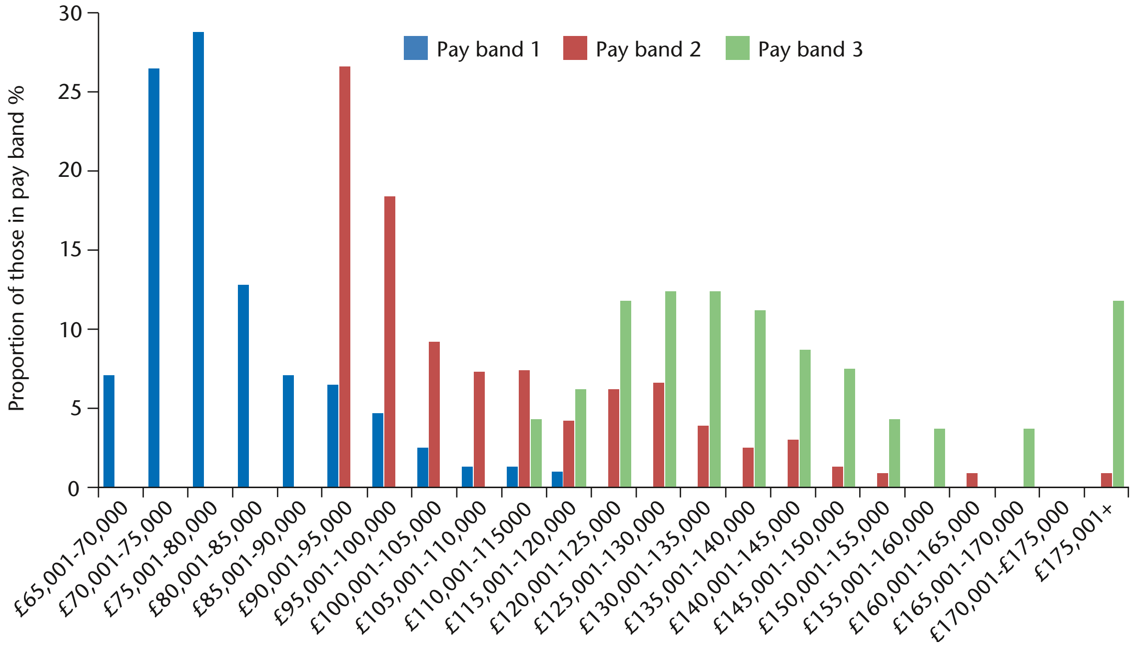
Table 5.2: **Distribution of SCS members by £10,000 salary band, 1 April 2019**

	Deputy Director (pay band 1)		Director (pay band 2)		Director General (pay band 3)	
Salary range	**Number**	**Cumulative proportion**	**Number**	**Cumulative proportion**	**Number**	**Cumulative proportion**
£70,000 or below	270	7%				
£70,001-£80,000	2,140	63%				
£80,001-£90,000	770	83%				
£90,001-£100,000	430	94%	410	45%		
£100,001-£110,000	150	98%	150	61%		
£110,001-£120,000	90	100%	110	73%	20	12%
£120,001-£130,000			120	86%	40	35%
£130,001-£140,000			60	92%	40	59%
£140,001-£150,000			40	97%	20	71%
£150,001-£160,000			10	98%	20	82%
£160,001-£170,000			10	99%	10	88%
Over £170,000			10	100%	20	100%
Total	3,850		920		170	

Source: Cabinet Office supporting data to the SSRB, unpublished.

Note: Figures are rounded to the nearest 10.

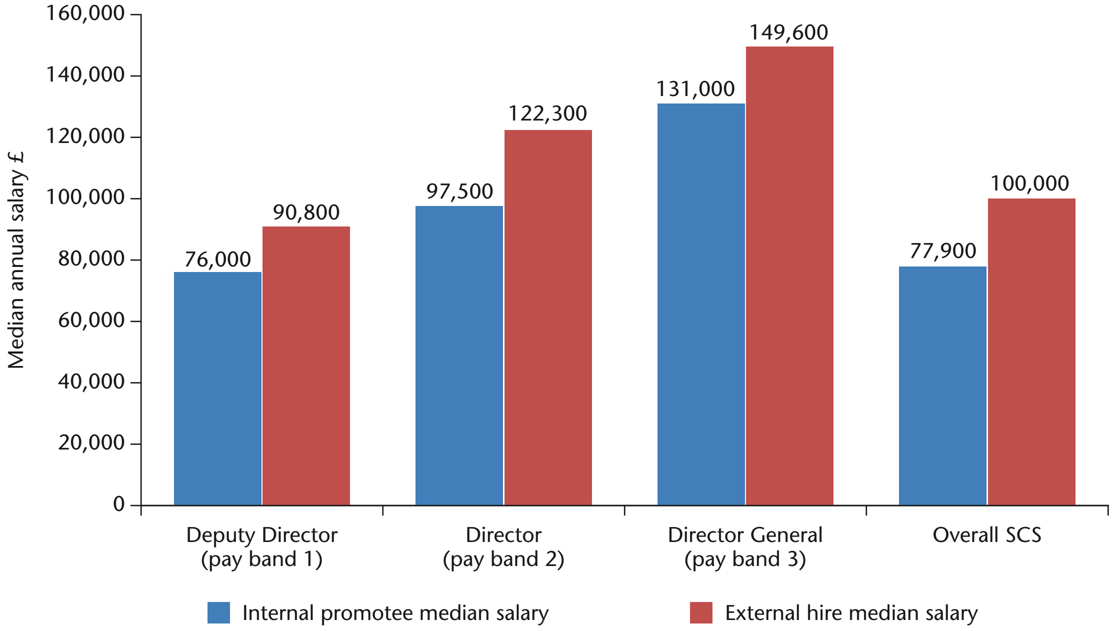
Figure 5.4: **Distribution of SCS within pay band, 2019**



Source: Cabinet Office supporting data to the SSRB, unpublished.

5.36 The difference in salaries between internal and external recruits continues to be substantial across all pay bands, as shown in figure 5.5. The gap in median base pay between internal promotees and external hires across the SCS as a whole was 28 per cent. This ranged from 19 per cent for pay band 1, 25 per cent for pay band 2 and 14 per cent for pay band 3. These gaps within pay bands have narrowed by one to two percentage points since the previous year. We would welcome evidence on the extent to which the more specialised civil service professions, who have higher market pay, are driving this differential.

Figure 5.5: **Current SCS median base salaries for internal promotees and external hires, 2019**

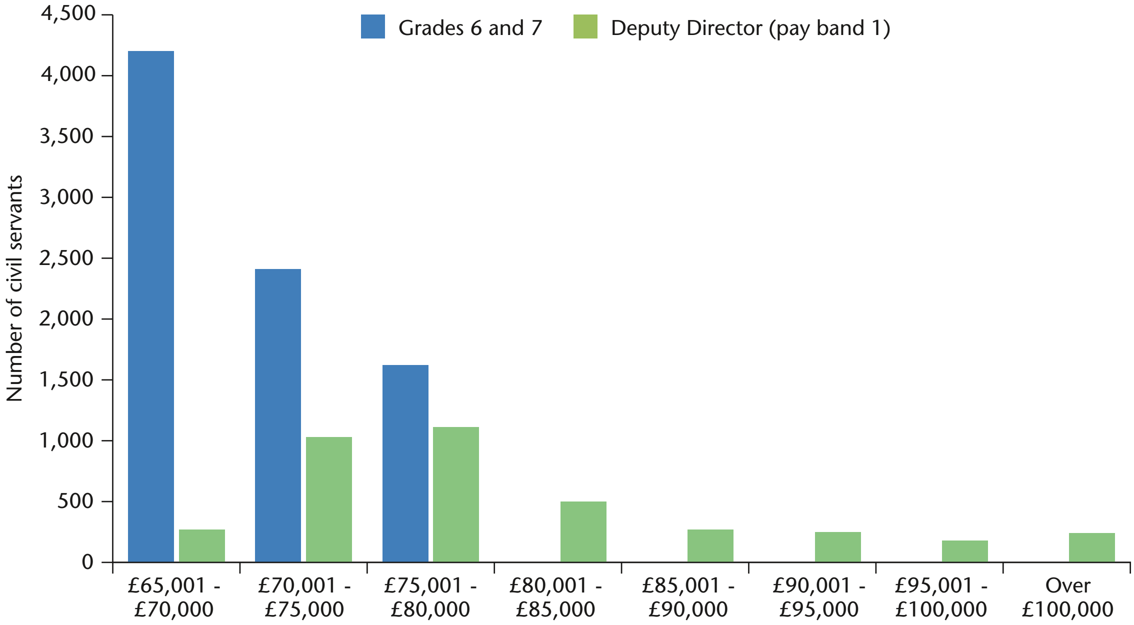


Source: Cabinet Office supporting data to the SSRB, unpublished.

5.37 As at quarter 1 2019, there were 4,030 civil servants below the SCS who were paid more than the SCS pay band 1 minimum of £70,000. Figure 5.6 illustrates the substantial overlap in salaries of pay band 1 with the two grades immediately below it. Overall, the proportion of those in SCS pay band 1 who are managing people paid more than them is gradually reducing year on year due to the increases in the pay band 1 minimum.[76] However, this underlines that meaningful progress in reducing this overlap can only be properly addressed through pay progression.

[76] The pay band 1 minimum increased by £5,000 over the last two years.

Figure 5.6: **Distribution of SCS pay band 1, and grades 6 and 7 salaries, April 2019**



Source: Cabinet Office supporting data to the SSRB, unpublished.

Note: Salary data relates to quarter 1 of 2019 and pre-dates implementation of the 2019 pay award.

5.38 Top performers in the SCS are eligible for non-consolidated performance awards. These are capped at £17,500. In addition to end-of-year non-consolidated awards, departments have the flexibility to recognise outstanding contribution by making in-year, non-consolidated awards to up to 20 per cent of SCS staff. Total non-consolidated bonuses are limited to 3.3 per cent of the department's SCS paybill.

5.39 As set out in paragraph 5.28, the GCO has its own remuneration framework. Table 5.3 below sets out the GCO pay ranges.

Table 5.3: **Government Commercial Organisation pay ranges by specialist level, 2019-20**

Specialist level	Base pay minimum £pa	Base pay maximum £pa
Commercial lead *(grade 7 equivalent)*	60,500	74,000
Associate commercial specialist *(grade 6 equivalent)*	68,800	96,909
Commercial specialist *(SCS pay band 1 equivalent)*	90,000	131,300
Senior commercial specialist *(SCS pay band 2 equivalent)*	132,000	193,819

Source: Cabinet Office written evidence.

Pension schemes

5.40 Pension scheme membership across the whole civil service is shown in table 5.4. Over 80 per cent of all civil servants are now in the career average, defined benefit Alpha pension scheme introduced in April 2015. This proportion has increased from 69 per cent in 2017 and 78 per cent in 2018. Overall, 16 per cent of civil servants remain as active members of legacy schemes, usually the Classic or Premium final salary schemes.

5.41 The Partnership pension scheme, a defined contribution scheme, was introduced in October 2002 as an alternative to the main pension scheme arrangements for new joiners. Eligibility was restricted by joining date. From April 2018, all civil servants were able to switch to the Partnership scheme if they wished. This scheme can offer more flexibility over pension contributions than the defined benefit schemes. However, only 1 per cent of civil servants are active members of the Partnership scheme.

Table 5.4: **Civil service pension scheme membership, November 2019**

	2018		**2019**	
Scheme	**Number of members**	**%**	**Number of members**	**%**
Alpha	383,388	78	419,270	82
Classic	69,562	14	57,752	11
Premium	20,368	4	17,200	3
Partnership	6,130	1	6,668	1
Nuvos	4,908	1	4,006	1
Classic plus	2,471	1	2,013	0
Non-member	3,175	1	4,467	1
Total	490,002		511,376	

Source: Cabinet Office written evidence.

5.42 There is currently some uncertainty about the future costs and benefits of public sector pensions, including those for civil servants. First, following the outcome of the Court of Appeal judgment in McCloud v Ministry of Justice,[77] which held that the 'transitional protection' offered to some members as part of the reforms amounted to unlawful discrimination, the government has made a commitment to further pension reform to address the issues raised. Second, in September 2018, the government said that the initial results of the first post-reform valuations indicated that members should get improved pension benefits for employment over the period April 2019 to March 2023. The government has paused this revaluation while the issues raised in McCloud are addressed.

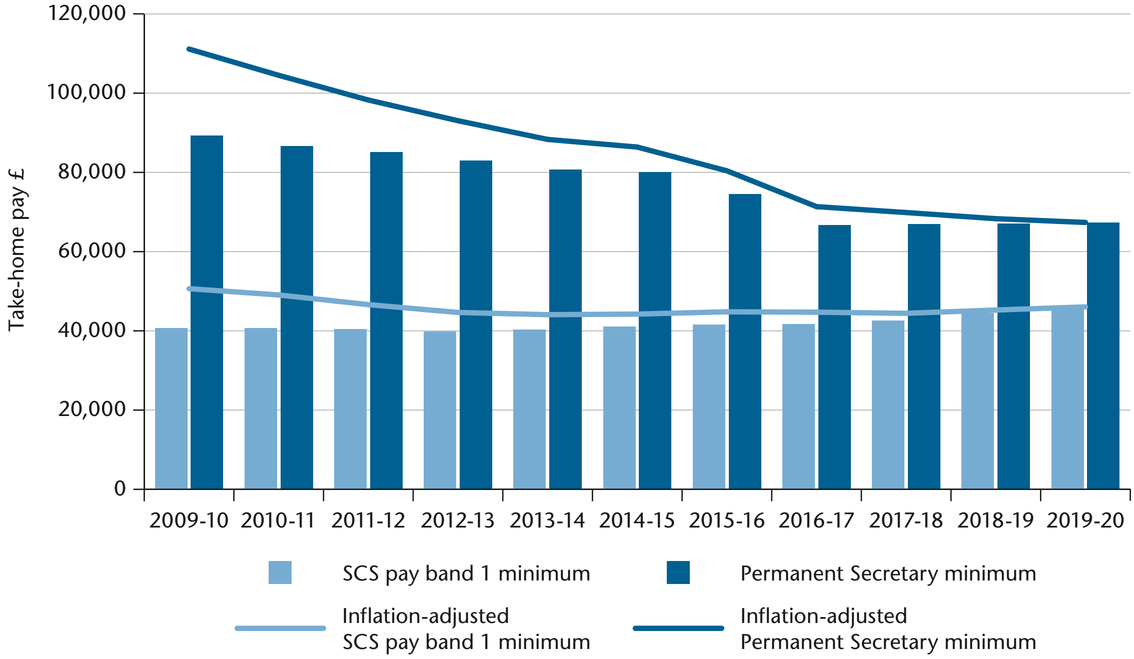
Remuneration analysis

5.43 Figure 5.7 models take-home pay for the pay band 1 and the Permanent Secretary pay band minima over the period 2009-10 to 2019-20. Take-home pay is defined as annual gross pay (base pay plus any allowances) less employee national insurance contributions, income tax, employee pension contributions and any annual allowance tax charge, assuming no carry over of unused allowance. This analysis uses the pay band minima because it enables a single point to be tracked over time. This does not reflect the experience of individuals, who may have started the period above the minimum, but experienced lower pay growth. Full details are given in Appendix B. It only looks at in-year earnings, so does not model the impact of the lifetime allowance. It also

[77] See: from paragraph 4.24 for further details on the McCloud judgment.

assumes annual allowance tax charges are paid in the year, rather than through a pension reduction by using Scheme Pays.[78]

Figure 5.7: **Take-home pay for pay band 1 and Permanent Secretary minima, 2009-10 to 2019-20**



Source: OME analysis.

5.44 Take-home pay for the pay band 1 minimum has increased by 13.2 per cent over the period 2009-10 to 2019-20. This increase was due to a combination of targeted increases to the pay band minimum and a higher personal income tax allowance. This was offset by higher pension contributions. Take-home pay for the Permanent Secretary minimum fell by 24.5 per cent over the period, as this group was hit by the income tax personal allowance taper and the pension annual allowance. Inflation over the period was 24.5 per cent, so the pay band 1 minimum saw a fall in take-home pay of 9.1 per cent after adjusting for inflation, while the Permanent Secretary minimum saw a fall in take-home pay of 39.4 per cent.

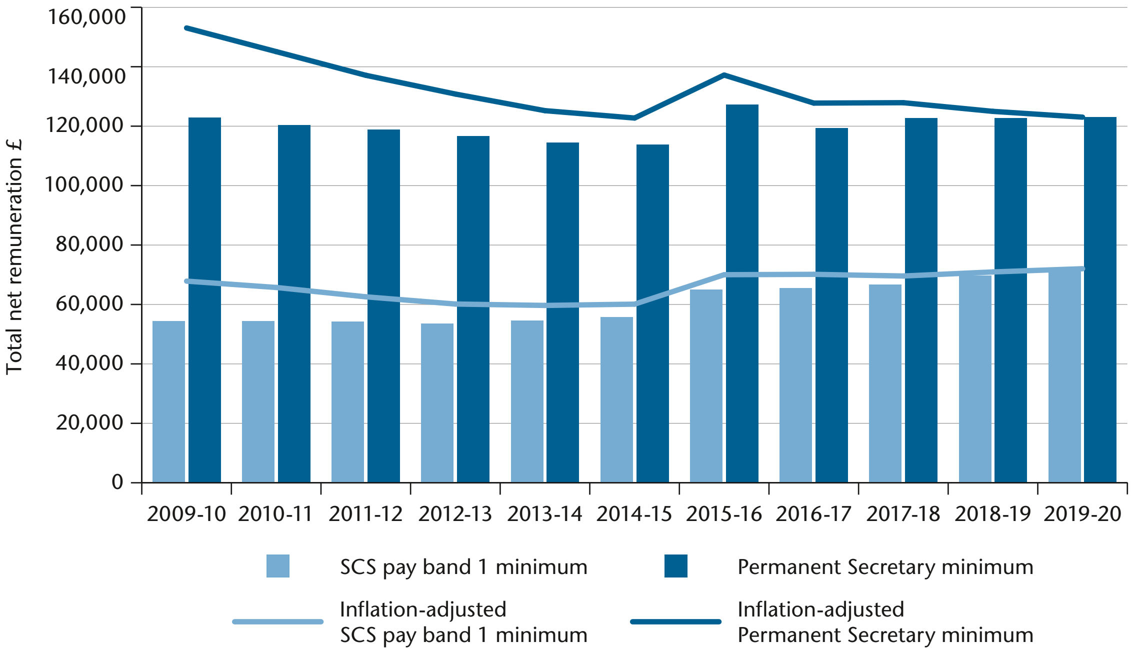
5.45 Over the last year, the SCS pay band 1 minimum saw an increase in take-home pay of 3.6 per cent as the minimum was increased, and both the personal allowance and higher rate tax threshold increased. The Permanent Secretary minimum did not benefit from these changes and saw an increase in take-home pay of just 0.4 per cent (a real terms fall of 1.4 per cent) over the year.

5.46 Figure 5.8 models total net remuneration, which takes account of not only taxation and pension contributions but also pension benefits accrued in the year.[79] The pay band 1 minimum saw a rise in total net remuneration of 32.1 per cent over the period 2009-10 to 2019-20, or 6.2 per cent when adjusted for inflation. The Permanent Secretary minimum salary has seen a rise in total net remuneration of 0.1 per cent over the same period, equivalent to a fall of 19.6 per cent when adjusted for inflation.

78 Most allowance charges can be paid through Scheme Pays. This allows individuals to pay for their annual allowance charges by reducing the value of their pension rather than paying using cash. This option is more expensive the further away an individual is from retirement, reflecting the interest associated with deferring payment for many years, and will almost always result in a reduction of total net remuneration in excess of the cost of paying the charges up front.

79 Total net remuneration is our preferred measure because it takes account of not only both taxation and pension contributions but also the pension benefits accrued in the year. We believe this is the most comprehensive, and therefore the most appropriate, measure.

Figure 5.8: **Total net remuneration for pay band 1 and Permanent Secretary minima, 2009-10 to 2019-20**



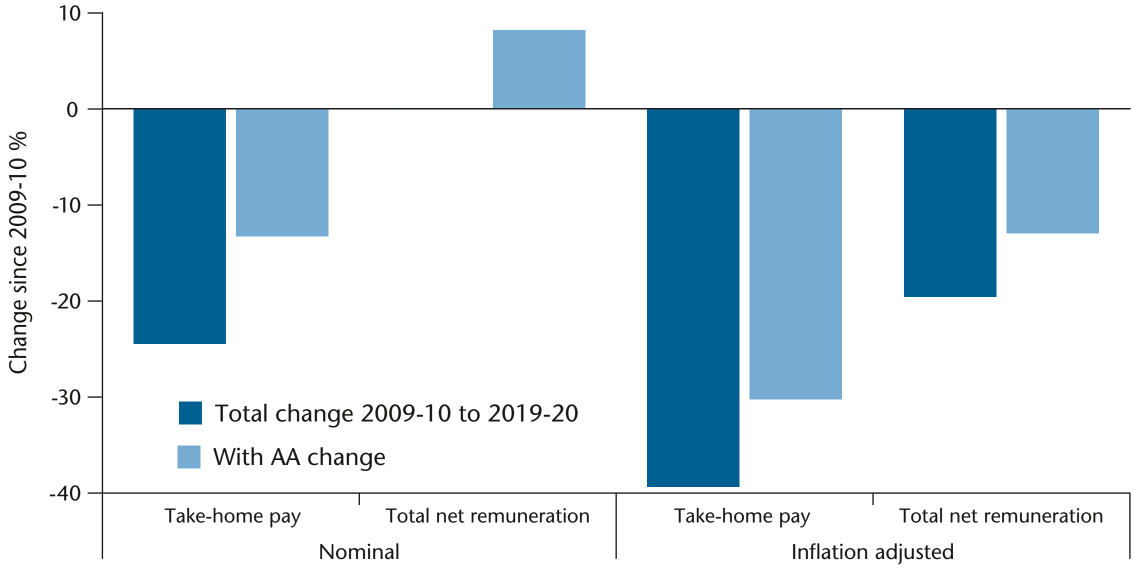
Source: OME analysis.

5.47 As shown in table 5.5, the changes to the annual allowance taper announced in the March 2020 budget will increase the take-home pay (and total net remuneration) for a Permanent Secretary on the minimum of the pay band by £10,047 next year (an increase of 14.9 per cent in take-home pay and of 8.2 per cent in total net remuneration). In real terms, this still leaves take-home pay 30.3 per cent lower since 2009-10, and total net remuneration 13.0 per cent lower (see figure 5.9).

Table 5.5: **Benefit to SCS of March 2020 budget pension taxation changes**

Role	Basic pay	Tax benefit from changes	Remaining annual allowance charge	Still being tapered?
SCS pay band 1 minimum	£70,000	£0	£0	No
SCS pay band 2 minimum	£92,000	£0	£0	No
SCS pay band 3 minimum	£115,000	£0	£1,075	No
Permanent Secretary minimum	£150,000	£10,047	£6,505	No

Figure 5.9: **Change in take-home pay and total net remuneration for Permanent Secretary minimum, 2009-10 to 2019-20**



Source: OME analysis.

Government response to our 2019 recommendations

5.48 The government reduced the headline increase to the SCS paybill from the 2.2 per cent we recommended to 2 per cent. It applied the pay award in the order of priority that we recommended, as set out below:

- 0.9 per cent was allocated to address problems arising from the lack of a pay progression system and other anomalies.
- The minima for pay bands 1, 2 and 3 were increased.
- A consolidated award of 1 per cent to all SCS members (for those not benefiting from the minima or those benefiting by less than 1 per cent).

5.49 In its evidence last year, the government said that it intended to fund higher pay for specialists from the 2019 pay award. We did not see this as a pressing issue and considered that the priority should have been on addressing anomalies faced by the majority of the remit group, and not on the minority. However, by the time it responded to our Report, the government had decided that specialist pay was not a priority for the 2019 pay award. Therefore, our recommendation to use 0.2 per cent of the pay award to help fund specialist pay, which we had included at the government's behest, was not taken forward.

5.50 The government said it accepted our recommendation to reduce the pay band maxima. However, it said it would delay implementation while further work was undertaken to understand the appropriate rates of pay for the SCS. We consider that incremental steps could be taken to start reducing the maxima, based on the approach that has been used to increase the minima. We discuss this later in the chapter at paragraph 5.144.

5.51 The evidence shows that, overall, departments implemented the pay award in line with the priorities recommended by the SSRB and agreed by the Cabinet Office.

5.52 In Scotland, savings generated by not distributing the non-consolidated performance bonus pot were used to introduce a simple pay progression system from April 2019. The model has five levels of target pay, with each pay step intended to be roughly equivalent to a year's service in grade. It is intended that on 1 October each year, staff who were in their grade on the preceding 31 March will, subject to effective performance across all the SCS objectives, progress towards the target rate by one pay step.

5.53 Table 5.6 sets out the observations we made in our 2019 Report and our reaction to the government's response to them.

Table 5.6: **The SSRB's observations in the 2019 Report**

SSRB observations from 2019	Government response and the SSRB's reaction to them
We think that the right balance needs to be found between controlled movement between roles as part of a structured approach to developing talent and managing careers, and uncontrolled movement driven by individual preferences and higher financial reward. Pay incentives should align better to support that balance. We would like to see further evidence next year, including data on rates of uncontrolled movement and rates of undesirable churn.	The Cabinet Office evidence states that there is increased scrutiny of the rate of departmental churn. This year, new evidence has been provided on turnover between departments. However, this does not reflect data on job movement within departments, which we would like to see next year.
We have previously requested data on the socio-economic background of the SCS to enable an analysis of socio-economic trends to be considered. We therefore look forward to receiving these data, alongside a comparison with the wider civil service, in future years.	We have not received any data in this area. We understand this information was collected for the first time in the 2019 Civil Service People Survey and we expect to see these data in next year's evidence.
We consider that recruitment from, and leavers to, the wider public sector should be more closely monitored given the reduction in candidates highlighted to us by the Civil Service Commission. We would like to see further evidence next year.	The Cabinet Office evidence sets out the employment sectors from which SCS members are recruited. New data, collected from exit interviews, set out where leavers went on to work (with 26 per cent going to the wider public sector). We would encourage the government to continue to develop and improve its exit data to ensure high levels of coverage and granularity on moves.
We propose that the distribution of performance markings could be monitored within centrally defined parameters to ensure fairness and consistency. An obligation should be placed on departments to justify notable divergence outside them. We would welcome evidence on the effect of these changes on the application of awards in line with centrally defined Cabinet Office guidance next year.	The Cabinet Office has provided data on the distribution of performance markings, which shows an increase in the proportion of SCS members designated as 'top performers' across all pay bands.

SSRB observations from 2019	Government response and the SSRB's reaction to them
We endorse the government's approach for Director General pay this year. We also agree there is a role for a committee to look at the handling of pay for Directors General at an individual level. However, this is on the proviso that the SSRB retains the strategic and pay review role for the group as a whole. We consider pay could be added to the remit of the existing Senior Leadership Committee, which considers senior talent. Next year's evidence should include data on how the pay of tracked individuals at this level has changed during their tenure.	A Director General pay committee was created in 2019. Proposals from this committee were included in the Cabinet Office's evidence for consideration by the SSRB.
In our view, a senior leadership cadre needs to be centrally managed, in terms of deployment, pay and talent management of the pipeline, as it is by other employers. We ask the government to look at the extent to which this is the case and whether the approach to pay should be differentiated across the remit group.	This is not explicitly covered in the written evidence. The government needs to consider and set out its vision for the future purpose, size and composition of the SCS in the light of the changing demands and the skills it needs to deliver outcomes. This is covered further in paragraph 5.125.
We would encourage the Cabinet Office to consider sharing further detailed information with the FDA and Prospect, including the data underlying the proposals. Furthermore, we would encourage the Cabinet Office to publish the workforce data it provides to the SSRB.	The government's written evidence was not shared with the FDA and Prospect in advance of its publication. The unions have not had access to the data pack and it is not clear if the government intends to publish the Cabinet Office data pack this year.

5.54 In 2019, the Permanent Secretary Remuneration Committee made awards largely in line with the SCS award, namely:

- A 0.9 per cent increase for all Permanent Secretaries.
- The remaining 1.1 per cent was used to apply a differentiated consolidated increase to individuals depending on their position in the pay range.
- No changes to the minima and maxima of the three tiers were made.

5.55 The GCO Remuneration Committee applied the 2019 pay award in line with the SSRB priorities. As in previous years, a quartile-based approach to the pay award was taken, which awards a higher percentage increase to employees in the lower quartiles compared to those in the higher ones. Following a pay benchmarking exercise, increases were made to the minima in three of the four GCO grades where the lowest quartile was below that of the market lower quartile.

Context of our 2020 review

5.56 This year, the evidence from the Cabinet Office was introduced by a ministerial foreword. Lord Agnew, the Minister of State at the Cabinet Office, states that the evidence is framed by the government's commitment to deliver the opportunities provided by leaving the European Union and its ambitious domestic agenda. He goes on to say that reform and improving the capability of the civil service is needed to deliver this.

5.57 In its written evidence, the Cabinet Office states that the 2019 Spending Review did not set a uniform public sector pay policy. However, awards need to be sustainable and affordable.

5.58 The written evidence also sets out a number of wider developments in the SCS workforce. These include:

- Improved talent management and career management programmes.
- Cross-civil service career pathways designed to ensure all civil servants have the opportunity to gather leadership experience.
- Career frameworks within professions which set out the skills, experience and capabilities needed for each role and grade.

2020 proposals

5.59 The government reiterated its vision for a future SCS workforce and the three principles around which the SCS pay framework was being reformed:

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

5.60 In its submission, the government made the following proposals:

- For pay bands 1, 2 and 3, the minima to be increased (at a cost of approximately 0.1 per cent of the SCS paybill) with no change to the maxima, resulting in the pay ranges set out in table 5.7.
- To uplift pay band 3 (Director General) a further £5,000 to £125,000 in 2021-22.
- The majority of the award should be targeted to address problems and priorities (for example, high turnover), rather than an across the board increase.
- Recognition that flexibility is needed to address differences in total reward between the SCS and equivalent roles in other sectors.
- The headline figure should not be higher than that agreed for the delegated grades.
- End-of-year non-consolidated performance awards should be made to those assessed as top performers, with awards capped at £17,500. Departments should also have the flexibility to make in-year awards up to £5,000, restricted to 20 per cent of the SCS. The cost of these two payments is limited to 3.3 per cent of the SCS paybill.
- No specific proposals were made in relation to Permanent Secretaries or the Government Commercial Organisation.

Table 5.7: **Proposed pay ranges for 2020-21**

	Pay band minimum		Pay band maximum
Pay band	**Current £**	**New £**	**£**
1	70,000	71,000	117,800
2	92,000	93,000	162,500
3	115,000	120,000	208,100

5.61 In their evidence, the FDA and Prospect proposed the removal of a rigid cost envelope in order to enable structural changes to pay within the civil service and SCS.

Evidence

5.62 We received written and oral evidence from the Minister of State at the Cabinet Office and HM Treasury, the Chief Executive of the Civil Service, the FDA and Prospect and the Civil Service Commission (CSC).

5.63 We find it beneficial to hear directly from members of our remit groups about their views on their remuneration packages and their experiences of the pay and performance system. This year, we have held discussion groups with:

- Members of SCS pay bands 1, 2 and 3.
- Members of the SCS working in the Scottish and Welsh governments.
- Members of the GCO, with representation from those on GCO terms and those remaining on their civil service terms.
- Permanent Secretaries.

5.64 Additionally, the Cabinet Office invited us to attend separate meetings with the civil service Heads of Function and the HR Directors to hear their views on the priorities for SCS pay and reward.

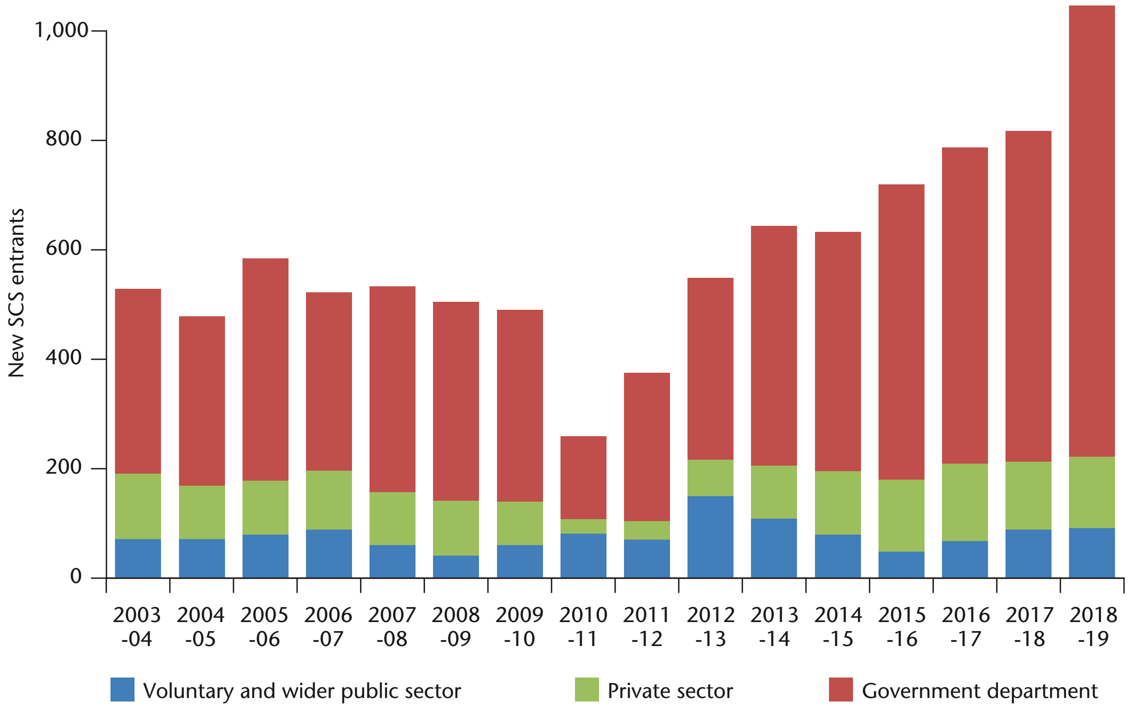
5.65 We held a session with members of the Future Leaders Scheme (FLS), a two-year, accelerated development scheme for high-potential grade 6 and 7s to develop their senior leadership skills. We found it beneficial to hear FLS members discuss their SCS aspirations and the factors influencing their attitudes towards promotion.

Recruitment

5.66 The number of new entrants to the SCS in 2018-19 was the highest since at least 2003-04.[80] Recruitment trends over time are shown in figure 5.10. The majority of the SCS are in pay band 1 and are drawn from within the civil service. Recently, there has been a general trend of increasing numbers of new entrants promoted internally rather than those appointed externally. Of those joining the SCS in 2018-19, 79 per cent were internal promotees (an increase from 74 per cent in 2017-18), 13 per cent were from the private sector (down from 15 per cent) and the remaining 9 per cent from the voluntary and wider public sectors (down from 11 per cent in 2017-18).

[80] Data are not available before this period.

Figure 5.10: **New SCS entrants, by previous employment sector, 2003-04 to 2018-19**



Source: Cabinet Office supporting data to the SSRB, unpublished.

5.67 The proportion of SCS recruited externally varies greatly by profession. Of those working in policy, legal and statistics, 10 per cent or fewer were recruited externally. In contrast, over 40 per cent of those in commercial, property, digital and internal audit roles were recruited externally.

5.68 The CSC, which chairs selection panels for advertised competitions at SCS pay band 2 and above, said that out of 192 advertised posts in 2018-19, 183 resulted in appointments. The quality of these appointments remained high, with 68 per cent of appointed candidates classed as 'outstanding' or 'very good'.

5.69 Of the posts filled in 2018-19, 34 per cent only had one appointable candidate, a figure broadly in line with the previous year. The First Civil Service Commissioner said in oral evidence that he thought that having approximately two thirds of appointments with more than one appointable candidate was an appropriate balance. In terms of possible constraining factors to recruitment, the First Civil Service Commissioner said that political uncertainty was more of an issue than pay for senior roles.

5.70 In relation to diversity, the First Civil Service Commissioner said that while progress had been made in relation to gender diversity, ethnic minority diversity remained a concern. The CSC's 2018-19 Annual Report states that:[81]

- Women made up 26 per cent of applications for the most senior posts but were more successful at each stage, making up 41 per cent of shortlists and 44 per cent of appointable candidates. These figures were very similar to those for 2017-18 which recorded 25 per cent of applications from women, making up 39 per cent of the shortlists and 46 per cent of appointable candidates.

[81] Civil Service Commission Annual Report and Accounts, 2018-19. See: http://civilservicecommission.independent.gov.uk/wp-content/uploads/2019/07/CSC_ARA-Report_2019_WEB.pdf

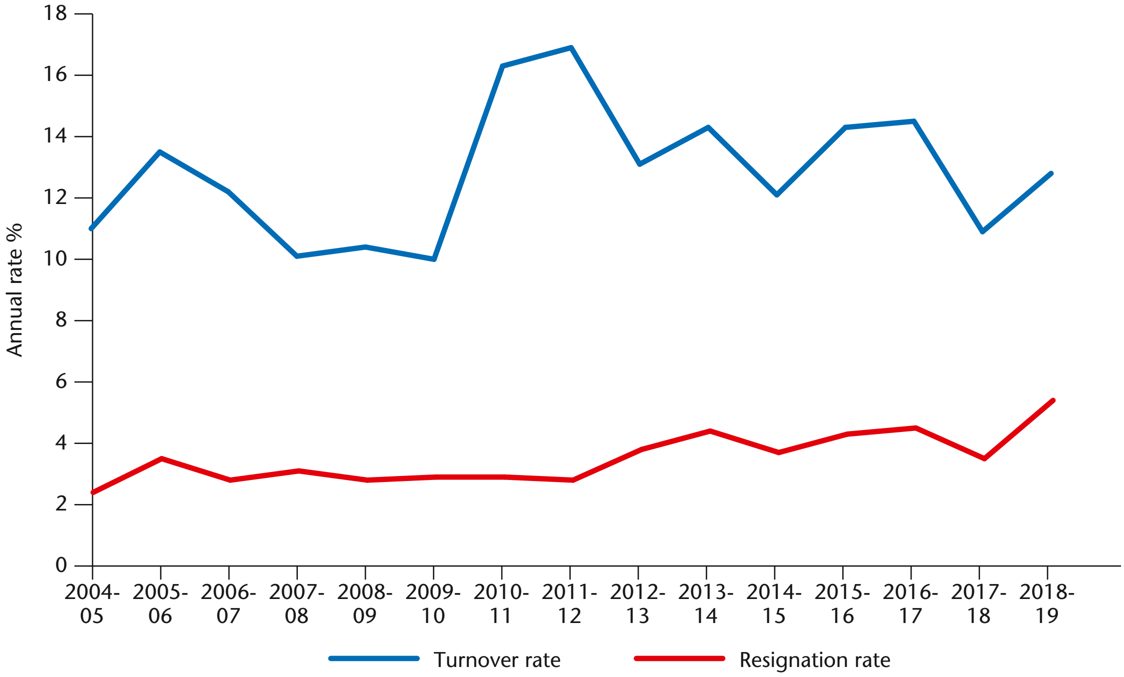
- The proportion of those self-declaring as being from BAME backgrounds (19 per cent) or as having a disability (6 per cent) were less likely to reach the interview stage. Only 8 per cent of appointable candidates declared a BAME background and only 4 per cent declared a disability.

Retention

5.71 In 2018-19, the resignation rate for the SCS increased to 5.4 per cent from 3.5 per cent in 2017-18. In comparison, the resignation rate for grade 6 was 3.0 per cent and for grade 7 was 2.9 per cent. These rates are low and we note that in some areas of the private sector such low rates would be considered worrying.

5.72 In 2018-19, the 'SCS turnover rate' (which officially includes only resignations and retirements)[82] was 12.8 per cent, an increase from 10.9 per cent in 2017-18 but lower than most of the preceding decade. In comparison, the turnover rate for grade 6 was 5.8 per cent and for grade 7 was 6.1 per cent.

Figure 5.11: **SCS annual turnover and resignation rates, 2004-05 to 2018-19**



Source: Cabinet Office, supporting data to the SSRB, unpublished.

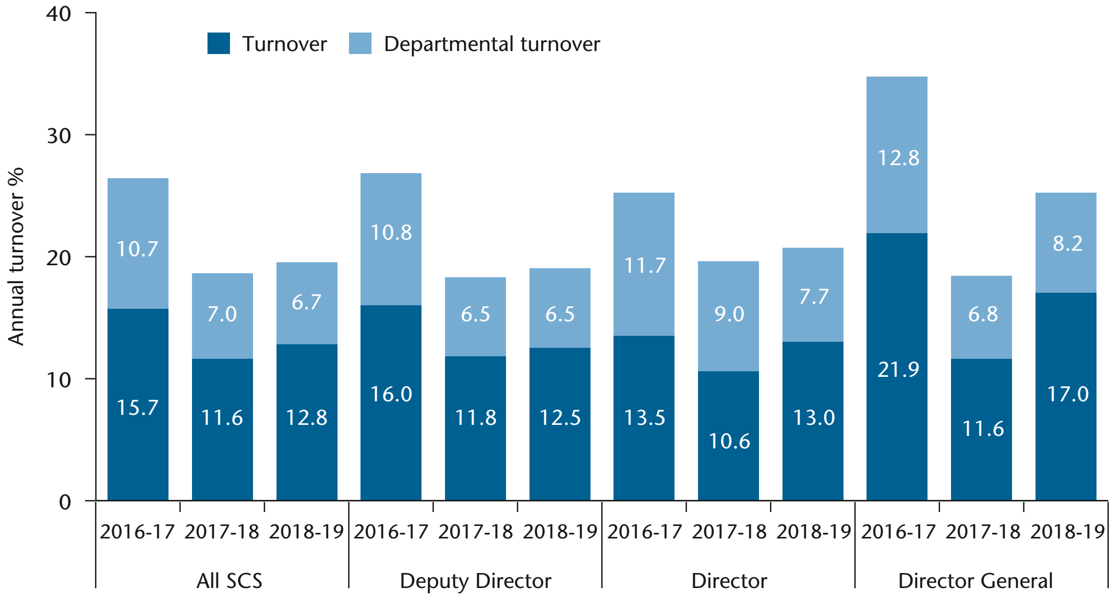
Notes: Turnover rate includes all moves out of the centrally-managed SCS over the specified year, including resignations, retirements, early departures, end of temporary promotions, and end of contract/secondment. The turnover rate is 13.5 per cent in 2018-19 if secondments to organisations outside the civil service are included, up from 11.4 per cent in 2017-18.

5.73 This year, the Cabinet Office has provided valuable new data on departmental turnover. This includes moves between departments within the year, in addition to moves included under the turnover rate (see figure 5.12). It does not include job moves within a department. When added to the data on leavers, this shows that the turnover rate was 35 per cent at Director General level in 2016-17. We have raised concerns in the past about the effect of this level of internal churn on delivery. While there has been a fall over

[82] The two definitions employed centrally by the Cabinet Office are for 'turnover' (staff leaving the civil service as a whole) and 'departmental turnover' (staff leaving the Civil Service or a particular department). These were recently published in Guidance on Turnover in the Civil Service. https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/854929/Annex_A_-_Turnover_Definition__1___2_.pdf

the last two years, we note that as these data do not include job to job moves within departments, they do not present a complete picture.

Figure 5.12: **Turnover and departmental turnover by pay band, 2016-17 to 2018-19**

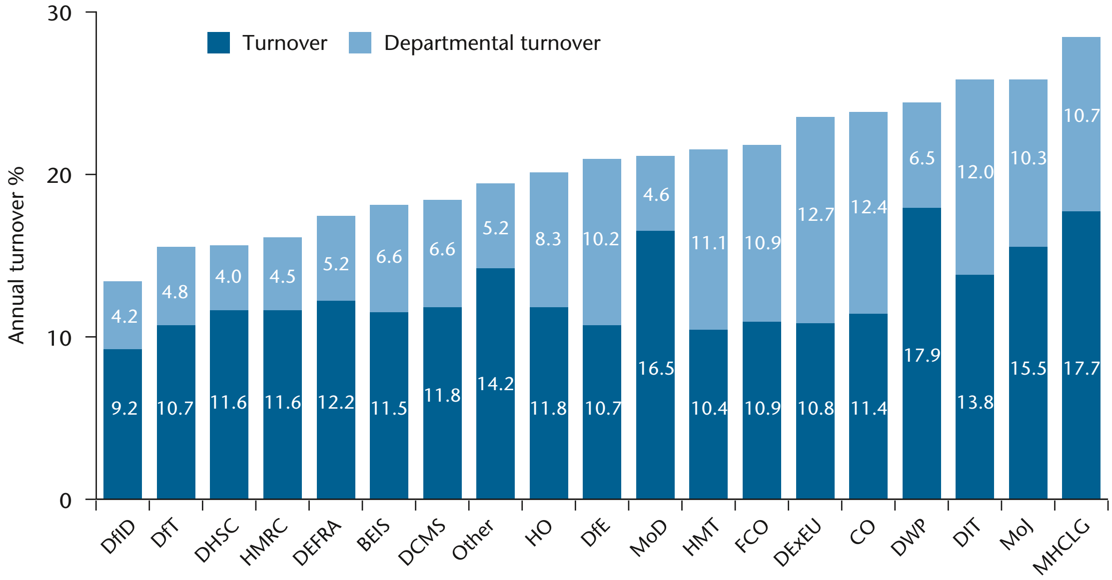


Source: Cabinet Office supporting data to the SSRB, unpublished.

Notes: Turnover rate includes all moves out of the centrally-managed SCS over the specified year including resignations, retirements, early departures, end of temporary promotions, and end of contract/secondment. Departmental turnover rate includes moves between departments within the year.

5.74 The turnover rate and the level of job moves vary by department, with total turnover (leavers plus departmental moves) ranging from 11 per cent in the Scottish government to 28 per cent in the Ministry of Housing, Communities and Local Government (MHCLG) (see figure 5.13). Figure 5.22 (in the Data Annex) shows that the total turnover rate over the last three years is variable across departments, with some departments showing a reduction in total turnover. For example, the Cabinet Office has fallen from 46 per cent in 2016-17 to 24 per cent in 2018-19.

Figure 5.13: **Turnover by department, 2018-19**



Source: Cabinet Office supporting data to the SSRB, unpublished.

Notes: Turnover rate includes all moves out of the centrally-managed SCS over the specified year including resignations, retirements, early departures, end of temporary promotions, and end of contract/secondment. Departmental turnover rate includes moves between departments within the year.

5.75 The Cabinet Office accepts that there is excessive departmental turnover and internal movement, as highlighted in our previous reports and by the report published by the Institute for Government in January 2019.[83] This report points to many examples of how churn can adversely affect outcomes, such as links to the government's poor track record delivering major projects.[84]

5.76 The Cabinet Office considers that once implemented, a capability-based pay progression system will address many of the current concerns on departmental churn. However, the Cabinet Office has yet to demonstrate that such an approach will address this problem in a simple, timely and cost-effective manner.

5.77 In 2018-19, 12 per cent of internal recruits left the SCS in comparison to 18 per cent of those recruited externally. This continues a trend that has been in place since at least 2004-05. Further details of the variations in turnover and resignation rates are set out in the Data Annex to this chapter.

5.78 In our 2018 Report, we set out our proposals on how SCS exit interviews could be improved. Over the last two years, the Cabinet Office has refined its approach to conducting interviews. This has resulted in better data and a longer-term analysis of leavers. The most common reason for leaving remains the opportunity for career development outside the civil service, with 70 per cent of leavers citing this as a reason. The proportion of leavers citing pay as a significant factor has remained stable, with a rate of 61 per cent of SCS exits last year, compared to 58 per cent and 60 per cent in the

[83] See: https://www.instituteforgovernment.org.uk/sites/default/files/publications/IfG_staff_turnover_WEB.pdf

[84] The Institute for Government said: "In 2016, the NAO concluded that the government's track record delivering major projects was poor. A key reason for this is that many major projects have suffered from rapid turnover of senior responsible owners and project directors. The NAO found that only four of the 73 programmes that had been in the portfolio for four years have had a single senior responsible owner during that time, while over half had at least three SROs in four years. Universal Credit went through five SROs in the course of a year. The project also had five programme directors between 2010 and 2013. Though leadership has been more consistent since 2013, the NAO remains critical of Universal Credit. The department still pays one in five people late and auditors found the programme's 'value for money' remains unproven." See: https://www.instituteforgovernment.org.uk/sites/default/files/publications/IfG_staff_turnover_WEB.pdf

previous two years. We note the increase in the proportion of leavers citing lack of fair treatment, insufficient respect or not feeling valued at work as reasons for resigning: 55 per cent in the latest survey, up from 41 per cent in the previous year.

5.79 In the 12 months to September 2019, 107 exit interviews were conducted. Of these, 44 per cent were deemed 'regrettable losses'.[85] Of those who recorded their next steps in the exit interviews, 26 per cent went to the wider public sector and 23 per cent to the private sector.

Retention tools

5.80 The Pivotal Role Allowance (PRA) was introduced in 2013 and was designed to retain members in highly specialised roles and those delivering the riskiest projects across government. The allowance is temporary and non-pensionable, and the overall amount in the PRA pot is capped at 0.5 per cent of the SCS paybill. Since inception, 123 PRAs have been agreed with 61 still in place.

5.81 In February 2019, the Cabinet Office introduced retention payments for business critical SCS working on the UK's exit from the European Union. Since their introduction, 33 retention payments have been made. Additionally, new flexibilities were introduced to compensate the SCS for night working.[86]

Morale and motivation

5.82 We received evidence from the Civil Service People Survey, which is run by the Cabinet Office for the whole civil service. The engagement index[87] of 79 per cent for the SCS was largely unchanged from last year (78 per cent) having steadily increased since 2009 (70 per cent). The score compares favourably with the engagement index for the wider civil service of 63 per cent.

5.83 Other measures of motivation and morale show a fairly steady picture. A consistent 94 per cent of SCS say that their work gives them a sense of personal accomplishment. Under half (42 per cent) report that they want to stay working for their organisation for at least the next three years, a figure which is consistent with 2018 following a decline over the preceding decade. The number of SCS members stating that they are happy with the total benefits package was 48 per cent, the highest figure since 2010.

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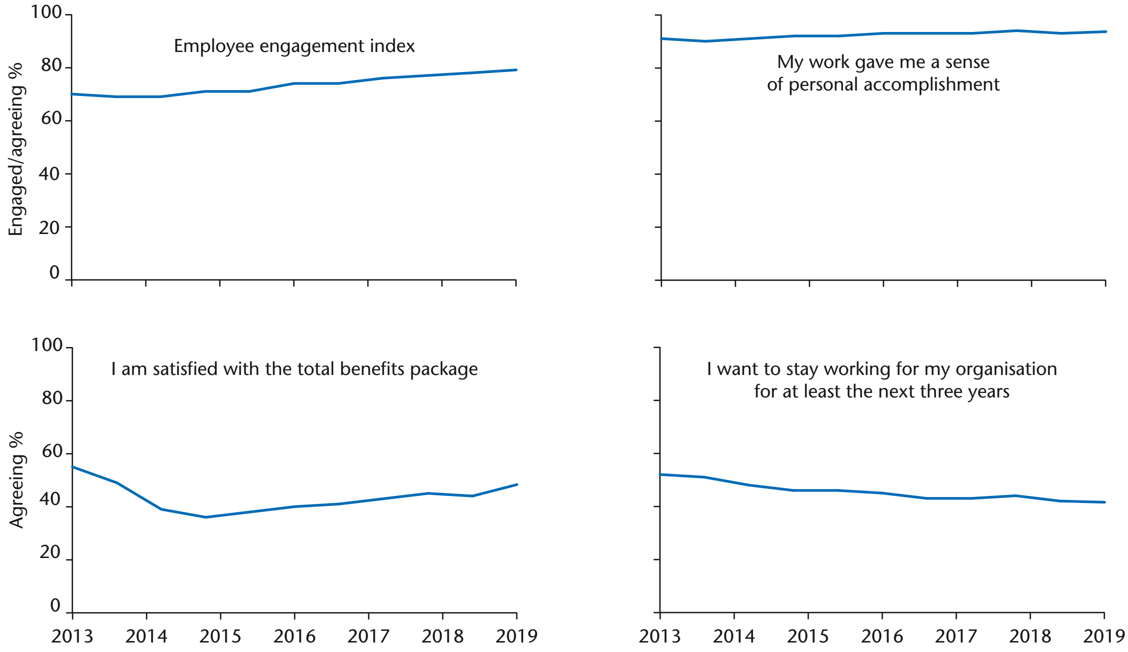
85 This is defined by an individual's position in the 'talent grid' i.e., if they are considered to have high potential for promotion. Assessment of the position in the talent grid is a separate process to performance management marking and the two are not necessarily linked.

86 SCS members are not eligible to claim overtime or travel time. Under the new EU night working flexibilities, SCS can claim normal pay plus 15 per cent for hours worked between 8pm and 6am.

87 The engagement index is calculated as the average score across five questions: I am proud when I tell others I am part of [my organisation]; I would recommend [my organisation] as a great place to work; I feel a strong personal attachment to [my organisation]; [My organisation] inspires me to do the best in my job; [My organisation] motivates me to help it achieve its objectives.

Figure 5.14: **Civil Service People Survey, SCS measures, 2009 to 2019**



Source: Civil Service People Survey.

5.84 In our discussions with members of the remit group, the following issues were raised in relation to the morale and motivation of the SCS:

- Experienced managers were managing less experienced individuals who were paid more than them. This was due to the lack of pay progression, the pay overlap between grades 6 and 7 and SCS pay band 1 and the fact that external candidates were often recruited on higher salaries than existing members of the SCS.
- The absence of pay progression and many years of low pay awards meant that many individuals who had been in the SCS for a number of years were still near the bottom of the pay scale.
- There were increasingly heavy workloads with a relentless expectation of working evenings and weekends for no additional pay.
- Although individuals thought they could probably earn higher salaries in jobs outside the civil service, the majority were committed to remaining in the SCS as they felt they were doing interesting and worthwhile roles in public service.
- A number of individuals noted the opportunities to move to other areas of the public sector, such as the NHS or local government, which would allow them to continue working in public service while earning a higher salary.

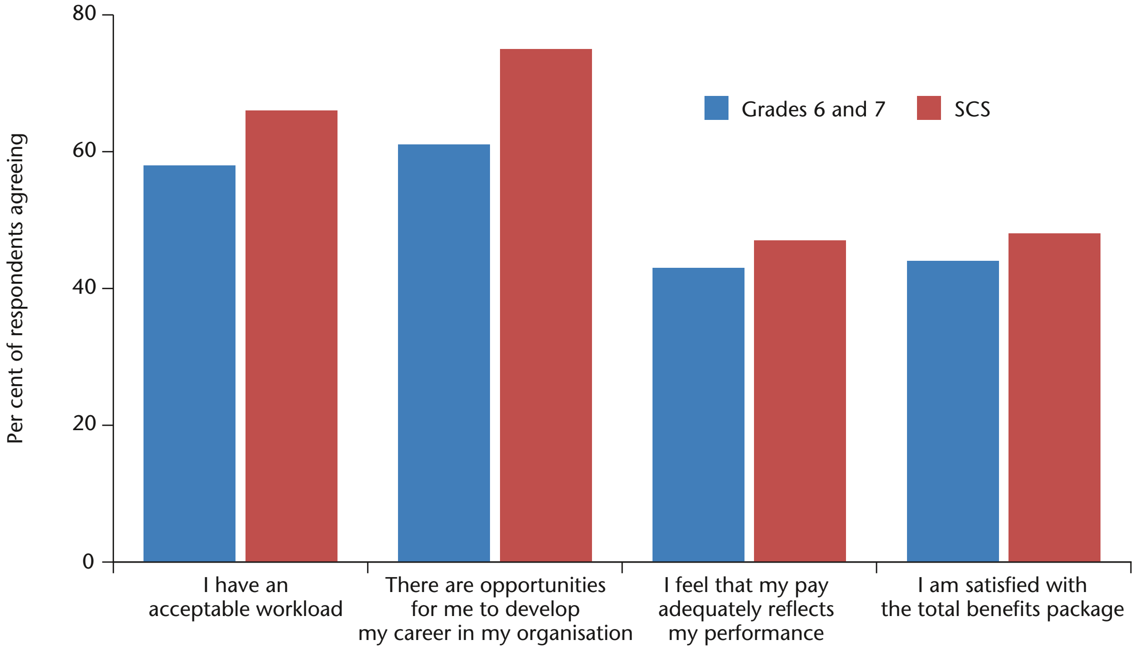
5.85 The FDA and Prospect also conduct a survey, which is based on a relatively small sample, covering less than 8 per cent of the SCS population. More details on the response to the surveys between 2013 and 2019 are set out in the Data Annex.

Feeder group

5.86 As set out in paragraph 5.66, the majority of the SCS are promoted from within the civil service. Many of the FLS members we spoke to during our discussion group questioned whether promotion to the SCS was worth the increase in workload and responsibility, the loss of additional benefits such as overtime and the perceived reduction in flexible working opportunities.

5.87 Figure 5.15 below shows comparative engagement levels for grades 6 and 7 with the SCS. The evidence, drawn from the Civil Service People Survey, suggests engagement and satisfaction levels are generally lower among grades 6 and 7 than in the SCS.

Figure 5.15: **Engagement and satisfaction, grades 6 and 7 and SCS, 2019**



Source: Civil Service People Survey.

5.88 The Civil Service Fast Stream is a leadership development programme for graduates, made up of a collection of 15 different schemes relating to different areas of civil service work. As a potential future feeder group for the SCS, it is a useful cadre for us to understand.

5.89 Members are recruited to an HEO equivalent level, with a starting salary of £28,000 for the schemes managed centrally by the Cabinet Office. Those who join typically expect to be promoted to grade 7 roles in three years, although this can vary between two and four years depending upon the scheme. The largest schemes are the Generalist and Government Economics Service schemes. Overall, 1,040 appointments (out of 40,570 applications) were made in the 2017-18 appointing round.

5.90 In oral evidence, the FDA said that Fast Stream members were increasingly dissatisfied about their levels of pay, a fact more striking given the brevity of their tenure in the cohort. According to an FDA survey, 84 per cent were dissatisfied with their pay as at March 2019, with 66 per cent saying they had seriously considered leaving the Fast Stream in the last 12 months.[88] The Cabinet Office informed Fast Streamers in January 2019 that it intended to publish the results of a report into Fast Stream pay in the summer of 2019. This report has not yet been released.

Evidence: total reward

Pay and pay ranges

5.91 A core principle of the government's vision for the SCS pay framework is to have an SCS pay structure with more consistent and narrower pay ranges based around professional groupings. For at least the third successive year, increases to pay band minima have

[88] The FDA report the sample size to have been over 1,000. Note above that the typical scheme is three years long and there were 1,040 appointments last year.

been proposed.[89] For pay bands 1 and 2, increases of £1,000 are suggested, at a cost of around 0.1 per cent for each of the respective paybills.

5.92 On the basis of recommendations from the newly formed Director General pay committee, the Cabinet Office has proposed an uplift of the minimum for pay band 3 by £10,000 over two years to £125,000, with an initial increase to £120,000 for 2020-21. This is designed to address the following issues:

- To shorten the span of what is currently the widest pay range across the whole civil service.
- To improve consistency in Director General pay levels across departments and professions and to rebalance salaries across internal promotees and external recruits.
- To improve retention rates (turnover for Directors General was 17.0 per cent in 2018-19 and the resignation rate was 11.3 per cent).

5.93 The Cabinet Office states that there are currently 36 Directors General whose salaries are below the projected £125,000 minimum. Under these proposals, Directors General at the current minimum would receive uplifts of 4.3 per cent and 4.2 per cent in each year.

5.94 The Cabinet Office said that Directors General who work in the Scottish government would have pay awards restricted to increases of £1,600 because of the current Scottish government's restrictions on pay increases for those earning over £80,000. However, the Scottish government increased the minimum for the Director General pay band to £120,605 from April 2019. These members would therefore not be affected by the centrally set pay range minimum increase proposed for this year.

5.95 As at April 2019, the number of civil servants below SCS who were paid more than the SCS pay band 1 minimum fell to 4,030 down from 4,630 in 2018. The Minister said in oral evidence that the overlap between SCS pay band 1 and the delegated grades needed to be addressed.

Pensions

5.96 The evidence from the Cabinet Office states that in 2018-19, 1,173 pension savings statements were issued to members who exceeded the annual allowance and earned over £100,000. This equated to 17 per cent of all pension savings statements issued by the Civil Service Pension schemes. In 2018-19, 6,911 pension statements were issued in total. Of these, 57 per cent were issued to those earning under £60,000. This showed that pension taxation was affecting the delegated grades as well as the SCS. This is because they were likely to have several years of service in the final salary pension scheme and would have been in receipt of a significant pay rise (probably on promotion). Many of these will have sufficient carry-forward available to avoid an annual allowance charge.

5.97 In relation to the use of Scheme Pays,[90] 316 members of civil service pension schemes used Scheme Pays in 2017-18, paying an average tax charge of £20,500 each.

5.98 Following the McCloud judgment, the government has confirmed that it plans to extend the same remedy to all members of the public service pension schemes (whether claimants or not) who are in the same legal and factual position as the claimants.

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[89] The proposed new pay ranges for 2019-20 are set out in table 5.7.

[90] Most allowance charges can be paid through Scheme Pays. This allows individuals to pay for their annual allowance charges by reducing the value of their pension rather than paying using cash. This option is more expensive the further away an individual is from retirement, reflecting the interest associated with deferring payment for many years, and will almost always result in a reduction of total net remuneration in excess of the cost of paying the charges up front.

Pay progression

5.99 For a number of years, we have highlighted our concerns about individuals moving too frequently within the SCS, often as the only way to receive a pay increase. We believe strongly that high levels of churn could be tackled by offering meaningful pay progression. The evidence we received from our discussion groups echoed this and it was evident that members felt that the development of skills and experience were not reflected in salaries. Many participants acknowledged that a pay progression system would go some way to addressing these issues.

5.100 Last year, the Cabinet Office said that it was "developing a framework to facilitate the linking of capability growth to movement in pay ranges", with the intention of reducing undesirable job movement.

5.101 In evidence this year, the Cabinet Office said a cross-department Task and Finish group had been established to lead on developing the future direction of pay progression and designing a model which could be adopted across all civil service professions. The overarching objective of the new system, as we recommended in 2019, is to be simple, durable and accessible. A summary of the Cabinet Office proposals, as stated in its evidence, for a capability-based pay progression model is set out in box 5.1.

Box 5.1: **Summary of Cabinet Office proposals for capability-based pay progression**

- The underpinning principles of the model are:
  - Enabling greater diversity in the SCS.
  - Rewarding the development of professional skills and competence.
  - Rewarding experience and high performance.
  - Enabling and rewarding the development of leaders of whole systems.
- The framework will contain two dimensions for assessing capability: professional and leadership, both set within context of experience.
- Each of the above dimensions will contain three levels of assessment: developing; competent; and expert.
- Each pay range will have a target end point which would be what an individual could realistically expect their pay to reach. An individual's progression towards the target salary would be determined by their line manager's assessment against the two dimensions (as above) coupled with the overall funding available for capability-based pay progression within the given year.
- The intended design of the model is that at pay band 1 level, there will be a greater emphasis on professional and technical capability. For pay bands 2 and 3, there will be a shift to a more subjective leadership criteria.

5.102 The development of the model is still underway. In oral evidence, the Cabinet Office said that much of the complexity had been stripped away and the objective was to balance simplification with rigour.

5.103 The Cabinet Office said that it is working towards full implementation of the capability-based pay progression in April 2021. In oral evidence, it was confirmed that cost modelling was being carried out and a cross-government business case, aligned to the Spending Review, was being considered. The Cabinet Office said that its initial projections for implementing capability-based pay progression would be £50 million across three years, with a front-loaded initial investment in the first year. The written evidence said that in the short term, divergence from the headline figure for delegated grades would be necessary. The Cabinet Office confirmed in oral evidence that the business case states that a key outcome of the new system is to address high internal churn and the loss of experience and institutional knowledge. If the timing of the Spending Review is pushed back and in the context of greater general pressure on public finances following the government response to Covid-19, we are concerned that the Cabinet Office may not be able to secure the necessary funding to implement the new system for the 2021 pay round. An evaluation of the cost benefits of this system, which we have not seen, is fundamental to ensuring progress is not stalled on cost grounds. We comment further on these proposals in paragraph 5.138.

5.104 The evidence from the FDA and Prospect said that while they welcomed the government's commitment to implementing pay progression, they have not seen the full proposals and were unable to comment on the detail. Evidence from the FDA and Prospect survey of SCS members found that 11 per cent of SCS members had been in their pay band for more than 16 years and a further 17 per cent for 10 to 15 years.[91] This has resulted in high levels of dissatisfaction from SCS members about the pace of progression through their pay bands.

Performance management

5.105 The Cabinet Office made some changes in early 2019 to the performance management system. These included:

- The removal of forced distribution for the SCS.
- The removal of the 25 per cent cap on the number of SCS eligible for end-of-year bonuses.

5.106 From our discussion groups, it was clear that there remained a strong perception of unfairness and disengagement with the performance management system. FDA said that while the decision to end forced distribution and the 25 per cent cap on non-consolidated bonuses was welcome, there had not been a discernible change felt by SCS members.

5.107 The Cabinet Office said that a performance management pilot commenced in mid-2019 at the Department for Education. This is based on the new performance management system that was implemented for the delegated grades in 2018. It has a greater focus on ongoing development conversations and in-year reward rather than end-of-year performance discussions and bonuses.

5.108 In addition to this pilot, the Cabinet Office said it is conducting a review of the SCS performance management system. The current proposal is that a new policy will be implemented for 2021-22. The Cabinet Office states that further details on this proposal will be provided to the SSRB in the evidence for the next round.

Performance awards

5.109 In 2019, 16 out of 17 departments used the full 3.3 per cent budget available for non-consolidated performance payments. The Home Office used a lower budget of 2.8 per cent.[92] No performance awards were made to SCS members working in either the Scottish or Welsh governments.[93]

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91 The FDA and Prospect survey was based on a relatively small sample, covering less than 8 per cent of the SCS population.

92 The Cabinet Office guidance allows departments to use this pot flexibly. The Home Office used the remaining 0.5 per cent to address recruitment and retention issues.

93 See: paragraph 5.114 for further details.

5.110 Where departments made awards in 2019, individual performance awards varied considerably across departments and grades:

- 28 per cent of pay band 1 staff received awards. Awards ranged from £4,000 at the Department for International Development to £13,500 at the Department of Health and Social Care (DHSC), with a median of £8,000.
- 33 per cent of pay band 2 staff received awards. Awards ranged from £5,700 at the Foreign and Commonwealth Office (FCO) to £13,500 at DHSC and HM Treasury, with a median of £10,000.
- 41 per cent of pay band 3 staff received awards. Awards ranged from £5,700 at the FCO to £16,750 at HM Treasury, with a median of £13,000.
- 34 per cent of Permanent Secretaries received awards.

5.111 In the Cabinet Office evidence, anecdotal feedback indicated that the changes introduced in April 2019 have had minimal impact on performance distribution. However, on the data provided by the Cabinet Office, the proportion of staff designated as 'top performers' increased across all pay bands with the exception of pay band 2, which remained the same. The proportion of staff designated as low performers decreased across all grades. No Permanent Secretaries were placed in the low performers' box. In recent years, we have highlighted the fact that the proportion of staff being designated as 'top performers' and receiving end-of-year awards increased significantly with seniority. This was also the case in 2019. We remain of the view that this does not represent good leadership. We discuss this further in paragraph 5.150.

5.112 In 2019, not all departments paid in-year awards to the full 20 per cent of the SCS cadre.[94] However, the majority of departments gave in-year awards to more than 10 per cent of the cohort. The value of awards ranged from £750 to £9,000 and were typically around £3,500. Awards were most commonly made to recognise contribution to projects, for going the extra mile on specific pieces of work, and to those that just missed out on a top 25 per cent performance bonus.

5.113 The Cabinet Office said it had relaxed the 20 per cent cap on in-year awards for 2019-20 and up to 40 per cent of SCS would now be eligible for awards. This was designed to recognise the additional workloads undertaken by the SCS in the approach to the UK's EU Exit. The Cabinet Office said it would review the position next year.

5.114 The written evidence from the government said that bonuses were not paid to SCS members working in Scotland and Wales. This was because of the respective pay policies in operation across both the SCS and the delegated grades in these administrations. As discussed in paragraph 5.52, the funding allocated for non-consolidated bonuses for the SCS in Scotland was used to introduce a simple pay progression system.

Conclusions and recommendations

Key points from the evidence, data and analysis

5.115 There was another significant increase (nearly 10 per cent) in the size of the remit group between 2018 and 2019. There was also a rise in the number of new entrants from within the civil service (79 per cent), with a corresponding decrease in those recruited from the private sector (13 per cent) and the wider public sector (9 per cent). Although the gap is narrowing, there continues to be a substantial pay differential between members of the SCS who are promoted internally and those who are recruited externally. The extent to which the more specialised civil service professions, who have higher market pay, are driving this differential is not clear.

[94] In-year awards are limited to 20 per cent of the SCS and are capped at £5,000. They are designed to recognise outstanding in-year contributions.

5.116 Overall, recruitment into the SCS remains stable. Evidence from the Civil Service Commission shows that 95 per cent of advertised posts resulted in appointments, with 68 per cent of appointed candidates judged as 'outstanding' or 'very good'. The First Civil Service Commissioner said he was reassured by the pipeline of talent coming through the civil service. However, he again noted that attracting candidates from the wider public sector was becoming harder.

5.117 Although there were increases in both resignations and external turnover, the rates overall are low and retention remains stable.

5.118 However, we remain concerned about the high levels of internal uncontrolled job movement as highlighted in previous SSRB reports and by the Institute for Government in its report in 2019.[95] Although we have received new data on churn between departments this year, it is difficult, in the absence of data on job moves within departments, to assess the true effect of staff turnover. Median tenure in post remains at around two years. Leaving rates are higher among external appointees than for internal candidates.

5.119 Median pay at each grade remains towards the bottom end of each pay range. Just over 4,000 non-SCS civil servants were paid more than the pay band 1 minimum as at 31 March 2019, which means that a considerable proportion of those in pay band 1 were managing people paid more than them.

5.120 Some members of the remit group, as well as some in the grades below the SCS, are receiving pension taxation charges (although we note this may change in the light of the March 2020 budget changes). To date, there has been no discernible impact on recruitment or retention as high earners have the flexibility to switch to a defined contribution pension scheme.

5.121 In terms of motivation, there continue to be high levels of engagement and members are driven by a sense of public duty. However, there are signs that high levels of dissatisfaction with the lack of pay progression, an unsatisfactory performance management regime, and high workloads may be affecting morale.

Recommendations

5.122 In 2017, the Cabinet Office set out its long-term vision and strategy for the SCS and the pay and reward framework that underpins it. Over the last three years, this strategy has evolved and the Cabinet Office has refined it to provide a clearer focus for the future.

5.123 In previous reports, we have highlighted the requirement for a coherent pay and workforce strategy and the need to address what we consider to be serious issues affecting the productivity and effectiveness of the SCS. We also highlighted the need to move away from pay proposals that have been too fixated on limiting basic annual pay increases towards those which focussed more on maximising outcomes for the lowest cost. For example, the productivity costs of high levels of internal churn (often the only way an individual can increase their pay) can far exceed the apparent savings from rigidly limiting headline pay rises.

[95] See: Moving On: The cost of high turnover in the civil service. See: https://www.instituteforgovernment.org.uk/publications/moving-on-staff-turnover-civil-service

5.124 We recognise the progress made by the Cabinet Office in developing a longer-term workforce strategy and for setting out the steps and principles by which it will achieve it. We continue to endorse the direction of travel on the reform of the SCS pay framework and acknowledge the commitment demonstrated by the Cabinet Office to deliver this. We consider that full implementation of the strategy, with the priority on pay progression, is a pressing priority. **We believe it is vital that the government moves more urgently and sets out the implementation plan and timetable to deliver these changes.**

5.125 Our view is that that current circumstances bring with them a unique window of opportunity to take forward meaningful reform of the SCS, not only in relation to implementing current proposals to the pay framework, but also in taking a radical look at the purpose, size and composition of the remit group. This should not be seen purely as a cost-saving exercise, as we recognise that costs might partly be redistributed to other parts of the civil service. We consider that redefining the shape and purpose of the SCS will enable a centrally-managed senior leadership cadre to operate more efficiently and to focus more strongly on the outcomes it seeks to deliver. There is also a question, as this vision takes shape, about whether our remit should continue to extend to the whole of the current remit group or a more closely defined senior cadre. **The SSRB would like to understand the Cabinet Office vision for the future purpose, size and composition of the SCS, how this will be achieved and how the development of a sustainable, senior leadership cadre fits into its broader longer-term strategy.**

5.126 Although there are some indications of fragile morale in the SCS, this does not currently appear to be affecting recruitment, which continues to be stable overall with no critical problems. However, there remain concerns from those in the internal feeder group on whether the increase in salary is worthwhile given the significant additional responsibility, lack of overtime and limited flexible working opportunities they would face. This could result in a reduction of the pool from which future SCS members can be appointed.

5.127 In terms of retention, there is no significant outflow from the civil service and the resignation rate remains stable. The evidence does not show any particular issues with top performers leaving the SCS. However, it is important to ensure the proportion of high-quality staff leaving the SCS and the feeder groups is not excessive. We believe measures should be put in place to monitor this over time and would welcome further evidence on the retention of talented staff. We are encouraged by the extensive talent and development schemes in place. However, it is important the government articulates how these fit in with the wider strategic vision and approach to career management.

5.128 In our view, it is essential to reduce the rate of internal churn. This is critical to maximise the benefits of developing experience, expertise and skills in post while also increasing accountability for the successful delivery of outcomes. We therefore continue to believe that implementing pay progression is the highest priority. However, we are yet to see the detail of how the proposed capability-based approach, which enables each profession to set its own framework, will address this problem in a simple, timely and cost-effective manner. We comment further on the principles of a capability-based pay framework in paragraph 5.138.

5.129 In our 2019 Report, we said the right balance needs to be found between controlled movement across roles as part of a structured approach to developing talent and managing careers, and uncontrolled movement driven by individual preferences and higher financial reward. **Pay incentives should align better to support the right balance. We would like to see further evidence next year, including data on rates of controlled movement and rates of undesirable churn between and within departments.** For this year, addressing anomalies that have arisen from the lack of pay progression will help to alleviate the problem and we consider this a priority.

5.130 In oral evidence, the government told us that a pay award of between 1.5 to 2.5 per cent would be fair and necessary. In written evidence, it said that the headline figure for the SCS should not be higher than that agreed for the delegated grades.[96] Given its stated intention that we should consider the delegated grades and SCS coherently, the government should be clear in future about what it wants and what information it will provide to us so that we can take this into account. While we are mindful of awards in other parts of the public sector, we do not believe that simply following pay awards elsewhere can be consistent with our duty to consider independently all the evidence put before us about our remit groups.

5.131 In making our recommendations, we would typically have regard to annual growth in public sector average weekly earnings (3.4 per cent in the three months to February 2020) and the CPI inflation rate (1.5 per cent in March 2020).[97] However, we recognise that these are not normal times and, in Chapter 3 of this Report, we set out the challenges and uncertainty in the current economic climate.

5.132 We acknowledge that the government implemented our 2019 pay recommendations in line with our specified order of priority and note that a similar approach has been proposed by the Cabinet Office this year. As we set out in part 1 of the Executive Summary, the government has asked that we continue to base our recommendations on the evidence provided pre-Covid-19.

5.133 We are again making our recommendations for an annual pay award in the absence of a proper pay progression model and we are firmly of the view that pay progression is the highest priority. We therefore consider that the pay award should be weighted towards allocating funding to address anomalies caused by the lack of pay progression for those members who have been developing capability, particularly those who have been stuck in the lower end of the pay range for some time. However, we are cognisant of the importance of a strong leadership cadre at this critical time and it is our view that all eligible members of the SCS should get some form of pay award this year. We also continue to believe that an element of the pay award should be used to increase pay band minima to support the principle of narrowing pay ranges.

5.134 **Our recommendation is that an increase of 2 per cent to the paybill is justified.** We set out below our detailed recommendations on how this overall paybill increase should be apportioned and prioritised.

5.135 Those SCS members who are currently subject to performance improvement measures should not receive any increase in pay. Therefore, the recommendations should not be applied to these staff while they are subject to such measures.

The SSRB's priorities for allocation of the SCS paybill increase

5.136 In our 2019 Report, we set out the priorities for apportioning the SCS paybill increase. We were encouraged that the government accepted these and that, on the whole, departments applied their pay awards accordingly. The Cabinet Office has asked that a similar approach be taken this year. Our priorities for the 2020 pay award are as follows:

[96] On 18 May 2020, the Cabinet Office published the delegated pay guidance which stated that departments are able to make average pay awards within the range of 1.5 to 2.5 per cent.

[97] Latest data available, published April 2020.

Recommendation 1: We recommend an increase to the SCS paybill of 2 per cent, which should be allocated in accordance with the recommendations and priorities set out below:

- **Priority 1: To mitigate anomalies arising from the lack of pay progression and to alleviate other pay anomalies (1 per cent).**
- **Priority 2: To increase the pay band minima (0.1 per cent).**
- **Priority 3: To provide a pay increase of 1 per cent to all those not benefitting from the increase to the minima or those benefiting by less than 1 per cent (0.9 per cent).**[98]

Pay progression and anomalies

5.137 For a number of years, we have highlighted the need for pay progression to be introduced. We consider this to be a core component of an effective SCS pay framework and therefore implementing it is a priority. It remains clear to us that the lack of pay progression is a major concern among the remit group, many of whom, especially in pay band 1, note that their pay remains stubbornly near the bottom of the range. The inability to reward people for developing capability and skills is a frustration for managers and staff, and high levels of uncontrolled job movement have been strongly linked to perverse pay incentives. Even in areas such as the GCO, where there is a more competitive reward package to attract candidates, there is no way to progress people's pay without promoting them, which potentially creates retention issues.

Recommendation 2 (Priority 1): We recommend that 1 per cent of the paybill should be allocated to problems arising from the lack of a pay progression system and other anomalies. This should be distributed to SCS members dependent on:

- **demonstration of increased effectiveness and deepened expertise; and**
- **their position in the pay range.**

This allocation should be ring-fenced.

5.138 It is clear from both the written and oral evidence that the government has made a commitment to the implementation of capability-based pay progression from April 2021. While we welcome this commitment and the progress that has been made over the last 12 months, we cannot provide a view on the approach taken to capability-based pay progression without full sight of the detailed proposals. We acknowledge the Cabinet Office's intention to share these with us, and we would encourage them to do so soon to ensure we can make a meaningful contribution. Our residual concerns include:

- The risk that, in the current climate, it may be difficult to secure central resourcing to support this reform. Successful implementation of pay progression from within the annual pay award envelope will be challenging, if not impossible. The productivity gains from a workforce incentivised to remain in post to achieve outcomes, and from a workforce that feels valued will, in our view, justify the upfront investment.
- The risk that delay to the Spending Review means it will not be possible to secure funding in time to implement the new pay progression system for April 2021. Emphasis should therefore be on the cost benefits of the system, to ensure progress is not stalled on cost grounds.

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98 We estimate that this will cost 0.9 per cent as this element will not apply to those SCS members benefitting 1 per cent or more from the minima increases.

- Developing multiple, profession-based capability frameworks that operate within centrally operated guidance could prove to be overly complex.
- The potentially increased burden on managers who will have to operate such complicated systems. We note the focus on simplifying the model and reiterate that any system needs to be accessible and understandable to those who are expected to manage it.

5.139 We have highlighted for a number of years our concerns about the tension between the centre of government wishing to control the pay system and the delegation of responsibility to departments. In the last two years, the Cabinet Office has put in place a monitoring system to ensure that pay awards are fairly and appropriately distributed by departments. We are encouraged that most departments applied the pay award in accordance with centrally defined principles and note that feedback from the Cabinet Office indicated that departments welcomed the flexibility that this element of the pay award gave them to reposition individual salaries. This process should remain in place and we therefore would wish to continue receiving evidence on how the pay award has been applied.

Recommendation 3: The Cabinet Office should provide evidence to demonstrate, in accordance with Recommendation 2, that the application of our recommendation has resulted in higher awards to:

- **those who demonstrated evidence of increased effectiveness and deepened expertise; and**
- **those who were relatively low in the pay range.**

5.140 We have made our pay recommendations this year on the basis that the Cabinet Office has said that pay progression will be implemented in April 2021. However, we recognise that the current economic climate may make implementation of a full capability-based pay progression difficult to achieve in that timescale. We suggest, therefore, that the Cabinet Office considers the merits of a fallback 'minimum viable' pay progression system in the interim. In our 2019 Report, we set out the following principles by which this could be achieved:

- Annual pay increments for those who are performing well for the first three years in post. These could, with agreement, be extended for a further two years but pay increments must be bounded and not indefinite.
- Those on poor performance measures do not qualify for pay progression.
- There should be a more proactive approach to the career management of individuals and teams to ensure a better balance between business need and individual aspiration.
- We do stress, however, that this model is dependent on clear and decisive action in managing poor performance.

Recommendation 4: We recommend that the government invests in and implements a credible, robust and simple pay progression system as a priority in order to reduce churn and maximise the productivity and effectiveness of the SCS.

Pay ranges

5.141 We continue to be concerned about grade overlap, particularly between pay band 1 and those grades immediately below. We note that there has been a concerted effort by the Cabinet Office to address this through increasing the minimum of pay band 1 in recent years. While this is welcome, we believe that pay progression is key to helping reduce this overlap in the longer term.

Recommendation 5 (Priority 2): We recommend that 0.1 per cent of the paybill should be used to increase the pay band minima from April 2020 to the following levels:

- **Pay band 1: £71,000 (currently £70,000)**
- **Pay band 2: £93,000 (currently £92,000)**
- **Pay band 3: £120,000 (currently £115,000)**

5.142 The Cabinet Office has proposed to uplift the minimum of pay band 3 by £10,000 over two years. While we endorse the increase of £5,000 for this year and the direction of travel, we do not consider that we have enough evidence to endorse a further £5,000 increase to the minimum for next year. We would like to consider this as part of a full package of proposals for the next round.

5.143 The Cabinet Office has said that it intends to undertake further detailed analysis to better understand the right level of SCS pay. We agree that a holistic approach is appropriate and more beneficial in the long term than tinkering around the edges. **This work is fundamental to the implementation of pay progression and we therefore stress that it should be carried out and completed urgently. We look forward to seeing details of this research as it progresses.**

5.144 We continue to endorse the government's underlying principle that the SCS pay ranges should be narrower. To that end, we have recommended in the last two years lowering the maxima across all pay bands. The government has said that it accepted our recommendations but would not implement lower maxima until further work was carried out on the development of its capability-based pay progression model. While we accept that this reasoning may apply to a significant lowering of the maxima, we consider that incremental steps to narrow the pay ranges could be initiated without delay.

Recommendation 6: We recommend that the Cabinet Office should make incremental steps in reducing the maxima this year.

General pay award

5.145 We consider that all members of the SCS should receive a minimum 1 per cent consolidated pay award this year. Based on the figures received from the Cabinet Office, we estimate that those moving from the old minima to the new minima would receive consolidated awards of between 1.1 and 4.3 per cent. As this element would not apply to all, we estimate that providing a 1 per cent increase for those not benefitting from the new minima would entail an increase of 0.9 per cent to the paybill.

Recommendation 7 (Priority 3): We recommend that all eligible SCS members not benefitting from the increase to the minima should receive a 1 per cent pay award.[99] **Those SCS members who benefit by less than 1 per cent from the minima increase, should receive an additional consolidated pay award to total 1 per cent.**

Performance management

5.146 We support the principle of non-consolidated awards to reward high performance and believe they should continue to be used.

5.147 In recent years, we have been encouraging the Cabinet Office to conduct a review of the performance management system. While we welcome the short-term tactical fixes that were introduced in 2019, we still consider that a fundamental review is justified. We note that such a review is now underway in parallel to a pilot operating in the Department for Education.

5.148 **We would like to see a statement on how the new performance management system will interact with capability-based pay progression.** Managers need to have a clear understanding of how to assess and distinguish between performance and capability growth to ensure a fair application of both systems. We acknowledge that this balance will be difficult to strike and we consider that guidance and support needs to be given to managers on the implementation, interrelationship and application of these systems.

5.149 In the light of the proposal to introduce both a new capability-based pay progression model and a new performance management system in the next year, we consider the Cabinet Office should reflect on the balance and allocation of funding between the two. **We would like to receive evidence on whether the size of the non-consolidated award pot remains appropriate within any new SCS pay framework.**[100]

5.150 We note the increase in the number of SCS being designated as 'top performers'. While this may be a more accurate representation of the position than in recent years, we think that indicative markings for performance are useful. We therefore consider that the distribution of performance markings should be monitored within centrally defined parameters to ensure consistency and fairness, and departments should have to justify notable divergence outside of them. **We would welcome evidence on the application of awards in line with the Cabinet Office guidance next year.**

SCS working in devolved administrations

5.151 We are becoming increasingly aware of the divergence in the application of SCS reward principles and in the vision for SCS members in Scotland and Wales. For a number of years, SCS members working in Scotland and Wales have not received non-consolidated bonuses due to the pay policies operated locally by the respective governments. We understand that in Scotland, savings generated by not distributing the non-consolidated performance bonus pot in 2019 were used to introduce a simple pay progression model with five levels of target pay.

5.152 There is a clear divergence between the centralised SCS pay framework and its application in Scotland. **In the evidence next year, we would like to see a statement on where responsibility lies for SCS pay between different governments, and evidence on how pay is managed and implemented across its different constituents.**

[99] Those SCS members who are currently subject to performance improvement measures should not receive any increase in pay. Therefore, the recommendations should not be applied to these staff until they have exited such measures.

[100] The pot is currently limited to 3.3 per cent of the SCS paybill. This covers both end-of-year and in-year awards.

Looking ahead

5.153 Over the last three years, we have welcomed the closer engagement with the Cabinet Office and the opportunity to contribute to reform of the SCS pay framework. We look forward to continuing and developing this relationship as the government moves into the implementation phase.

5.154 We consider that the success of reform is dependent on the involvement of staff and stakeholders. We note that engagement with employee representatives continues to improve but believe that there is scope for this to develop further. **We continue to encourage the Cabinet Office to consider sharing detailed information with the FDA and Prospect, including the data underlying government proposals. Furthermore, we would encourage the Cabinet Office to publish this evidence.**

5.155 The quality of the data provided for the SCS continues to be of a high standard. We are encouraged by the Cabinet Office's openness to our suggestions for improvements to their evidence base and workforce data. We were particularly pleased to see the provision of new information on departmental turnover this year. The following are areas where we would like to see further detail provided in next year's evidence:

- Data trends for the use of consultancy and fixed-term contracts, including the cost relative to the SCS paybill.
- Data on turnover within departments to enable a full assessment on internal churn.
- Data on diversity at a more granular level to facilitate analysis by grade within the SCS, including socio-economic background.
- Data on individuals in the Fast Stream, especially retention data, and at what point Fast Streamers progress to more senior roles and/or leave the civil service.
- Data on the number of eligible GCO members who turned down the opportunity to move to GCO terms and conditions.

5.156 In oral evidence, Lord Agnew stressed the importance of improving diversity, and in particular the cognitive diversity of the civil service. We are fully supportive of the principle to include people who have different ways of thinking, different viewpoints and different skill sets as this leads to better decision making. We look forward to seeing evidence and an action plan in this area.

5.157 We also note, from both written and oral evidence, that the Cabinet Office is keen to move more roles outside of London and the South East. We acknowledge that this aim is likely to have been accelerated by changes in working patterns prompted by Covid-19. We look forward to receiving further information about this next year. In particular, we would welcome evidence on how recruitment and retention issues vary by location and on the current differential effect of pay systems in the devolved administrations.

5.158 We find it beneficial to hear directly from members of our remit groups about their views on their remuneration packages and their experiences of the pay and performance system. We appreciate the willingness of the Cabinet Office to facilitate discussion groups including those SCS in Scotland and Wales, the GCO and Permanent Secretaries. These were very informative and we would welcome these being annual events.

5.159 As set out in Chapter 2, the SSRB has refined its approach to the assessment of progress against the strategic priorities. We have also included short-term and long-term objectives which we believe will be helpful to the Cabinet Office.

Data Annex

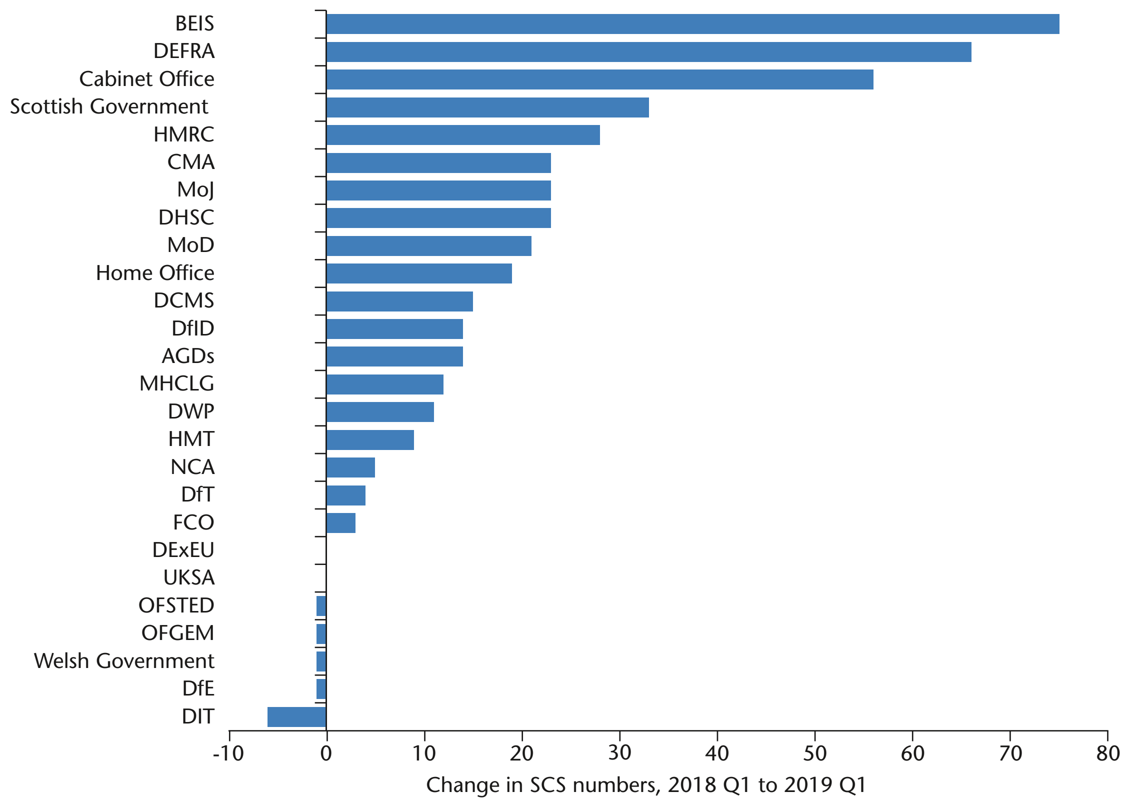
5.160 The key findings and updates in relation to the SCS are presented in the main body of this chapter. Further detail, as set out below, supports these findings.

The remit group

5.161 In the first quarter of 2019, there were 5,036 members of the SCS, an increase of 447 (9.7 per cent) since 2018. Overall, the SCS accounts for 1.1 per cent of the civil service.

5.162 The departments with the largest absolute increases in SCS numbers in the year to quarter 1 2019 were: the Department for Business, Energy and Industrial Strategy (BEIS), with an increase of 49 SCS (plus a further 26 that were previously unreported); the Department of Environment, Food and Rural Affairs (DEFRA), with an increase of 66 SCS; and the Cabinet Office, with an increase of 56 SCS. It is likely these are the departments that have increased activity to deal with post-Brexit planning.

Figure 5.16: **Change in total number of SCS by department (including executive agencies), 2018 to 2019**



Source: Cabinet Office supporting data to the SSRB, unpublished.

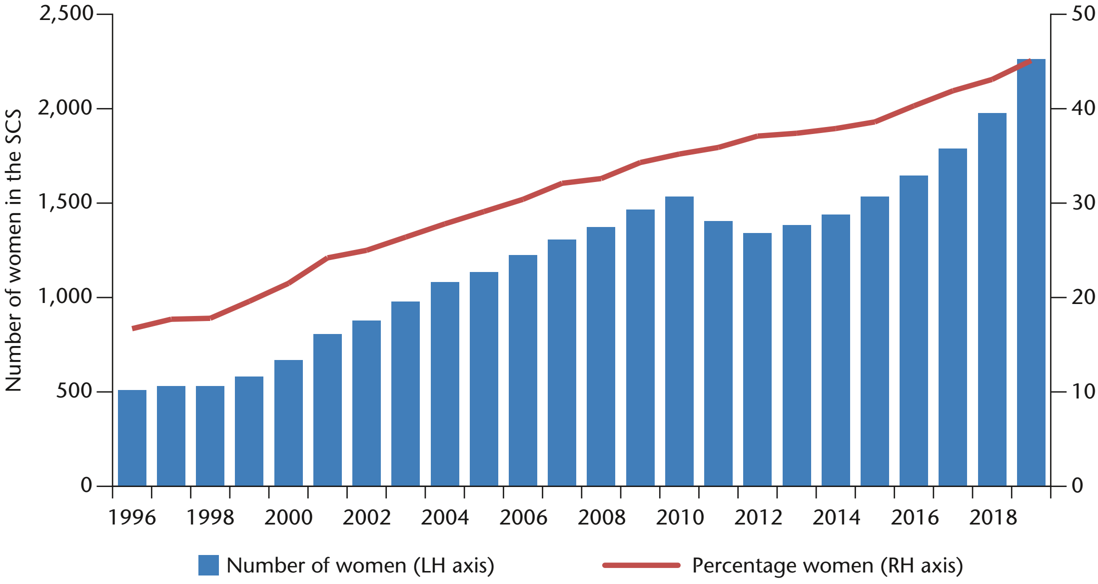
Notes: Excludes departments with fewer than 25 SCS. Caution is advised when interpreting changes at BEIS as, due to data cleansing, an additional 26 members were reported in post from Q2 2018 onwards that should have also have been reported as in post at Q1 2018.

5.163 The proportion of SCS based in London was 67.9 per cent in 2019, a decrease from 69.2 per cent in 2018 and broadly in line with the figures in 2015 to 2017. The proportion of all civil servants based in London was 19.7 per cent, compared to 19.6 per cent in 2018 and 18.7 per cent in 2017.

5.164 The proportion of SCS who are women has increased from 16.7 per cent in 1996 to 45.1 per cent in 2019 (see figure 5.17). This proportion has increased by 2 percentage points over the last year. The proportion of female Directors General decreased from

41.7 in 2018 to 38.8 per cent in 2019 but has increased from 19.0 per cent in 2003. The proportion of women in grade 6 and 7 roles was 46.9 per cent in March 2019.[101] Women made up 50.9 per cent of new entrants to the SCS in the year to quarter 1 2019 and 42.3 per cent of leavers.

Figure 5.17: **Proportion of women in the SCS, 1996 to 2019 (quarter 1)**

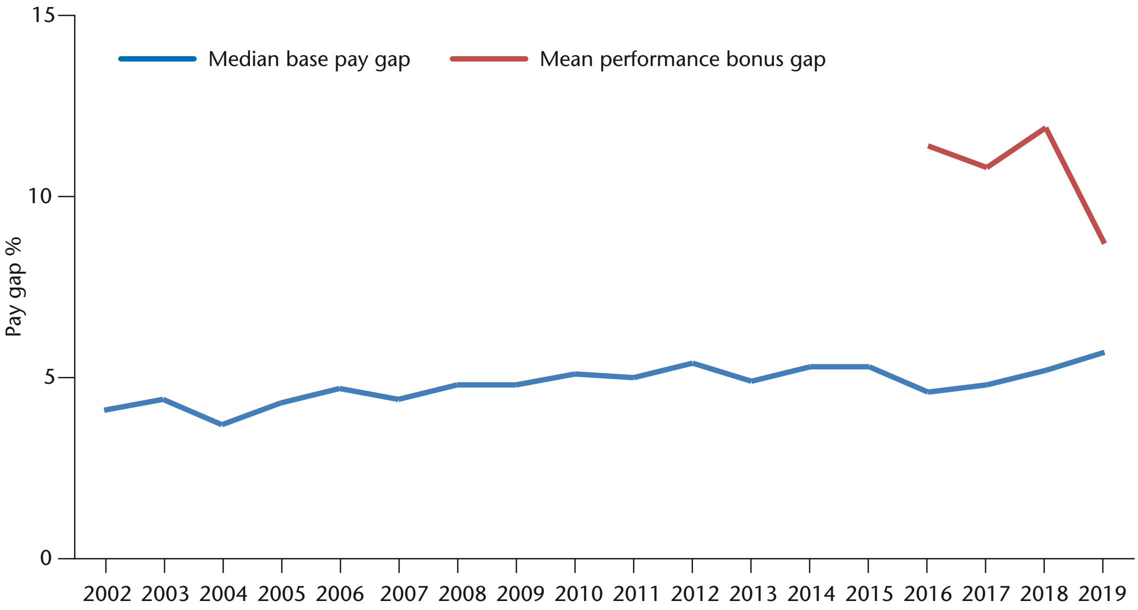


Source: Cabinet Office supporting data to the SSRB, unpublished.

5.165 In terms of median base salary across all grades in the SCS, the gender pay gap was 5.7 per cent in favour of men in 2019. This was up from a revised figure of 5.2 per cent in 2018. This is the third year in a row where the pay gap has widened (see figure 5.18). Men received an average performance bonus 8.7 per cent higher than women, down from 11.9 per cent last year. Further data from the Cabinet Office (see table 5.8) shows that the 'within-band' gap is less than the overall gap, so much of the overall gender pay gap is driven by there being a predominance of women in pay band 1.

[101] Civil service statistics. See: https://www.gov.uk/government/collections/civil-service-statistics.

Figure 5.18: **SCS gender pay gap, 2002 to 2019**



Source: Cabinet Office supporting data to the SSRB, unpublished.

Note: Base pay gap between median women's and median men's pay, as a proportion of median men's pay. Gap between women's average PRP and men's average PRP, as a percentage of men's.

Table 5.8: **Median gender pay gap by pay band, quarter 1 2019**

	Median salary		
Pay band	**Women**	**Men**	**Gender pay gap**
Pay band 1	£76,300	£78,300	2.5%
Pay band 2	£101,700	£106,800	4.7%
Pay band 3	£137,200	£140,200	2.1%
Overall	£78,700	£83,400	5.6%

Source: Cabinet Office supporting data to the SSRB, unpublished.

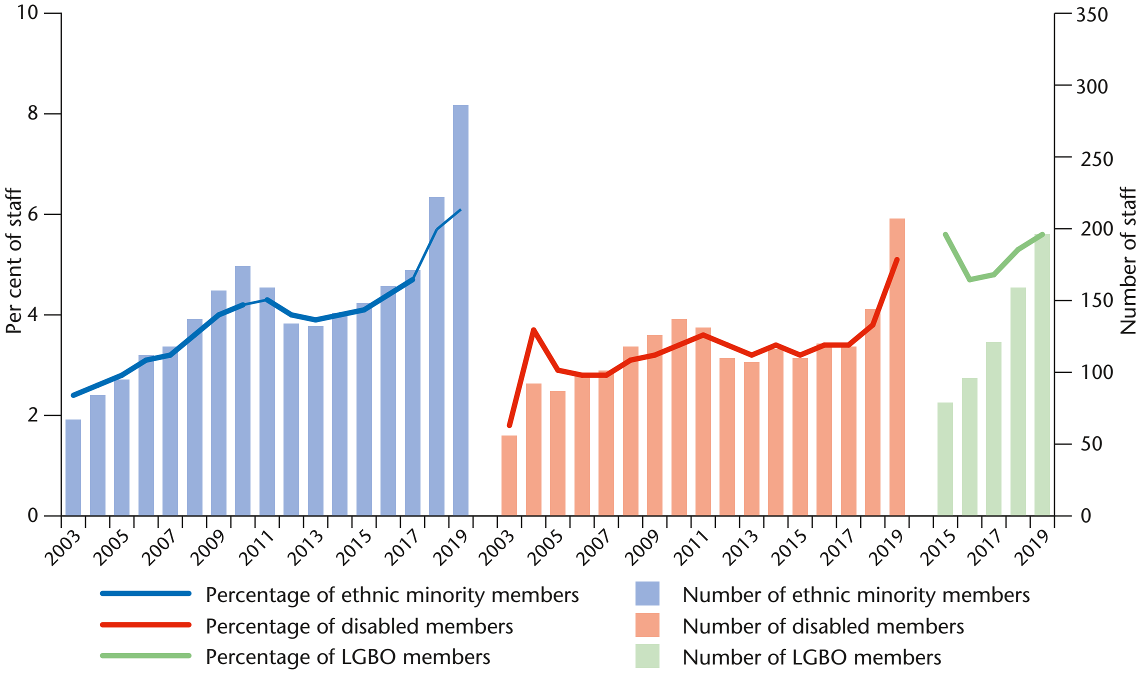
5.166 The proportion of the SCS from an ethnic minority background was 6.1 per cent in the first quarter of 2019. This was an increase from 5.7 per cent in 2018 and the highest recorded level. Those from an ethnic minority made up 8.6 per cent of new entrants to the SCS in the year to the first quarter of 2019 and 5.6 per cent of leavers. In comparison, the proportion of the wider civil service from an ethnic minority was 12.7 per cent.[102] The proportion of those in employment in the UK in 2019 from an ethnic minority background was 12.0 per cent.[103] This means that the SCS does not reflect the ethnicity of either the wider civil service or the UK population.

5.167 The proportion of the SCS with a disability was 5.1 per cent in the first quarter of 2019, an increase from 3.8 per cent in 2018.

[102] Civil service statistics. See: https://www.gov.uk/government/collections/civil-service-statistics. This source states that 8.1 per cent of the SCS were from an ethnic minority background in March 2019.

[103] See: https://www.ons.gov.uk/employmentandlabourmarket/peopleinwork/employmentandemployeetypes/datasets/labourmarketstatusbyethnicgroupa09

Figure 5.19: **Proportion of ethnic minority, disabled and LGBO members in the SCS, 2003 to 2019**



Source: Cabinet Office supporting data to the SSRB, unpublished.

Note: Percentage of those that declare. Caution is advised when interpreting changing overall representation rates as reporting changes over time.

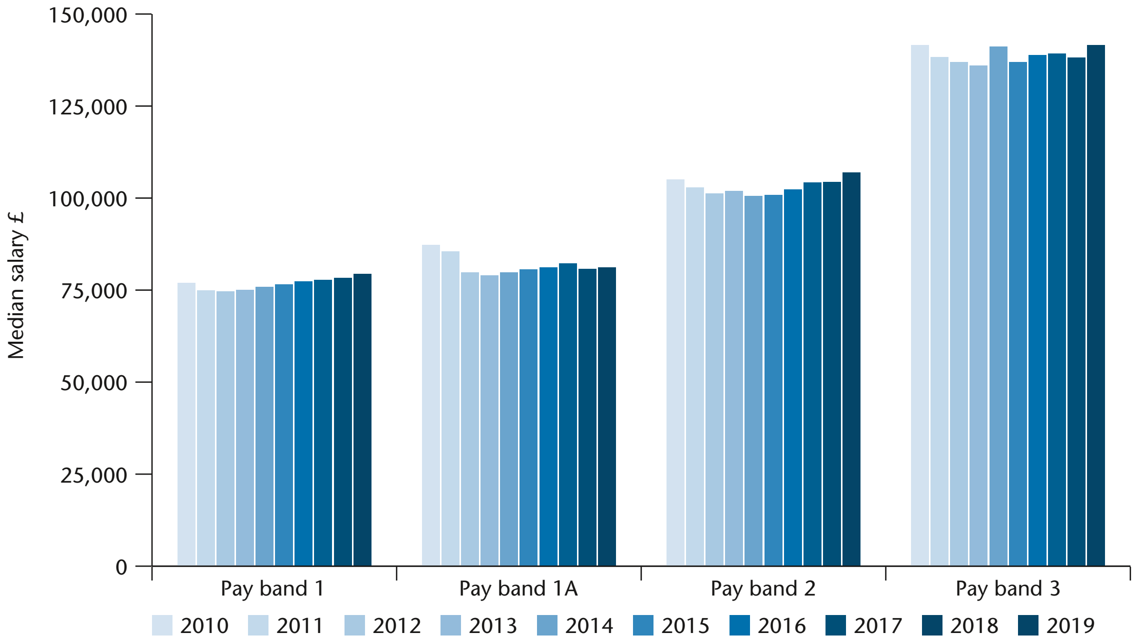
5.168 The median age of the SCS in the first quarter of 2019 was 48, largely unchanged since 2003. The proportion of SCS members aged 44 or under was 37.4 per cent, similar to 37.0 per cent in 2018, but up from 30.0 per cent in 2010 and 25.2 per cent in 2003.

Pay and the pay system

5.169 In 2019, median salaries, including bonuses, were higher for staff across all pay bands than in 2018:

- Pay band 1 increased by 1.4 per cent (or £1,100) to £79,400.
- Pay band 1A increased by 0.4 per cent (or £300) to £81,100.
- Pay band 2 increased by 2.5 per cent (or £2,600) to £106,900.
- Pay band 3 increased by 2.4 per cent (or £3,300) to £141,500.

Figure 5.20: **SCS median salaries, including bonuses, 2010 to 2019**

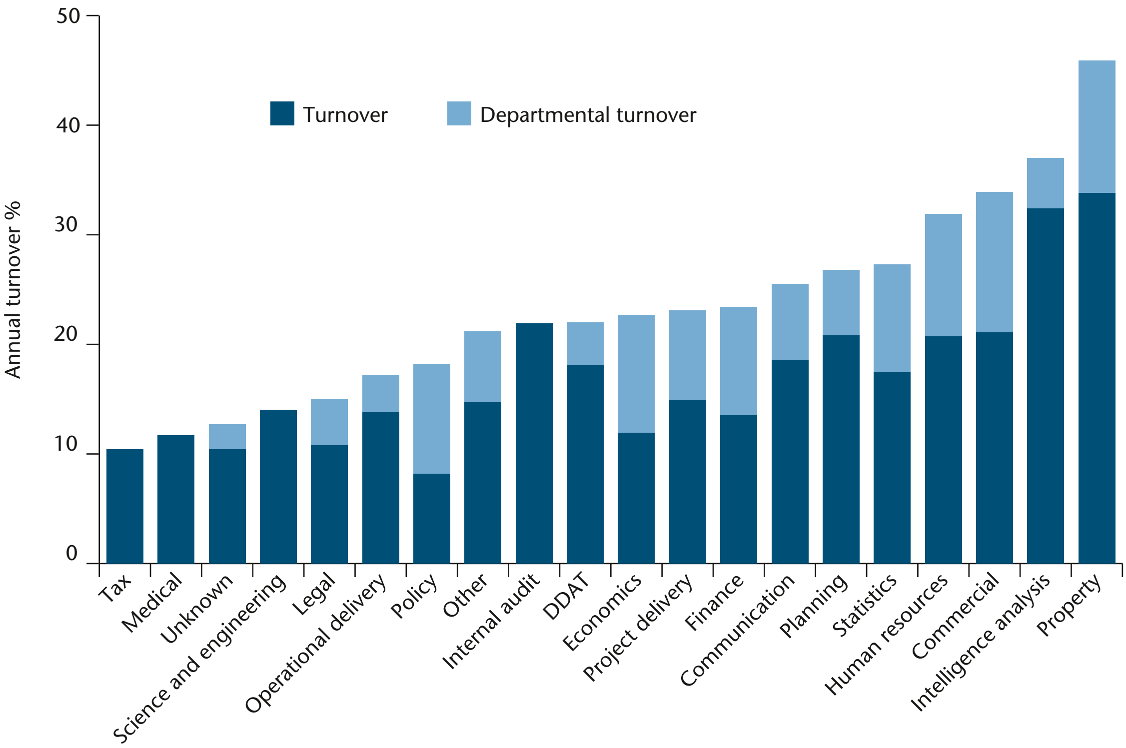


Source: Cabinet Office supporting data to the SSRB, unpublished.

Retention

5.170 Departmental and external turnover rates varied by profession (see figure 5.21). The highest external turnover rates were seen in property, intelligence analysis, and internal audit.

Figure 5.21: **SCS annual turnover rate by profession, 2018-19**



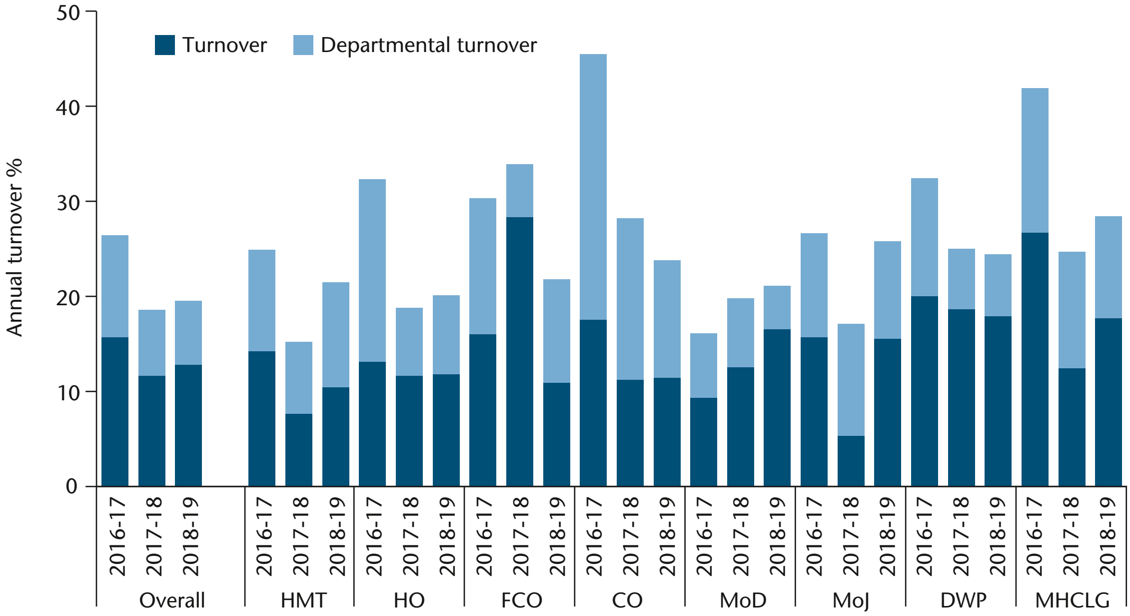
Source: Cabinet Office supporting data to the SSRB, unpublished.

Notes: Turnover rate includes all moves out of the centrally-managed SCS over the specified year including resignations, retirements, early departures, end of temporary promotions, and end of contract/secondment.

Departmental turnover rate includes moves between departments within the year.

5.171 Figure 5.22 shows that the total turnover rate (leavers plus inter-departmental moves) over the last three years varies across departments, with some departments showing a reduction in total turnover. For example, the Cabinet Office has fallen from 45 per cent in 2016-17 to 24 per cent in 2018-19.

Figure 5.22: **Turnover by department, 2016-17 to 2018-19**

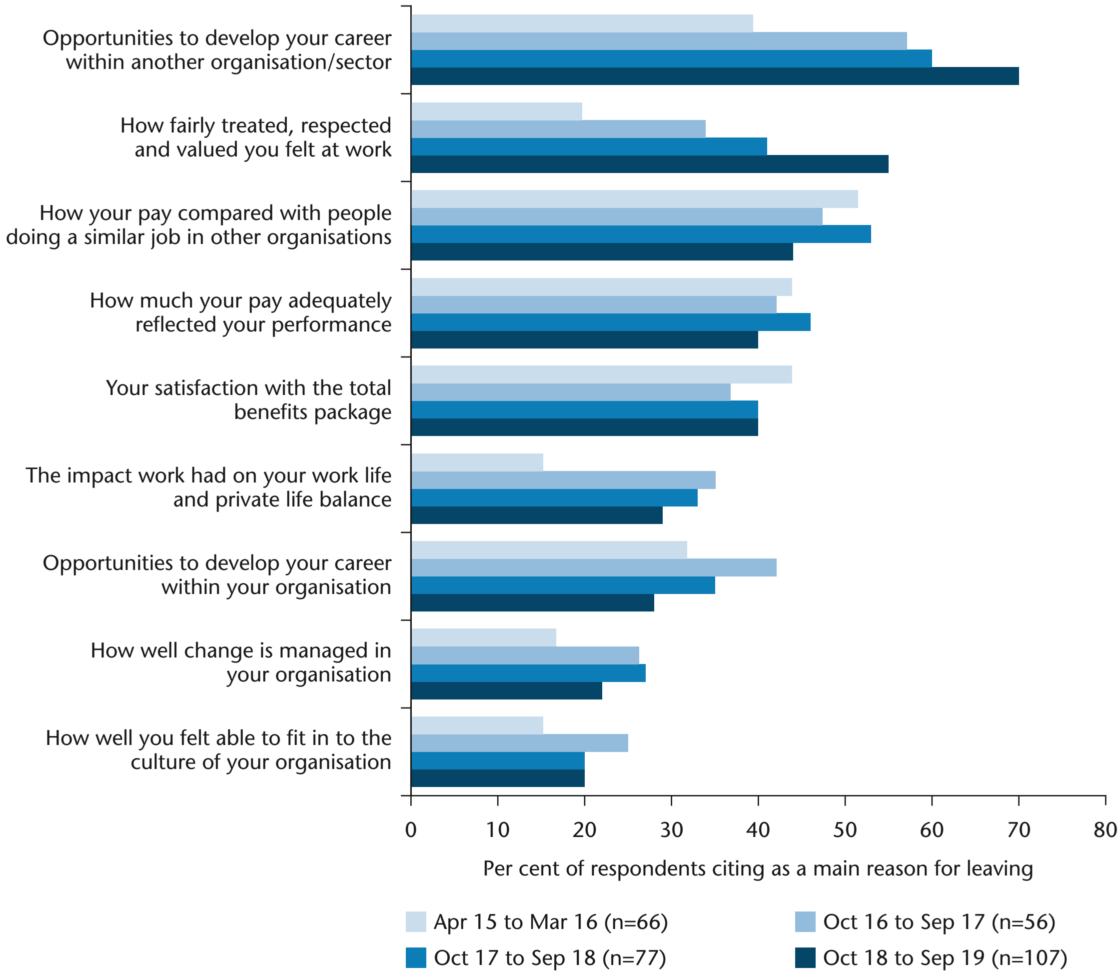


Source: Cabinet Office supporting data to the SSRB, unpublished.

Notes: Turnover rate includes all moves out of the centrally-managed SCS over the specified year including resignations, retirements, early departures, end of temporary promotions, and end of contract/secondment. Departmental turnover rate includes moves between departments within the year, in addition to moves included under turnover rate.

5.172 Figure 5.23 shows the reasons for people leaving as identified by the exit interviews. Career development remains the key reason for people leaving the SCS. However, in the latest figures, 'how fairly treated, respected or valued at work' was cited more than 'comparative pay' as a reason for leaving.

Figure 5.23: **Most common reasons for resigning, 2015 to 2019**



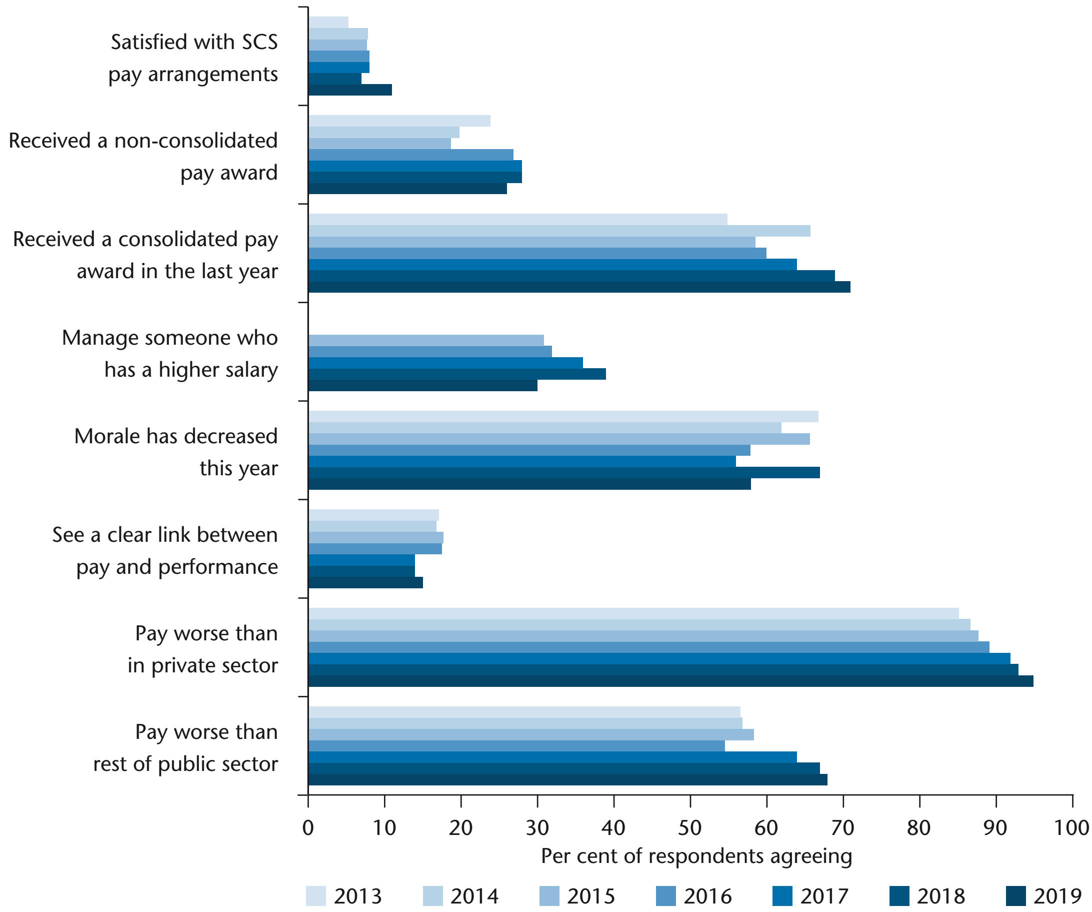
Source: Cabinet Office supporting data to the SSRB, unpublished.

Note: Proportion of SCS rating reason as an important factor (four or five out of five where one = not a factor and five = a major factor). Caution should be applied to direct comparisons between years because some SCS answered a subset of reasons in 2016.

Morale and motivation

5.173 Figure 5.24 shows the responses to the FDA and Prospect survey between 2013 and 2019.[104] We are pleased to see an increase in the proportion of SCS receiving a consolidated pay award but note the continuing low reported levels of satisfaction with the pay arrangements.

Figure 5.24: **The FDA and Prospect SCS survey, 2013 to 2019**



Source: FDA and Prospect written evidence.

[104] This survey is based on a relatively small sample, covering less than 8 per cent of the SCS population.

Chapter 6

Senior Officers in the Armed Forces

Summary

6.1 The evidence shows that recruitment and retention for the senior military currently remains at satisfactory levels. This remit group is able to attract sufficient numbers of personnel from the feeder group and there is no apparent evidence of declining quality.

6.2 Results from the 2019 Armed Forces Continuous Attitude Survey (AFCAS) show that morale among the senior military is similar to last year. However, the Ministry of Defence (MoD) set out some concerns in evidence and members of the remit group and the feeder group raised others during discussion. These issues are highlighted in the paragraphs below.

6.3 This year, as in previous years, one of the main issues noted was the impact of pension taxation on decisions to remain in Service and accept promotions. We have analysed and commented upon the effects of pension taxation policy on our remit groups in our last three Reports. Therefore, we welcome the government announcement in the March 2020 budget of changes to the annual allowance taper from April 2020. This should reduce the impact of the annual allowance tax charge on Service personnel in the senior military and the feeder group.[105] This is discussed further in paragraph 6.34. In future, we hope to receive evidence from the MoD that this has had a positive impact on the retention and motivation of individuals in the remit and feeder groups.

6.4 We were told at various evidence sessions that the overall military offer has been eroded. Although direct comparisons can be difficult, remit group members thought that similar roles in the civilian sector do not have such high levels of accountability and responsibility, and allow a better work-life balance. Other factors which detract from the employment offer are the uncertainty of continuity of employment beyond the current posting at 1-star and above, the removal of non-pay elements of the package, heavy workloads and the effect of Service life on families. There is a risk that too much reliance is placed on a public service ethos overriding pay as a consideration in career choices. A ‘tipping point’ could soon be reached and these issues could start to have a negative effect on individuals’ decisions to remain in the military or to accept promotion.

6.5 Retention and promotion of the most talented individuals from the feeder group to the senior military is vital in an internally sourced organisation such as the Armed Forces if a high-quality workforce is to be maintained. Any sudden increase in voluntary outflow from either the remit group or the feeder group would be challenging for the military. As we have stated in previous reports, it is therefore a priority that the MoD puts in place mechanisms to provide better data on the number, and particularly the quality, of those leaving the remit group and crucially the feeder group. This is to ensure the future pipeline of talented officers to the senior military is monitored, and any emerging issues can be identified and addressed promptly.

6.6 While the numbers remain small,[106] some additional roles are now being advertised as opportunities for civilians as well as for members of the senior military. This may create additional flexibility in increasing the recruitment pool for the MoD. However, this

[105] We note that individuals may still face an annual allowance tax charge this year.

[106] The MoD informed us that there were currently five roles that had been advertised for open competition. At the present time, three of these were held by members of the senior military and two by members of the senior civil service. All senior roles in Defence Equipment and Support (DE&S) were also open to members of the senior military to apply for up to a limit of seven 2-stars and three 3-stars (three from each Service).

could lead to reduced career opportunities for the senior military, and, if not managed transparently and fairly, could lead to remuneration and retention problems as different contractual terms and conditions are offered.

6.7 Increasingly, the skills needed by the senior military in areas such as cyber require intensive training and investment. The policy of only one guaranteed posting at 1-star and above and the lack of active talent management for some specialist roles increase the risk of these skills being lost to the private sector after considerable investment.

6.8 We note the MoD's request that the recommendation for the senior military pay award should take into consideration the award recommended by the Armed Forces' Pay Review Body (AFPRB) for the rest of the Armed Forces. The MoD says this is in order to restore the automatic minimum increase in base pay of 10 per cent for individuals on promotion from OF6 (1-star) to OF7 (2-star). However, we stress that an award equivalent to that recommended for the rest of the military would not restore the 10 per cent differential but would only prevent further erosion of it. While we are mindful of awards for members of the rest of the Armed Forces, our focus is necessarily on the pay levels required to retain and recruit members of the senior military.

6.9 We are aware of the potential effect on morale and cohesion of members of the senior military consistently receiving lower pay awards than the rest of the military. However, there are no recruitment and retention issues in the senior military, unlike elsewhere in the Armed Forces. If different pay awards are made to the AFPRB and SSRB remit groups this year, the MoD could continue to apply the Specially Determined Rate of Pay (SDRP)[107] for those individuals who require it. Nonetheless, we recognise that this is a temporary approach that is not sustainable in the long term. The MoD may prefer to consider our suggestions for a more strategic approach to maintaining the 10 per cent increase to pay on promotion. These can be found in paragraph 6.102 of the Report.

6.10 We recognise the significant numbers of public servants, including members of the senior military and the rest of the Armed Forces, that have been involved in leading the response to the coronavirus pandemic. These efforts have reaffirmed the commitment and resilience of the members of the Armed Forces and their ability to respond rapidly in times of national crisis.

6.11 As we have noted in part 1 of the Executive Summary, the government has asked that we should continue to base our recommendations on the evidence provided pre-Covid-19.

6.12 **The above considerations lead us to recommend an across the board consolidated pay award of 2 per cent for all members of the senior military.**

6.13 We remain concerned that some of the X-Factor components appear to be affecting members of the senior military to a greater extent, through the increasing frequency of overseas deployments, exceptionally heavy workloads and the impact of Service life on families. However, the MoD told us in written evidence and the Chief of the Defence Staff (CDS) confirmed in oral evidence, that there was currently no evidence to support a change to the X-Factor taper. We note the MoD's proposal to leave the formal review of the X-Factor taper until the next scheduled five-yearly review of X-Factor in 2023.[108] However, we believe that our continuing concern warrants earlier consideration of this. We will continue to monitor the situation. If it deteriorates, we will return to this issue next year.

[107] A rate of pay set above the increment to which the individual would normally be entitled.

[108] The AFPRB is currently carrying out research to ensure the X-Factor components are fit for purpose for the next X-Factor review in 2023. It expects to report on this research in its 2021 Report.

6.14 In oral evidence, we were told that many reviews were taking place under the People Transformation Programme which we understand builds on the Defence People Strategy. It is important for us to receive more information about these reviews, including how they fit into the overall Defence strategy, and about the timescales for their implementation. We would particularly like to know how consideration of the future remuneration strategy for members of the senior military fits into these reviews.

Introduction

The remit group

6.15 There were 125 senior officers at 2-star rank and above on 1 July 2019, an increase of two over the year.[109] A breakdown of the numbers by rank since 2012 is given at table 6.1. A list of officer ranks in the UK military is set out in Appendix M. There were five female officers (4 per cent) in the senior military on 1 July 2019, an increase of one from the previous year. Four of these were at 2-star rank. Additionally, we note the first female 3-star officer was appointed in the RAF in February 2019. No members of the senior military reported as being from a Black, Asian and Minority Ethnic (BAME) background.

Table 6.1: **Number of senior officers as at 1 July, 2012 to 2019**

Rank	2012	2013	2014	2015	2016	2017	2018	2019	Change 2018 to 2019
2-star	94	92	95	91	86	89	87	88	1
3-star	22	27	27	30	31	25	28	29	1
4-star[1]	9	9	8	7	8	8	8	8	0
Total	125	128	130	128	125	122	123	125	2

1 Includes the Chief of the Defence Staff.

Source: Ministry of Defence written evidence, unpublished.

Pay and the pay system

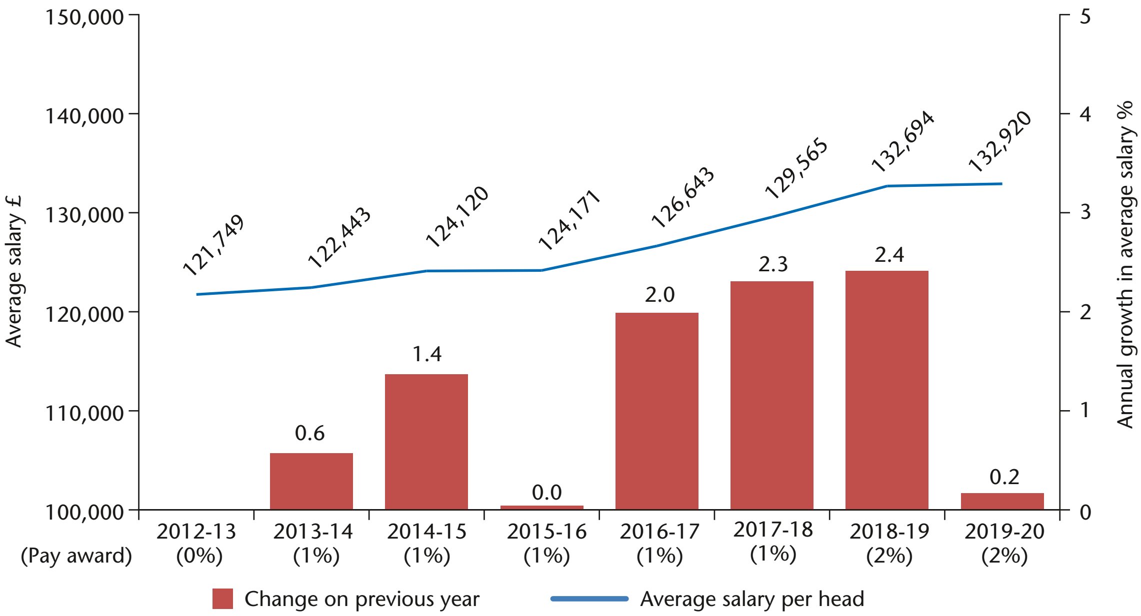
6.16 Members of the senior military were paid between £118,431 and £276,318[110] in 2019-20 with an associated paybill of £29.6 million. This included employers' national insurance and pension contributions.

6.17 As shown in figure 6.1, salary growth per head averaged 0.2 per cent last year. In addition to an annual pay award, this includes pay progression, promotion and changes in the number of personnel at each rank. This low percentage can be explained because of a higher number of promotions last year, resulting in officers on higher pay points being replaced with officers on lower pay points.

[109] The MoD informed us that the increase has been driven by Defence Business needs through the creation of new posts, the extension of previously time-limited posts and the inclusion of personnel transitioning out of Service.

[110] The figure of £276,318 refers to the top increment of the pay rate for the role of the CDS. There is therefore only one individual that has the potential to be paid at this rate of pay.

Figure 6.1: **Salary per head and annual growth, 2012-13 to 2019-20**



Source: OME calculations using Ministry of Defence data, unpublished.

Note: Excludes employer national insurance and pension contributions.

6.18 The pay system for the senior military differs from that of our other remit groups because it includes incremental pay progression[111] and a non-contributory pension scheme. All 2-star and 3-star officers also receive X-Factor but at a tapered rate.[112] The senior military do not receive performance-related pay and there is limited security of employment at 1-star rank and above. The MoD said that, while every effort is made to employ officers until their normal retirement age,[113] there is no guarantee of a second posting at the rank of 1-star and above. On promotion to OF6, officers are provided with a contract which states they have confirmed employment for two years, with an option to extend for a third year if performance warrants.

6.19 The MoD explained that it was difficult to collect data on how many individuals this policy affected as many elect to leave the Service once they become aware they may not have a further posting. The lack of data about this, in relation to both the numbers and the quality of the individuals affected, concerns us.

6.20 We note this employment policy may have consequences for individuals and the teams they lead in terms of productivity, accountability and morale. We would like to receive more evidence from the MoD next year on the impact of this policy.

6.21 Annual increments equated to an average increase of 2.6 per cent in pay for 2019-20. The MoD told us that, as of 1 July 2019, five individuals were at the top of their pay scale. These individuals would, therefore, not be eligible for any further annual pay increments at their current rank.

[111] Annual increments are subject to satisfactory performance and to officers having served in the rank for six months or more. Officers who assume promotion after 31 July are not eligible for incremental progression in the following April.

[112] X-Factor is a pensionable addition to pay which recognises the special conditions of service experienced by members of the Armed Forces compared to civilians over a full career. It is recommended by the AFPRB and in 2019-20 was £10,890.36 at the top of the OF4 pay scale. For senior officers, the payment is tapered. 1-star officers (the rank immediately below the SSRB's remit) receive 50 per cent of the cash value of X-Factor at the top of the OF4 scale (£5,445.12). 2-star and 3-star officers receive an amount equivalent to 25 per cent of X-Factor at the top of the OF4 scale (£2,722.56). 4-star officers and above do not receive X-Factor.

[113] Normal retirement age is 55 for 2-star officers, 57 for 3-star officers and 58 for 4-star officers.

6.22 Since 2010, there has been a minimum 10 per cent increase to base pay on promotion from 1-star to 2-star. In our Report last year, we highlighted the fact that the 10 per cent increase could be eroded if 1-star officers, who fall within the AFPRB's remit, received a higher annual pay award for 2019-20 than the senior officers within our remit group.

6.23 The implementation of the 2.9 per cent pay award for those in the AFPRB's remit and the 2 per cent award for members of the senior military led to the erosion of the automatic 10 per cent increase for some individuals last year. This was addressed instead by use of a Specially Determined Rate of Pay (SDRP). [114]

6.24 Data provided by the MoD showed that only five individuals out of the 24 promoted from 1-star to 2-star between 1 April 2018 and 31 March 2019 were on the top increment of the 1-star pay scale. These individuals would only have received a 9 per cent increase in base pay if they had moved to the first increment of the 2-star pay scale. In order to maintain the 10 per cent increase, the MoD placed these five individuals on an SDRP. We return to this issue in paragraphs 6.87 to 6.89 and 6.101 to 6.102.

Medical Officers and Dental Officers (MODOs)

6.25 There were three 2-star Medical Officers and Dental Officers as at June 2019. This is a decrease of one from the previous year. The MoD informed us that this is because the 3-star Surgeon General post is currently held by a civilian. This is an example of a role that can be carried out by either a member of the senior military or a civilian.

6.26 The 2-star rate of pay is 10 per cent above the base pay at the top of the MODO 1-star scale plus X-Factor. The 3-star MODO rate of pay is 5 per cent above the base pay at the top of the MODO 2-star pay scale plus X-Factor.[115] The associated paybill costs for 2019-20 for these three posts, including employer national insurance and pension contributions, was around £0.86 million.[116]

Pension schemes

6.27 Data provided by the MoD showed, that on 1 July 2019, 50 per cent of the senior military belonged to the 1975 Armed Forces Pension Scheme (AFPS75), 15 per cent to the 2005 scheme (AFPS05), and the remaining 35 per cent to the scheme that was introduced on 1 April 2015 (AFPS15).

Table 6.2: **Number of senior military that belong to each Armed Forces pension scheme at 1 July 2019**

	AFPS75		AFPS05		AFPS15	
Rank	**Number of members**	**%**	**Number of members**	**%**	**Number of members**	**%**
2-star	41	47	7	8	40	45
3-star	17	59	8	28	4	14
4-star	4	50	4	50	0	0
Total members	62	50	19	15	44	35

Source: Ministry of Defence written evidence, unpublished.

[114] A rate of pay set above the increment to which the individuals would normally be entitled.

[115] X-Factor is paid to 2 and 3-star MODOs at 25 per cent of the cash value of the consultant OF3-OF5 pay scale at level 22 which is £17,330. The amount the 2 and 3-star MODOs receive as X-Factor currently is therefore £4,332.60.

[116] These costs are in addition to the costs for the 125 members of the senior military quoted in paragraph 6.16.

Remuneration analysis

6.28 Changes to the annual allowance taper were announced in the March 2020 budget, effective from the 2020-21 tax year. The threshold at which adjusted income[117] is used to calculate the annual allowance was increased by £90,000, from £110,000 to £200,000. The threshold at which the annual allowance begins to be tapered was increased by £90,000, from £150,000 to £240,000. In addition, the minimum annual allowance was decreased by £6,000, from £10,000 to £4,000. This particularly benefits 3-star and 4-star officers, with a smaller benefit for 2-star officers. However, there is a loss for any remit group members with total remuneration above £300,000,[118] who actually see a reduction in the annual allowance.

6.29 We have updated our previous modelling on take-home pay and total net remuneration to 2019-20. We have also analysed the impact of the changes to the annual allowance taper on this remit group for 2020-21 (paragraph 6.34). Full details are given in Appendix B.

6.30 Take-home pay for the 2-star officer pay minimum and the 4-star officer pay minimum over the period 2009-10 to 2019-20 is modelled in figure 6.2. Take-home pay is defined as annual gross pay (base pay plus any allowances) less employee national insurance contributions, income tax, employee pension contributions and any annual allowance tax charge assuming no carry over of unused allowance. This analysis uses the pay band minima because it enables a single point to be tracked over time. This does not reflect the experience of specific individuals, who may have started the period above the minimum but experienced lower pay growth. Full details are given in Appendix B. The analysis only looks at in-year earnings, so does not model the impact of the lifetime allowance. It also assumes annual allowance tax charges are paid in the year, rather than through a pension reduction by using Scheme Pays.[119] All figures are in nominal terms, unless stated otherwise.

6.31 Under this model, an officer on the 2-star pay minimum has seen an increase in nominal take-home pay of 5.2 per cent over the period 2009-10 to 2019-20, through a combination of some basic pay rises and increases to the income tax personal allowance. An officer on the 4-star pay minimum has seen take-home pay fall by 18.5 per cent over the period. This drop has been driven by the pension annual allowance tax charge and the tapered withdrawal of the personal tax allowance for those earning over £100,000. Adjusting for inflation, the 2-star officer has seen a fall in take-home pay of 15.5 per cent over the period, while the 4-star officer has seen a fall of 34.5 per cent.

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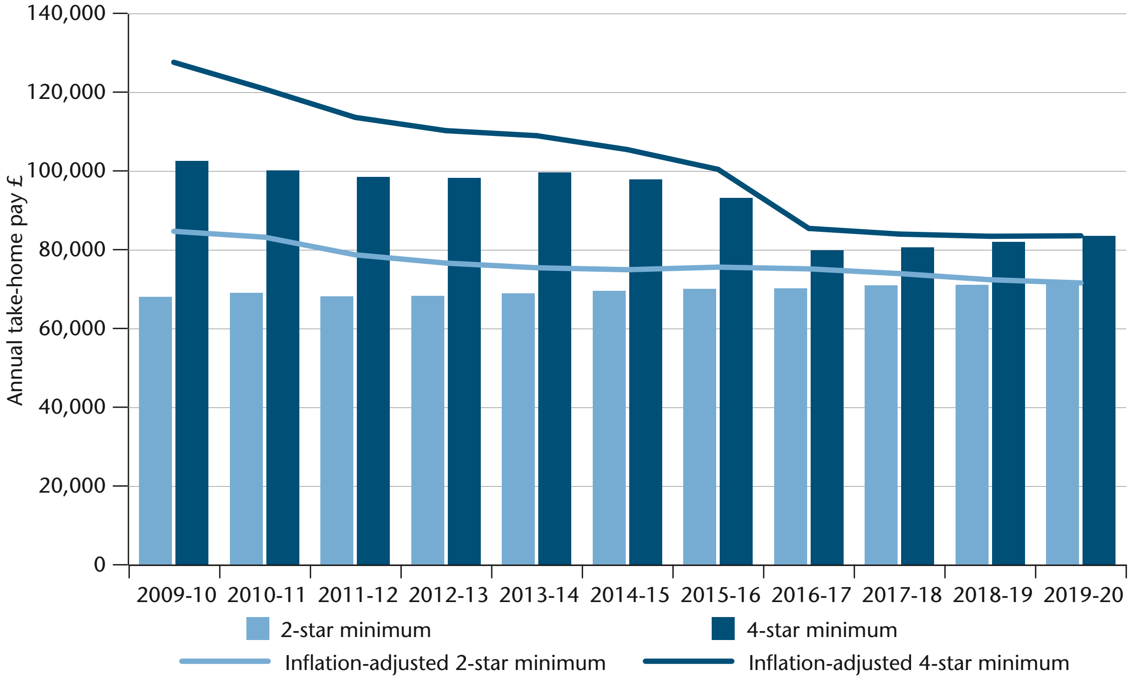
[117] Adjusted income is basic pay after pension contributions, plus the pension benefit.

[118] This only applies to one individual, the Chief of the Defence Staff.

[119] Most allowance charges can be paid through Scheme Pays. This allows individuals to pay for their annual allowance charges by reducing the value of their pension rather than paying using cash. This option is more expensive the further away an individual is from retirement, reflecting the interest associated with deferring payment for many years, and will almost always result in a reduction of total net remuneration in excess of the cost of paying the charges up front. A more detailed definition can be found in box B.1 in Appendix B of this Report.

Figure 6.2: **Take-home pay for the 2-star minimum and the 4-star minimum, 2009-10 to 2019-20**



Source: OME analysis.

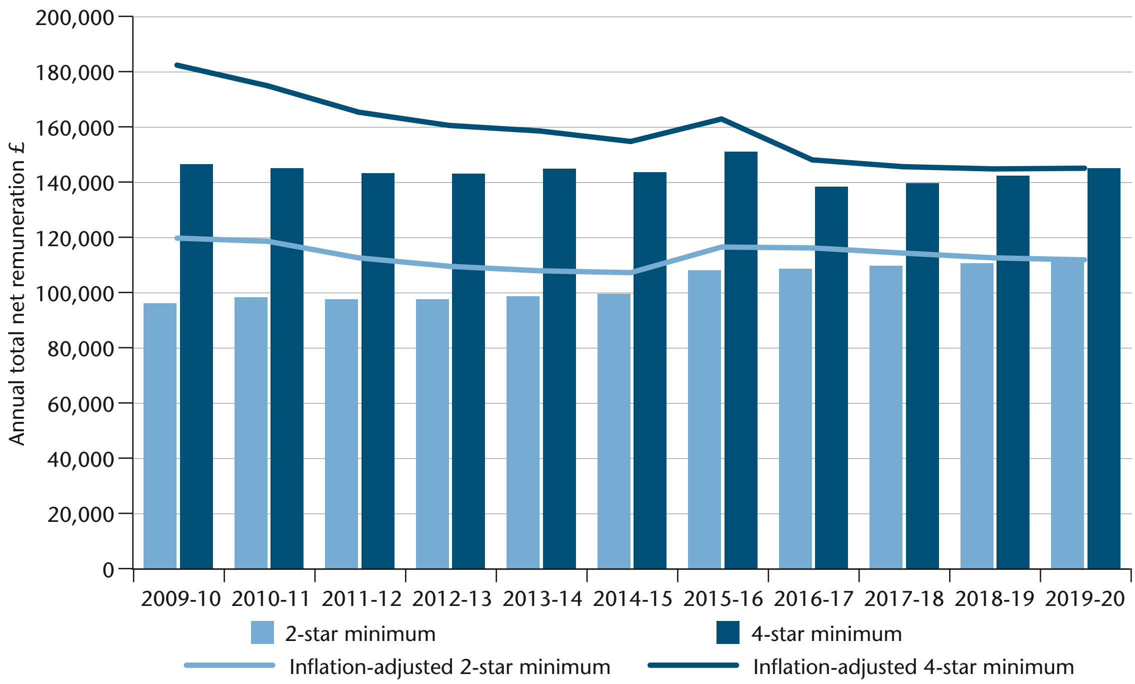
6.32 Over the last year, the 2-star minimum saw an increase in nominal take-home pay of 0.7 per cent, as the pay award was offset by an increased annual allowance tax charge. The 4-star minimum saw an increase in take-home pay of 1.9 per cent last year.

6.33 Total net remuneration is shown in figure 6.3. This is calculated as take-home pay plus the value of the additional amount added to the annual pension during the year.[120] An officer on the 2-star pay minimum has seen a rise in total net remuneration of 16.3 per cent over the period 2009-10 to 2019-20, while an officer on the 4-star minimum has seen a fall in total net remuneration of 1.0 per cent as the annual allowance tax charge has been offset by a higher pension accrual rate. Once adjusted for inflation, total net remuneration at the 2-star and 4-star minima has fallen by 6.6 per cent and 20.5 per cent respectively.[121]

[120] See: Appendix B, paragraph 24 for details on how this is calculated. Total net remuneration is our preferred measure because it takes account of not only taxation and pension contributions but also pension benefits accrued in the year. We believe this is the most comprehensive, and therefore most appropriate, measure.

[121] This in-year analysis does not take into account either the increased pension age or the lifetime allowance, both of which will lower the lifetime value of total remuneration further.

Figure 6.3: **Total net remuneration for the 2-star minimum and the 4-star minimum, 2009-10 to 2019-20**



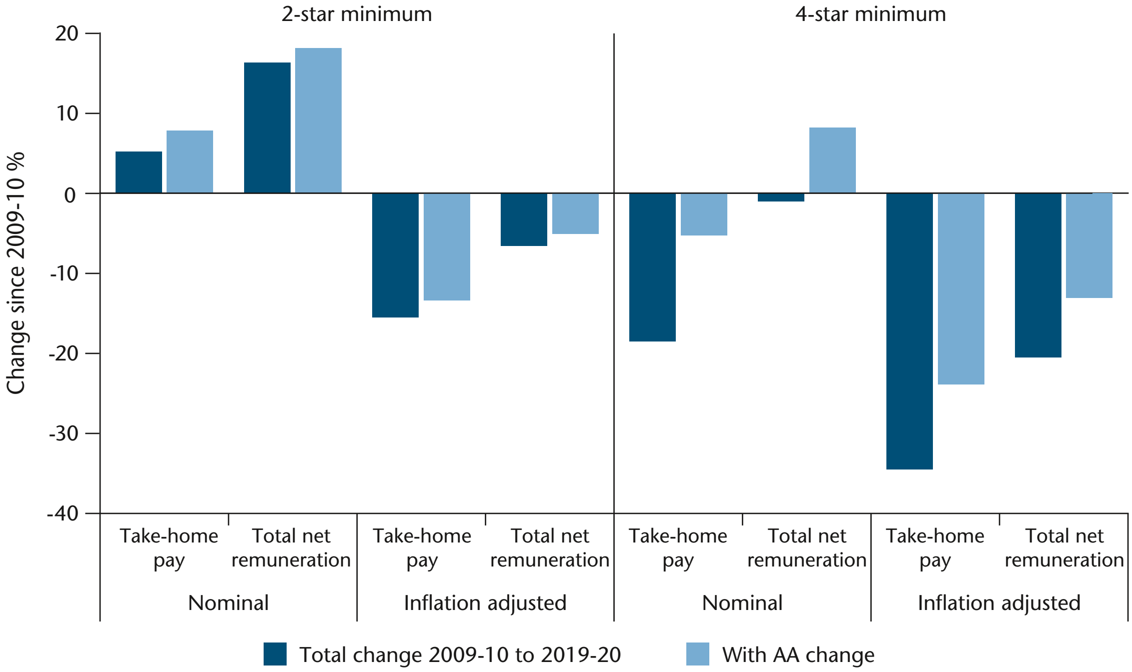
Source: OME analysis.

6.34 As set out in table 6.3, the changes to the annual allowance taper announced in the March 2020 budget will increase the take-home pay (and total net remuneration) for an officer on the 2-star minimum by £1,750 next year (a 2.4 per cent increase in take-home pay and a 1.6 per cent increase in total net remuneration). An officer on the 4-star minimum will receive the maximum benefit of the change to the taper, of £13,500. This equates to an increase in take-home pay of 16.1 per cent, and an increase in total net remuneration of 9.3 per cent. This still leaves take-home pay at the 4-star minimum 23.9 per cent lower in real terms since 2009-10, and total net remuneration 13.1 per cent lower (see figure 6.4).

Table 6.3: **Benefit of March 2020 budget pension taxation changes**

Rank	Basic pay	Tax benefit from changes	Remaining annual allowance charge	Still being tapered?
2-star minimum	£118,431	£1,750	£127	No
3-star minimum	£137,794	£7,543	£2,763	No
4-star minimum	£180,733	£13,500	£9,687	No
Chief of the Defence Staff	£276,318	-£2,700	£40,530	Yes

Figure 6.4: **Change in take-home pay and total net remuneration for 2-star and 4-star minima, 2009-10 to 2019-20**



Source: OME analysis.

Government response to our 2019 recommendations

6.35 Last year, the government did not fully accept all our recommendations for senior military pay. It rejected our headline pay award recommendation of 2.2 per cent, and instead implemented a 2 per cent consolidated award with effect from 1 April 2019 for all members of the senior military.

6.36 The government accepted our recommendation that the minimum 10 per cent increase in base pay on promotion from 1-star to 2-star be maintained. However, while the government may have accepted this recommendation in principle, the fact that a significantly lower pay award was implemented for the senior military than for the rest of the Armed Forces[122] made it impossible to achieve a minimum 10 per cent increase automatically.

6.37 It also accepted the recommendation not to change the current pay differentials for senior MODOs.

Context of our 2020 review

6.38 The MoD stated in evidence that the 2020 pay award should be considered against a challenging financial backdrop and the expectation that Defence would need to make significant savings. The MoD said that it had budgeted 1 per cent for the pay award for the senior military and that funding for an award above this amount would need to come from the individual Service top-level budgets. In oral evidence, the Permanent Secretary emphasised the financial pressures that the department was facing and explained that a pay award recommendation above 1 per cent would have to be funded by making sacrifices elsewhere.

6.39 In evidence, we were told that the many initiatives which are part of the Defence People Strategy will equip military personnel to deliver the government's future plans.

[122] In April 2019, the government implemented a 2 per cent pay award for all members of the senior military and a 2.9 per cent pay award for the rest of the military within the AFPRB's remit.

Key aims include building flexibility and adaptability to address changing needs, and developing scarce specialist skills (for example, cyber) and generalist capabilities. Building a leadership cadre that champions inclusion and investing in the delivery of the 'people agenda' via technology and HR functional skills were also included in the aims.

6.40 The scope of the review work and 'people' initiatives referenced during oral evidence is aimed at supporting the People Transformation Programme within the Defence People Strategy. This work is extensive. Each initiative seemed valuable. However, it is difficult to understand how they link together, how they will contribute to the overall Defence strategy and what is the expected return on investment. Overall, there appears to be much activity but limited evidence of programme timing, desired outcomes and success measures.

6.41 The MoD said that it continued to strive towards a workforce that was representative of the breadth of UK society. It expressed the commitment and full support of senior leadership to meet the aspiration for female personnel to make up 15 per cent of all 1-star officers by 2030. In support of this goal, it was pointed out that all roles in the military were now open to female Service personnel and targets were in place for the representation of women. It was also thought that plans to open up some specialist roles to external entry would help work towards improving diversity and inclusivity. However, there was no evidence given of specific activities that would support achievement of a relatively modest gender target. In addition, no evidence was given to address the lack of BAME representation in the remit group or the decline in representation in the feeder group. We would welcome further consideration of these data and evidence of fresh activity to address this deficit.

6.42 We were told that the MoD continues to centrally monitor, manage and control the total number of 1-star officers and above under its 'Star Count' initiative. This ensures that the requirement for each post is fully justified. At 1 April 2019, the total military strength at 1-star and above was 454, an increase of 3.0 per cent from 2018.[123]

Proposals

6.43 The MoD did not propose a specific figure for the pay award but said it had put aside 1.0 per cent for the senior military this year. It said that any award above 1.0 per cent would need to be funded by the individual Services. The MoD asked us to recommend:

- A pay award that addresses the following issues:
  - the need to recruit and retain suitably qualified, skilled and motivated personnel by providing a suitably competitive remuneration package;
  - the government imperative to achieve affordability within the resources available to the department;
  - the need to consider the figure for this year's AFPRB pay award recommendation to enable the 10 per cent differential in base pay on promotion from 1-star to 2-star to be restored; and
  - the need to consider the effect on take-home pay (after income tax, national insurance and contributions and pension taxation) for this cohort.
- No change to the incremental pay structure.
- No change to the pay structure for MODOs.

[123] The increase was due to Defence Business needs requiring an increase in the number of posts or the extension of some time-limited posts and the inclusion of some staff transitioning out of Service.

6.44 The MoD also asked us to consider the following when making our recommendations:

- That the former pension tax rules continue to impact on the overall remuneration package and that many members of the remit group have used up their annual allowance carry over from previous years. Many only see marginal pay increases on promotion.
- The fact that in 2019, the senior military received an annual pay award of 2.0 per cent, while the rest of the military received an award of 2.9 per cent, has started to erode the 10 per cent increase in base pay on promotion from 1-star to 2-star.
- Despite the X-Factor taper, the AFCAS results showed an increase in satisfaction with the level of X-Factor in both the remit and the feeder groups.
- That the MoD is concerned about the combination of factors affecting the overall military offer which will have a negative impact on morale, both in the remit and feeder groups.

Evidence

6.45 We took written and oral evidence from the MoD. The oral evidence session was attended by the Minister for Defence Procurement, the Chief of the Defence Staff (CDS) and the Permanent Secretary from the MoD. We also met with the Chair of the Forces Pensions Society. In addition, we held discussion groups with six members of the senior military at our offices in Fleetbank House and met with a further 17 members of the remit group and 53 members of the feeder groups in visits to UK Strategic Forces Command[124] and each of the three individual Service Headquarters in the autumn of 2019.

Recruitment

6.46 The senior military comprises only those promoted from within the Services. It develops its own personnel from the feeder group and promotes them to fill the most senior positions within the Armed Forces.

6.47 There are no current recruitment shortfalls in the numbers of senior military. During the 12 months to 30 June 2019, 24 officers were promoted into the remit group and 17 were promoted within it. This was sufficient to replace the 20 officers that retired from the senior military and the four officers that left voluntarily.

6.48 The MoD informed us that the Senior Appointments Committee continued to manage talent across the senior military. The current process looks six to eight years ahead to ensure individuals with the required skills and experience are available at the right time to fill the senior roles in the military. The CDS-led review of talent across all three Services at 1-star and above was also highlighted. In oral evidence, we were told by the MoD that this aimed to make better use of the most talented individuals across the whole of Defence, not just in their parent Service. Changes to the reporting process, to include 180-degree feedback, had also been piloted with a view to implementing these in the spring of 2021.

6.49 We note the growth in the number of roles open to applications from both members of the senior military and civilians. The MoD told us that there were currently five posts that had been subject to such open competitions, three of which were filled by members of the senior military and two of which were filled by members of the senior civil service. We were informed that all posts in Defence Equipment and Services (DE&S) were also subject to open competition but that there was a limit on how many of these roles members of the senior military could fill.[125] For roles subject to open competition, Service personnel

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[124] Formerly Joint Forces Command.

[125] The limit is seven 2-stars and three 3-stars (one from each Service).

had to declare at the application stage whether, if successful in the competition, they wished to take up the post as a member of the senior military or as a civilian. If they wanted to take up the post as a civilian, they would need to obtain permission to leave the Services early. There was no further evidence given to explain how remuneration policy and career development are managed between these two groups.

Retention

6.50 Voluntary outflow rates, excluding normal retirements, for the senior military for the 12 months to 30 June 2019, was 5 per cent. Four 2-star officers voluntarily left the Armed Forces during this period, the same number as for the previous two years. Table 6.4 shows the number and rate of voluntary exits over the last six years.

Table 6.4: **Officers in the senior military remit group leaving the Services voluntarily, 2013-14 to 2018-19**

Rank	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19
2-star	6 (6%)	5 (5%)	5 (6%)	4 (4%)	4 (5%)	4 (5%)
3-star	0 (0%)	0 (0%)	0 (0%)	0 (0%)	0 (0%)	0 (0%)
4-star	0 (0%)	0 (0%)	0 (0%)	0 (0%)	0 (0%)	0 (0%)

Source: Ministry of Defence written evidence, unpublished.

Notes: This covers the period from 1 July to 30 June each year. The table shows early departures and not those leaving at normal retirement age.[126]

6.51 We were provided with data from the Joint Personnel Administration system on the reasons given for voluntary early exit by the 2-star officers. However, as we have stated in our previous two Reports, and acknowledged by the MoD, this information is not considered to be particularly reliable. This is because some of the current response categories can be open to multiple interpretations.

6.52 In our last three Reports, we have requested better information about the reasons why members of the remit group decide to leave the Armed Forces early and what roles they take up after leaving. We have previously been told by the MoD that individuals are often reluctant to disclose this information at exit interviews and that therefore reliable evidence on this point cannot be obtained. Last year, in oral evidence, the MoD said that there were plans for occupational psychologists to analyse the results from exit interviews. However, no further information was provided on this in the MoD's evidence this year. It would be helpful to find a way to attain this data before the next review. We suggest that independent exit interviews could be a good way for the MoD to obtain reliable feedback from those leaving the senior military.

6.53 The MoD reported again this year that permission had been obtained from HM Revenue and Customs (HMRC) to supply anonymised post-Service earnings. It is hoped that, in the short term, this will provide information on remuneration packages that have either attracted talented personnel to leave the Services or that they plan to use to supplement their pensions or Early Departure Payments.[127] It would be useful to have evidence next year on the progress of this analysis.

[126] Normal retirement age is 55 for 2-star officers, 57 for 3-star officers and 58 for 4-star officers.

[127] The Early Departure Payment is a tax-free lump sum paid by the employer to Service personnel who leave before the AFPS05 and AFPS15 pension payments commence. It aims to do the following: incentivise personnel to serve until at least the mid-career point (age 40 and to have served for at least 18/20 years); compensate for the fact that a full career to age 60 is not available to most personnel; and enable personnel to resettle and start a second career later in life.

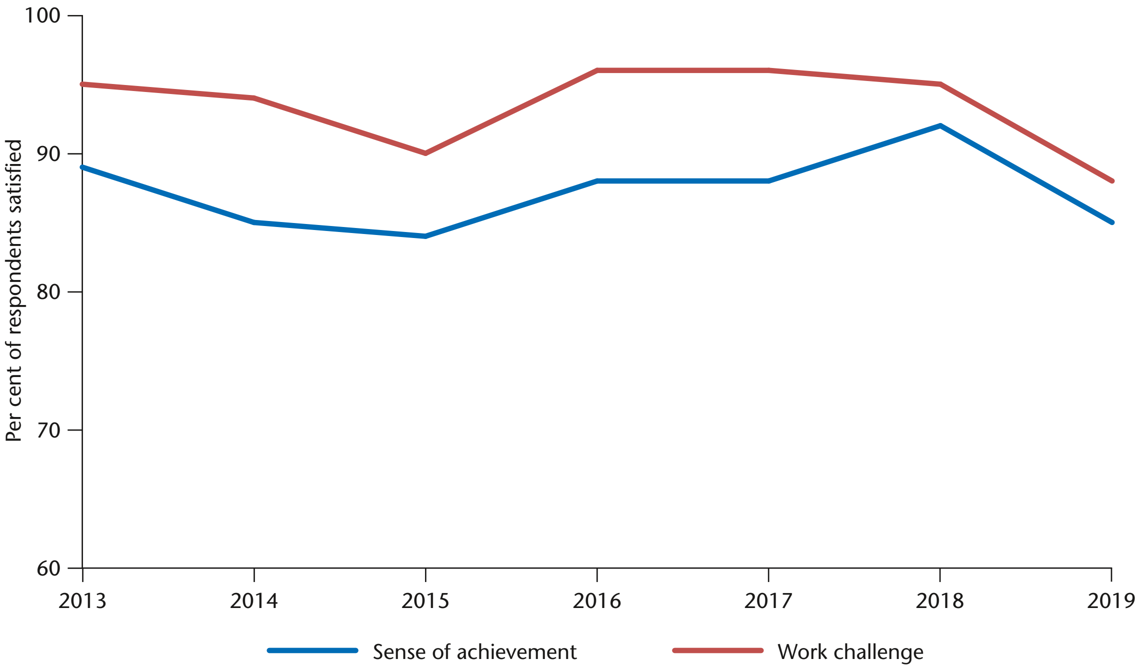
Morale and motivation

6.54 The MoD provided the results from the 2019 Armed Forces Continuous Attitude Survey (AFCAS)[128] in its evidence. The results showed that the percentage of senior officers rating their own morale as high this year was 70 per cent and remained broadly unchanged from the previous year. However, the MoD highlighted the fact that the number rating their own morale as low, as opposed to neutral, had increased by 5 percentage points, to 10 per cent in 2019. While this is an increase, we note that levels of morale in the senior military remain high overall.

6.55 The proportion of senior military who were satisfied with their pension benefits decreased over the year from 75 per cent to 65 per cent. There was also a large decrease, from 48 per cent to 20 per cent, in the proportion of senior officers that thought their families benefited from being a Service family.

6.56 However, the survey results showed increases in satisfaction with basic pay, from 42 per cent to 50 per cent, and in those judging X-Factor as sufficient compensation for Service lifestyle, working conditions and expectations, from 48 per cent to 50 per cent. Responses also suggested that satisfaction with the sense of achievement that members of the senior military get from their work and with the challenge of their jobs, although having dropped slightly compared to the previous year, remains high (see figure 6.5).

Figure 6.5: **Satisfaction with sense of achievement and challenge in job, 2013 to 2019**



Source: Ministry of Defence written evidence, unpublished.

Note: Questions from the AFCAS: How satisfied are you with the sense of achievement you get from your work? How satisfied are you with the challenge in your job?

6.57 We note that the AFCAS survey results are liable to considerable fluctuations year on year as the remit group is small. Of the 103 members of the senior military asked to complete the survey, the response rate was 58 per cent.[129] In oral evidence, the MoD acknowledged that the AFCAS may not be the best lead indicator and that it was being

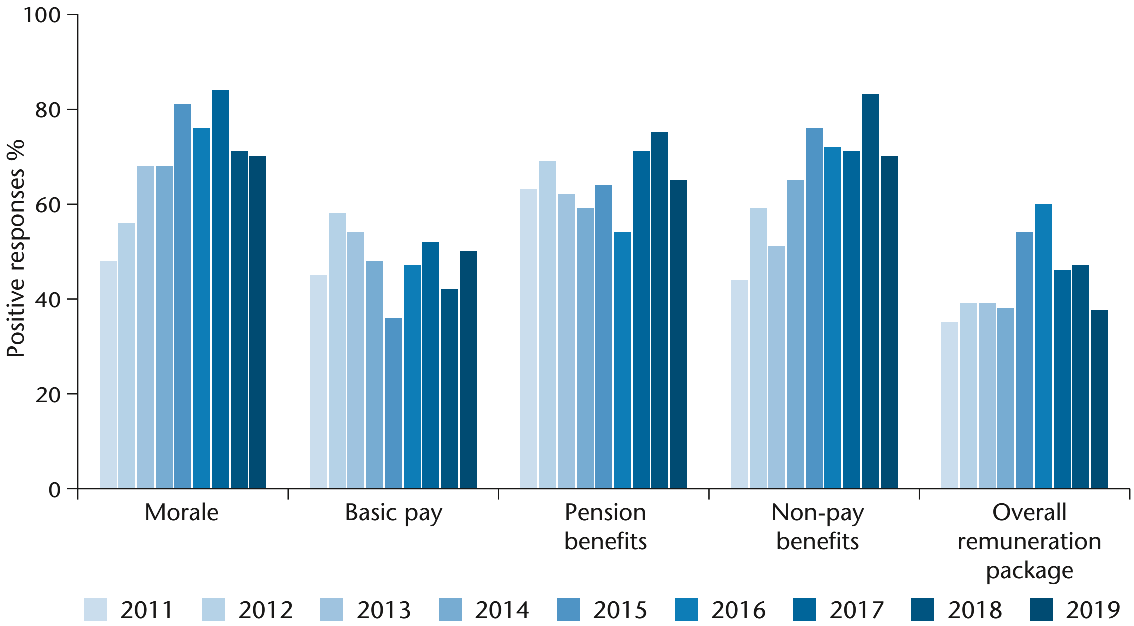
[128] The 2019 AFCAS was carried out between September 2018 and February 2019. It therefore does not reflect views on the 2019 pay award which was announced in July 2019.

[129] The MoD informed us that 60 responses were received from the 103 members of the senior military who were asked to complete the 2019 AFCAS.

evaluated as part of the People Transformation Programme. As in previous years, we therefore treat the results with a degree of caution.

6.58 The SSRB's secretariat ran an online survey that was sent to all members of the senior military again this year.[130] The survey contained questions that complemented those in the AFCAS survey. This survey had a response rate of 32 per cent (40 responses in total). With this low response rate, we treat these findings too with a degree of caution. As set out in figure 6.6, the results showed that 38 per cent of respondents were either satisfied or very satisfied with the overall remuneration package. This was a fall from 47 per cent the previous year. However, a large majority of respondents, 84 per cent said they were either motivated or highly motivated to do a good job.

Figure 6.6: **Changes in morale and satisfaction with pay, pension, non-pay benefits and overall remuneration for officers at 2-star and above, 2011 to 2019**



Sources: Ministry of Defence written evidence, unpublished (How would you rate your level of morale? How satisfied are you with your basic pay? How satisfied are you with your pension benefits?) and OME (How satisfied are you with your non-pay benefits? How satisfied are you with your overall remuneration package?).

Notes: For the questions about the overall remuneration package, basic pay, pension benefits and non-pay benefits, the figure shows the percentage of respondents answering satisfied or very satisfied. For the question about morale, the figure shows the percentage of respondents answering high or very high.

6.59 The issues raised in discussion groups we held with members of the senior military suggested a number of issues were affecting the morale of the remit group. Most of the issues were similar to those raised with us in previous years. It should be noted that the discussion groups were held in the autumn of 2019, before the changes to the pension taxation rules were announced in the March 2020 budget.

6.60 Pension taxation continued to be the greatest concern, with many receiving large annual allowance tax charges and small increases in take-home pay on promotion, both when moving into and within the remit group. Many members of the senior military perceived their salaries as falling behind their equivalents in the civilian sector, who they considered often had less accountability and responsibility and nearly always a better work-life balance. An emerging issue was the increasing number of senior roles that were open to both members of the senior military and senior civil servants/other civilians. Members of the remit group said if a senior military candidate was successful in the competition

[130] The OME survey ran from September 2019 to October 2019.

and wished to remain in the military, they often had to accept the role on a lower base salary with no access to bonuses, and on what were perceived to be worse terms and conditions compared to civilians. While they acknowledged that it was an honour and a privilege to serve as a member of the senior military at the highest ranks, this situation did not make them feel valued by their employer.

6.61 We were told about a number of issues which had a negative impact on remit group members' productivity. Some felt that the employment package was no longer sufficient to compensate for the relentless heavy workloads, being expected to be on call 24/7, and the significant separation from families. The erosion of various allowances and restrictions on job-enabling modes of transport over the last 10 years had reduced the ability for members of the senior military to work while travelling on official business. This added to pressures in managing their workloads and had on occasions affected their health and wellbeing.

6.62 Remit group members said there was an over-reliance on the good will and loyalty of the senior military. They were also concerned that the next generation coming through the ranks might not weigh up their options in the same way as the current cohort. Some thought the policy of only one guaranteed posting at 1-star and above encouraged those to leave the Services at an earlier stage in their careers rather than seek promotion. We were told that this policy could also lead those promoted to 2-star to start looking for their next role, often outside the Armed Forces, when they had only been in post for 12 months.

6.63 The Continuity of Education Allowance (CEA) was viewed as a positive element to the package which assisted the retention of many senior officers.

The feeder group

6.64 The immediate feeder group for the senior military is the OF6, 1-star rank. This group is especially important in an internally sourced organisation such as the Armed Forces where there is no external entry into the senior military. As we have stated in previous Reports, it is therefore essential to monitor this group closely and to ensure there is active talent management, so the highest quality individuals are retained and can progress into the senior military.

6.65 The two groups below the immediate feeder group are the OF4 and OF5 ranks. On 1 July 2019, there were 4,534 officers in these groups.[131] Of these, 8.1 per cent (367 individuals) were female officers, a fall from 9.0 per cent[132] the previous year. A total of 3.6 per cent (162 individuals) were from BAME backgrounds, a fall from 3.9 per cent[133] the previous year. No officers in these ranks declared themselves as having a disability.

6.66 Data provided by the MoD this year showed that the voluntary outflow rate at the OF6 rank had decreased slightly to 22 individuals (7.3 per cent) in the 12 months to 30 June 2019, from 27 individuals (8.6 per cent) in the 12 months to 30 June 2018, and from 30 individuals (11 per cent) in the 12 months to 30 June 2017.

6.67 The voluntary outflow rate for the OF5s remained constant, with 57 (6.0 per cent) leaving the Services in the 12 months to 30 June 2019, compared to 56 OF5s (5.4 per cent) leaving in the 12 months to 30 June 2018. There was a slight increase in the voluntary outflow rate for OF4s, from 174 individuals (4.7 per cent) leaving the Services in the 12 months to June 2018, to 180 individuals (5.5 per cent) leaving in the 12 months to June 2019.

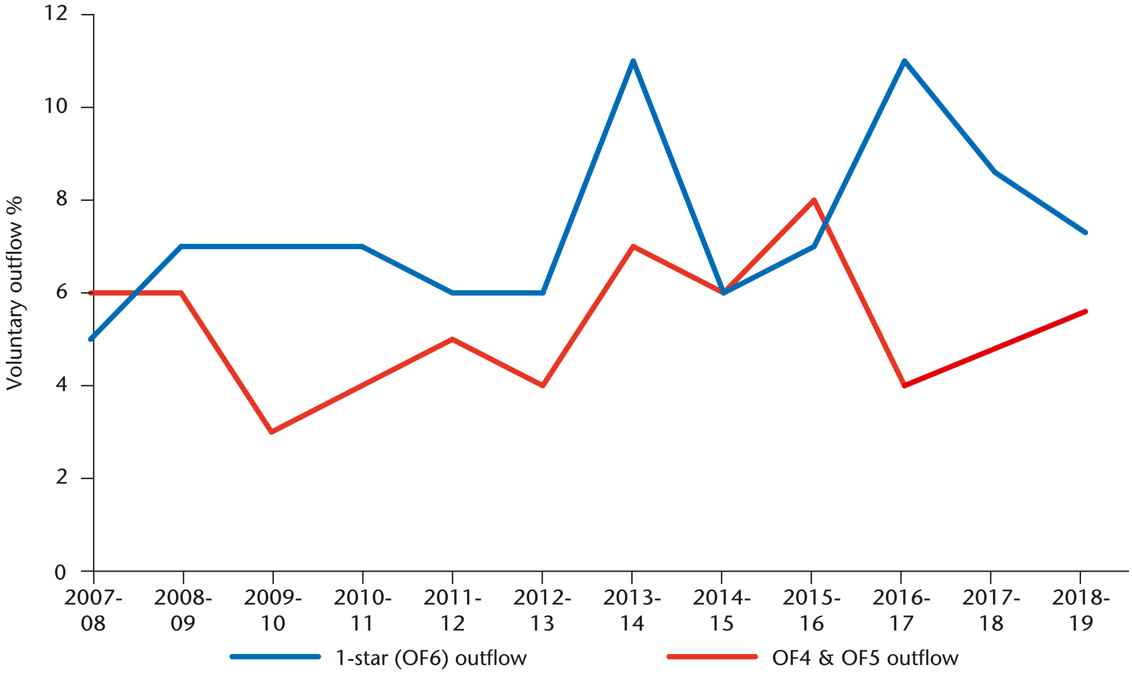
[131] This was made up of 300 OF6s, 943 OF5s and 3,291 OF4s.

[132] 460 female officers out of 5,098 personnel as at 1 July 2018.

[133] 199 BAME officers out of 5,098 personnel as at 1 July 2018.

6.68 Figure 6.7 shows the percentage of officers from OF4 to OF6 leaving the Armed Forces voluntarily over the last 10 years. Data provided by the MoD showed that the most frequently cited reasons for leaving for the OF6s in the 12 months to 30 June 2019 were 'seeking fresh challenges' and 'taking advantage of opportunities outside'. The reasons given had not changed significantly compared to those given for the previous 12 months.

Figure 6.7: **Percentage of officers in the feeder groups (OF4 to OF6) leaving the Armed Forces voluntarily, 2008-09 to 2018-19**



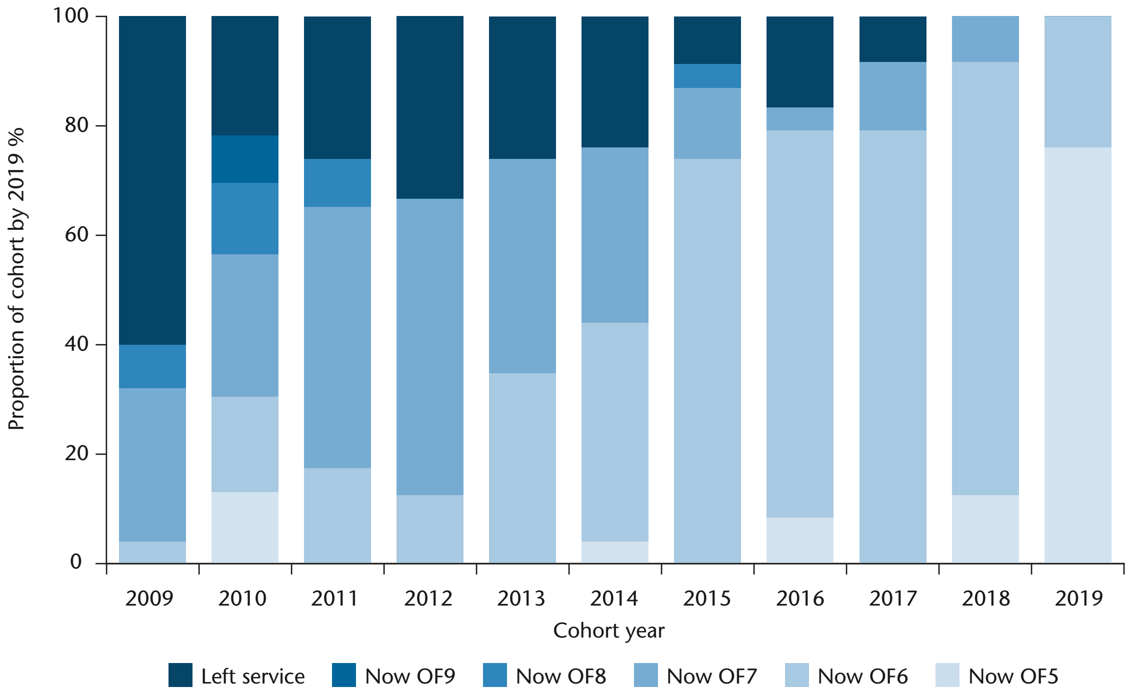
Source: Ministry of Defence written evidence, unpublished.

6.69 The MoD acknowledged the importance of monitoring the OF5 and OF6 feeder groups in order to detect any negative developments in retention, motivation and quality. We were told that the Services continue to identify high potential individuals within the feeder groups, to track their careers over time and to monitor how many are no longer serving. As evidence, the MoD provided us with promotion and retention data from all three Services on the top scorers from their promotion boards (the most talented group) and on those that attended the Higher Command and Staff Course (HCSC)[134] from 2009 to 2019.

6.70 Figure 6.8 shows the percentage of HCSC cohorts from each year in the last 11 years that are now in the senior military, and the percentage that have now left the Service. As we would expect, the number that have left the military and the number that have been promoted to the senior military steadily increase as we look further back in time. This is presumably because more members of the senior military have either left voluntarily or retired and more HCSC graduates have had the opportunity for promotion. It appears to take at least two years for HCSC graduates to become members of the senior military. However, the HCSC appears to be a strong feeder pool, with low attrition rates and a high probability of eventual promotion to the remit group.

[134]The HCSC is a combined, joint and inter-agency defence and security course delivered at post-graduate level. The course represents the pinnacle of staff training delivered by UK Defence and is aimed at preparing selected officers (OF5s and OF6s) for higher command and staff appointments.

Figure 6.8: **Progression of graduates from the HCSC, 2009 to 2019**



Source: Ministry of Defence written evidence, unpublished.

6.71 While we appreciate the MoD's provision of data on the most talented group and on graduates from the HCSC, we believe its value could be improved. The secretariat will work with the MoD over the next year to see if these data can be provided in a more useful format to allow more detailed analysis. In particular, it would be easier to identify retention issues if those that have left the Service due to retirement could be distinguished from those that have left for other reasons. Furthermore, comparison of retention patterns across time would be simpler if it was known how many from the past most-talented pools had left after a fixed period, rather than measuring all past cohorts at the present date. For example, it is desirable to compare how many HCSC graduates from 2010 had left by 2015, with the number of 2015 graduates that had left by 2020, giving a consistent period of comparison, rather than tracking retention of both cohorts as of 2020.

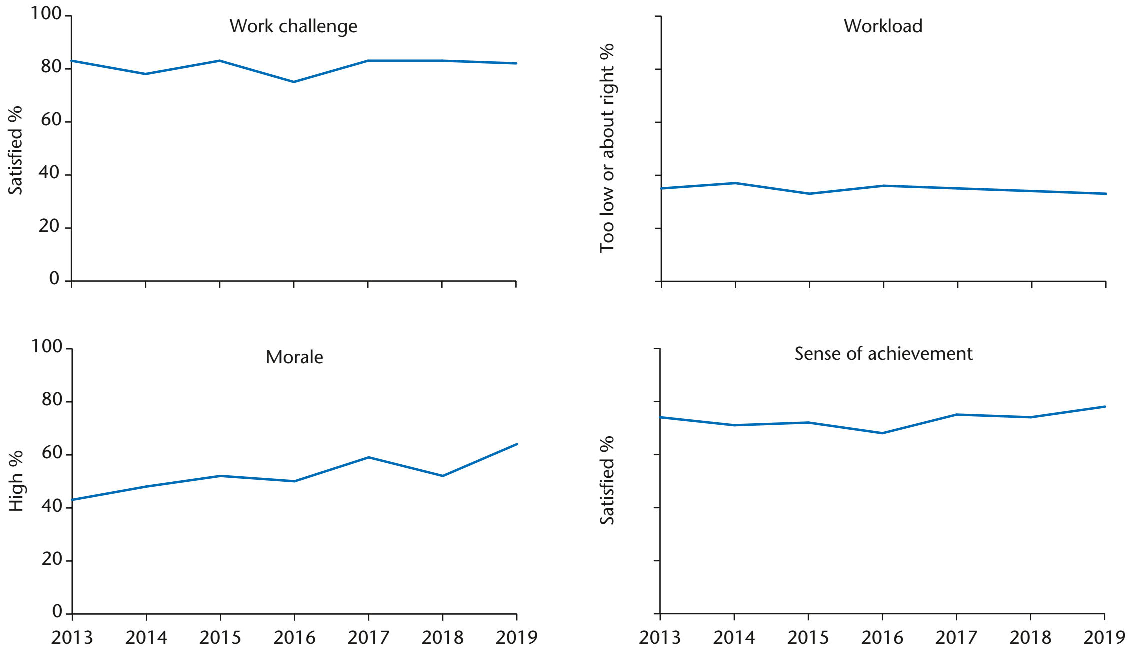
6.72 We were informed that the MoD had started work on developing the longitudinal study that we mentioned in our 2019 Report. The study aims to track senior OF5s through 10 years of service to provide an improved evidence base on the motivations of this group. We would like the MoD to keep us informed of progress on this study over the next year.

6.73 The MoD provided us with responses to the 2019 AFCAS survey from OF5s and OF6s. These showed more positive findings on some measures compared to the previous year. In particular, there were increases in the proportions satisfied with the basic rate of pay (from 51 to 58 per cent), believing that X-Factor was sufficient compensation for Service lifestyle, working conditions and expectations (from 46 to 57 per cent), and in those rating their morale as high (from 52 to 64 per cent).

6.74 There were, however, some negative findings, with decreases in the proportions satisfied with the amount of time spent away from family and friends (from 50 to 45 per cent), and in those satisfied with the fairness of the promotion system (from 68 to 59 per cent). The proportion that thought their family benefited from being a Service family remained very low at 24 per cent, compared to 28 per cent the previous year.

6.75 Figure 6.9 shows the trends in morale, workload and satisfaction with achievement and challenge in the job for the OF5s and OF6s from 2013 to 2019. Absolute levels of satisfaction are slightly lower for this group than for those in the senior military but they remain stable.

Figure 6.9: **Satisfaction with challenge in job, sense of achievement, morale and workload among the OF5 and OF6 ranks, 2013 to 2019**



Source: Ministry of Defence written evidence, unpublished.

Note: Questions from the AFCAS: How satisfied are you with the challenge in your job? How would you rate your level of morale? How would you rate your workload over the last 12 months? How satisfied are you with the sense of achievement you get from your work?

6.76 We were told that 26 per cent of OF5s and OF6s were asked to complete the AFCAS. Response rates were 69 per cent and 74 per cent respectively. With the low number of responses, we recognise that the results for this group need to be treated with a degree of caution.

6.77 The MoD provided us with the results from its annual Continuous Working Patterns (CWP) survey for the OF5s and OF6s again this year. The results for 2018-19 indicated reductions in the average number of hours worked, the average number of hours spent on duty, the average number of unsociable hours worked and the average number of hours on call each week compared to 2017-18. However, the number of respondents was too low (64 individuals) for the results to be considered reliable. Moreover, the results do not fit with what we were told about the increase in working hours during discussion groups.

6.78 Many of the issues brought up by the feeder groups were similar to those mentioned by members of the senior military. The points raised were as follows:[135]

[135] It should be noted that the discussion groups were held in the autumn of 2019, before the changes to the pension taxation rules were announced in the March 2020 budget.

- The increase in take-home pay on promotion from 1-star to 2-star was not considered commensurate with the increased responsibility, accountability and working hours. There was also the likelihood of receiving a large pension tax bill on promotion which could act as a disincentive for individuals to want to join the senior military.
- The annual allowance taper (in place at the time) was adversely affecting individuals in the feeder groups and also further down the ranks at OF4 and even OF3 levels.
- Pay was felt to be competitive on joining the Armed Forces, but as individuals gained experience it soon fell below salaries earned by civilian counterparts, particularly in specialist roles. Experienced individuals in these roles felt they could earn higher salaries and have a better work-life balance working in organisations outside the military.
- There was an over-reliance on the loyalty and the goodwill of members of the military who were proud to serve their country. However, it was thought that the next generation might be more transactional and pay would be a more important element of the package for these individuals. It was felt they were also likely to be more concerned about work-life balance and the effect of Service life on their families.
- The fact that those in the Army could only work until 55 was causing many, particularly at Major rank, to consider leaving around the age of 40 to start a second career. Extending the working age to 60 could aid retention in all three Services.
- The value of the Continuity of Education Allowance (CEA) should not be underestimated as a retention tool.

Pension evidence

6.79 We emphasise that the MoD submitted its written evidence before the government announced the changes to the annual allowance taper in the March 2020 budget.

6.80 In its evidence, the MoD acknowledged that pensions continue to be a valued element of the employment offer. However, it said that pension taxation issues were increasingly affecting not only those in the remit and feeder groups but those lower down the ranks, with mid-seniority non-specialist OF4s now breaching their annual allowance. This was because many individuals had now used up their annual allowance carry forward from previous years. There is concern that this will adversely affect decisions to take promotion and retention in the remit group, the feeder group and lower down the ranks. The MoD reported that the Secretary of State for Defence was aware of these issues and that concerns had been raised with HM Treasury.

6.81 We were told that the Armed Forces Remuneration team and each of the Services had launched a communications initiative aimed at highlighting the value of the Armed Forces Pension Scheme (AFPS) and addressing misconceptions about it. The message was that the AFPS remains an excellent scheme, despite the pension taxation issues, and that all scheme members continue to accrue pension value. The MoD informed us that support had also been provided to Service personnel who were in receipt of annual allowance threshold breach letters.

6.82 This year, the MoD provided additional evidence about pensions. These data showed that the number of Service personnel[136] who had breached their annual allowance limit had increased from 185 in the tax year 2012-13 to 2,401 in the tax year 2018-19. We know from written evidence received last year that 112 members of the senior military breached their pension annual allowance in 2017-18.

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[136] This includes members of the senior military, MODOs and those from other ranks in the Armed Forces.

6.83 Data in last year's Report show that the number of members of the senior military incurring a pension taxation charge through breaches of the annual allowance increased from 16 individuals in 2015-16 to 62 individuals in 2016-17. The MoD said that from 2017-18, it was only aware of those who elected to pay the charge via Scheme Pays. It does not know how many individuals may have decided to pay the charge themselves directly to HMRC. The MoD informed us that for the tax year 2017-18, 57 opted to pay their annual allowance tax charge using Scheme Pays. For the tax year 2018-19, 48 individuals had requested to pay their annual allowance charge via Scheme Pays and a further 31 individuals had until 31 July to decide whether they wanted to settle their charge in this way. Results from our OME survey found that 25 out of the 29 who had breached the annual allowance for the tax year 2018-19, intended to use Scheme Pays to pay the tax charge.

6.84 In the OME survey, almost all of those who responded, 36 out of 37, said they thought they were likely to breach the pensions tax lifetime allowance during their military career.

6.85 The Chair of the Forces Pensions Society stated that the increase in the annual allowance taper introduced by the government in the March 2020 budget should alleviate the issue for 2-star and 3-star officers who should no longer receive large annual allowance tax charges. The breach of the lifetime allowance would still affect almost all of the remit group. In his opinion, however, this was not such an issue for his members as this was a charge they incurred at the end of their careers on retirement.

6.86 The CDS reiterated in oral evidence that the pension was a vital component of the military offer. He said that he was confident that the changes to the annual allowance taper introduced in the March 2020 budget would resolve many of the pension taxation issues faced by Service personnel over the last few years. However, although the tax changes were welcome, the CDS said he would also welcome more flexibility around the AFPS. He hoped this would be looked at by the MoD as part of the People Transformation Programme.

Restoration of the minimum 10 per cent increase to base pay on promotion from 1-star to 2-star

6.87 As in previous years, the MoD requested that the minimum guaranteed increase to base pay (i.e., excluding X-Factor) on promotion from 1-star to 2-star should not fall below 10 per cent. It notes that the difference in the 2019-20 pay award for the senior military (2.0 per cent) and that implemented for the rest of the military (2.9 per cent) has affected the automatic maintenance of the minimum 10 per cent increase to base pay for some individuals.

6.88 In our 2019 Report, we emphasised the risk of a reduction in the automatic 10 per cent increase in the event of differential pay awards for our remit group and the AFPRB's remit group. The MoD says that it has used a Specially Determined Rate of Pay (SDRP)[137] to maintain the minimum 10 per cent increase for the five individuals[138] that were promoted from the top increment of the OF6 (1-star) pay scale. If differential pay awards continue between the AFPRB and the SSRB remit groups, it warned that eventually the top of the OF6 pay scale will reach the minimum of the OF7 (2-star) pay scale. However, the MoD did not suggest any concrete proposals on how to restore the 10 per cent differential and negate the need for the SDRP for these individuals.

6.89 In oral evidence, the CDS explained that there was a big increase in responsibility, accountability and overall expectations on promotion from 1-star to 2-star and that these

[137] A rate of pay set above the increment to which the individual would normally be entitled.

[138] Five out of the 24 individuals promoted from 1-star to 2-star between 1 April 2018 and 31 March 2019 were on the top of the 1-star pay scale.

differences justify a 10 per cent differential in base pay. The MoD Permanent Secretary also stated that it was important for there to be a significant pay differential between these two ranks. We comment on this further in paragraphs 6.101 and 6.102.

X-Factor taper

6.90 In our 2019 Report, we said that we would work with the AFPRB during this round to gather evidence and consider whether changes to the X-Factor taper arrangement for senior officers,[139] within both the AFPRB's and the SSRB's remit groups were required. We had raised this issue because of concerns that members of the senior military were increasingly being sent on deployments for longer periods of time and that workloads were increasing.

6.91 The MoD provided evidence on the X-Factor taper, making the following points:

- The AFPRB carried out its five-yearly review of the X-Factor in 2018 and stated in its report, "While we do not believe that we have seen evidence this year to justify any immediate amendment to the tapering arrangements, we consider that this issue merits ongoing consideration and will seek to explore it further with relevant parties in our forthcoming visits programme. Any work will need to be co-ordinated with the SSRB whose remit includes the most senior members of the military".
- Some components of the X-Factor[140] apply more to the lower ranks than senior officers. Other components apply equally and others, such as hours of work, apply more to senior officers. The MoD says that without knowing what weighting the AFPRB gave to the components during the review it is impossible to say if the existing arrangements are still sound or not.
- Results from the 2019 AFCAS showed an increase in satisfaction that X-Factor was sufficient compensation for Service lifestyle, working conditions and expectations, in both the remit group and the feeder group. The MoD said that the largest increase in satisfaction was among the most senior officers who receive the lowest amount of X-Factor. However, we note that this is not strictly the case. There was an increase in satisfaction with X-Factor for members of the senior military of 2 percentage points (48 per cent to 50 per cent) and for OF5s and OF6s of 11 percentage points (46 per cent to 57 per cent).

6.92 The MoD concludes that, without compelling evidence to the contrary, it is content to the leave the next review of the X-Factor taper until the next planned five-yearly review of X-Factor in the 2023 pay round.

6.93 In oral evidence, the CDS confirmed that the SSRB was right to raise the issue of the X-Factor taper for members of the senior military but that there was not sufficient evidence at the current time to make any changes to the taper.

Retention of annual increments

6.94 Following a request in our 2018 Report, the MoD provided full justification for the retention of annual increments last year. It maintains in its evidence this year, that the incremental pay structure is justified as accumulated experience is required for subsequent roles at the same rank. It also explains that increments act as an incentive

[139] X-Factor is a pensionable addition to pay which recognises the special conditions of service experienced by members of the Armed Forces compared to civilians over a full career. 2-star and 3-star officers receive an amount equivalent to 25 per cent of the cash value of X-Factor at the top of the OF4 scale (£2,722.56).

[140] The 13 components of the X-Factor are as follows: turbulence; spousal/partner employment; danger; separation; job security; hours of work; stress, personal relationship and impact of the job; leave; training, education, adventure training and personal development; promotion and early responsibility; autonomy, management control and flexibility; individual, trade union and collective rights; and travel to work.

and aid retention of a workforce such as the Armed Forces which promotes from within based on experience, performance and potential. We comment on this further in paragraph 6.103.

Conclusions and Recommendations

6.95 The evidence shows that there are currently no recruitment and retention problems within the senior military. This remit group is able to attract sufficient numbers of personnel from the feeder group and there is no apparent evidence of declining quality. However, we share the MoD's concern that members of the remit group perceive that the rewards from a career in the senior military are being eroded, particularly in comparison to similar roles in the civilian sector. We note that pension taxation has previously been one of the biggest issues of concern for the MoD and members of the senior military and the feeder group. However, changes to the annual allowance taper announced in the March 2020 budget should, in the next tax year, have a positive impact on individuals' decisions to remain in Service and take promotion into, and within, the senior military.

6.96 The MoD did not include a figure for the pay award in its evidence but we were told the department had budgeted 1 per cent for the pay award for the senior military for 2020-21. We are aware that the pay award needs to be considered against a challenging financial backdrop for Defence.

6.97 As we set out in part 1 of the Executive Summary, the government has asked that we continue to base our recommendations on the evidence provided pre-Covid-19. In making our recommendations, we would typically have regard to annual growth in public sector average weekly earnings (3.4 per cent in the three months to February 2020) and the CPI inflation rate (1.5 per cent in March 2020).[141] However, we recognise that these are not normal times and, in Chapter 3 of this Report, we set out the significant challenges and uncertainty in the current economic climate.

6.98 We note the MoD's request that the pay award for the senior military take into consideration the pay award recommended by the AFPRB for the rest of the military. This is particularly in relation to restoring, or not further eroding, the automatic 10 per cent increase in base pay on promotion from 1-star to 2-star. While there are currently no recruitment and retention issues within the senior military, we understand this is not the case for some cadres in the rest of the Armed Forces that fall within the AFPRB's remit. Nonetheless, we recognise the potential detrimental effect on morale and cohesion of members of the senior military consistently receiving lower pay awards than the rest of the Armed Forces and do not wish to risk damaging its public service ethos.

6.99 We have not received any evidence to suggest that there should be a differential pay award between the different ranks of the senior military. The above considerations lead us to recommend an across the board consolidated pay award of 2 per cent for all members of the senior military.

Recommendation 8: We recommend that all members of the senior military, including Medical and Dental Officers (MODOs), should receive a 2 per cent consolidated increase to base pay.

6.100 This recommended award will add an estimated £593,000 to the paybill, including employer costs. The pay scales for a 2 per cent award are set out in table 6.5. below.

[141] Latest data available, published April 2020.

Table 6.5: **Recommended 2-star, 3-star, 4-star and Chief of the Defence Staff pay scales with effect from 1 April 2020**

	Increment level					
	1	**2**	**3**	**4**	**5**	**6**
Rank	**£**	**£**	**£**	**£**	**£**	**£**
2-star	120,800	123,160	125,568	128,024	130,529	133,083
3-star	140,549	147,438	154,671	160,746	165,485	170,367
4-star	184,348	188,956	193,681	198,523	202,493	206,543
CDS	265,588	270,899	276,318	281,844		

Notes: Figures are rounded to the nearest pound. For 2-star and 3-star officers, the values include X-Factor applied at the rate of £2,777. This is equivalent to 25 per cent of the cash value of X-Factor at the top of the OF4 pay scale and is contingent on the government's acceptance of the recommendations of the forty-ninth Report of the AFPRB.

6.101 We are aware that if 1-star officers receive a higher pay award than 2-star officers this could lead to a further erosion of the minimum 10 per cent increase in base pay on promotion. However, we note that not all 1-star officers are promoted from the top increment of the 1-star pay scale.[142] In the event of a differential pay award, the MoD can continue to take discretionary action and apply an SDRP as it did for the five individuals promoted from the top increment of the 1-star pay scale last year. These individuals could be placed on 'marked time' so they do not receive a further pay increase until they are due to move to the next increment on the pay scale.

6.102 However, we recognise that the application of an SDRP is a temporary measure that is not sustainable as a solution in the long term. The MoD may wish to adopt a more strategic approach to maintaining the 10 per cent increase to pay on promotion by implementing one of the proposals suggested in our 2019 Report. These are:

- the application of a further increase to the lowest 2-star officer pay point; or
- the removal of the lowest pay point for 2-star officers.

Recommendation 9: We recommend that the minimum guaranteed increase to base pay (excluding X-Factor) on promotion from 1-star to 2-star does not fall below 10 per cent.

6.103 We acknowledge that the MoD has asked us to recommend that there is no change to the incremental pay structure for the senior military. The MoD included full justification for the existence of annual increments in its evidence last year. We recognise that increments are simple, clear and well-understood and continue to represent the most cost-effective way to ensure talented individuals receive additional reward for experience and are incentivised to remain in the Armed Forces. We note that increments are subject to individuals receiving a satisfactory performance review and to officers having served in the rank for at least six months or more.[143] While we are content to recommend there is no change to the incremental pay structure for the senior military at this time, it will be important to continue to monitor the effectiveness of increments within the overall remuneration strategy.

[142] Paragraph 6.24 notes that data provided by the MoD showed that only five individuals out of the 24 officers promoted from 1-star to 2-star from 1 April 2018 to 31 March 2019 were on the top pay increment before promotion.

[143] Officers who assume promotion after 31 July will not be eligible for incremental progression in the following April.

Recommendation 10: We recommend that there is no change to the incremental pay structure for the senior military.

6.104 We are aware that the AFPRB has made a recommendation to the government about the pay award for its remit group which includes those up to 1-star, including MODOs. We have not seen any evidence to suggest that the current percentage pay differentials between the 1-star, 2-star and 3-star MODOs should change this year. We therefore recommend that all 2-star and 3-star MODOs receive a pay award that maintains these differentials and is in line with the pay recommendation for the rest of the senior military.

Recommendation 11: We recommend no change to the current pay arrangements for MODOs:

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

Looking ahead

6.105 In oral evidence, we were told that many reviews were taking place under the People Transformation Programme which we understand builds on the Defence People Strategy. While each of the initiatives seemed valuable, it was difficult to understand how they linked together and how they will contribute to the overall Defence strategy. There was little information about when these reviews would take place, the expected outcomes and the measures of success. It would be helpful to find out how consideration of the future remuneration strategy for members of the senior military fits into these reviews and to receive information on any likely timings for implementation. **We request that the MoD keeps us informed of any developments in relation to the reviews carried out under the People Transformation Programme that will affect members of the remit group and the feeder group.**

6.106 In our last three Reports, we have modelled the effect of pension taxation on the senior military and have stressed the importance of monitoring the impact of this on decisions to take promotions and remain in the Armed Forces for both members of the remit group and the feeder group. We are pleased to note that the changes to the annual allowance taper announced in the March 2020 budget should now remove the large annual allowance pension taxation charges for the vast majority of these individuals. However, we note that nearly all members of the senior military will still incur breaches of the lifetime allowance. **We would therefore ask that the MoD continues to provide data on the effect of pension taxation charges on our remit group and the feeder group for future pay rounds.**

6.107 The need for better data on the quality of those leaving and remaining in the Armed Forces in our remit group and feeder group is our single most important priority. We have highlighted this in our last three Reports. It is also important to understand the factors affecting the decisions to leave and to have information on what roles these individuals go to after leaving the military. We welcome the steps the MoD has taken in starting work on the longitudinal studies to track members of the feeder group over a 10-year period and on the work with HMRC to obtain information on post-Service earnings. The MoD says it also plans to look at AFCAS as part of the HR review to improve the insights it provides. **We believe it is a priority that the MoD puts in place mechanisms to provide better data on the number, and particularly the quality, of those leaving the remit group and crucially the feeder group. We expect to work more closely with the MoD over the coming year to improve the data in relation to HCSC**

graduates.[144] **We also expect to be updated on the analysis of the HMRC post-Service earnings data and on any developments in relation to tracking careers via the longitudinal studies.**

6.108 Earlier in the chapter, we noted the emergence of some additional roles being advertised as opportunities for civilians as well as for members of the senior military. While this may create additional flexibility in increasing the pool for recruitment, it could lead to retention issues if not managed transparently and fairly, and if different pay rates and terms and conditions are being offered. The MoD needs to have a clear workforce plan which shows how it intends balancing roles between the senior military and the civilian cohort, while developing and retaining specialist skills and talent. **We would like to receive data from the MoD annually on the number of posts this affects and urge consideration of the impact of this on the overall approach to reward strategy.**

6.109 In our 2019 Report, we said that we would work with the MoD and the AFPRB to gather evidence about, and consider whether changes to the X-Factor taper arrangements for senior officers, within both the AFPRB's and the SSRB's remit groups, were required. We remain concerned that some of the X-Factor components appear to be affecting members of the senior military to a greater extent, through the increasing likelihood of longer overseas deployments, heavier workloads and the impact on Service families. However, the MoD told us in written evidence and the CDS confirmed in oral evidence that there was currently no evidence to support a change to the X-Factor taper. **We note the MoD's proposal to leave the formal review of the X-Factor taper until the next scheduled five-yearly review of X-Factor in 2023.**[145] **However, we believe that our continuing concern warrants earlier consideration of this. We will continue to monitor the situation. If it deteriorates, we will return to this issue again next year.**

6.110 We appreciate the feedback received directly from members of the senior military and from members of the feeder groups. The additional discussion groups (under the auspices of the AFPRB) held for the second year running at the individual Service Headquarters in the autumn were particularly useful. These allowed us to hear directly from more members of our remit group and the feeder groups. **We would like to hold these discussion groups annually and will seek the MoD's assistance in arranging these.**

6.111 The Armed Forces is aware that it needs to be broadly representative of the society it exists to defend. We note the leadership's commitment to increasing diversity and the positive action it has taken to open all military roles, including close combat roles, to female Service personnel, as well as the aspiration for 15 per cent of all 1-star posts to be held by female officers by 2030. In our 2019 Report, we noted that, for the first time, a female officer had been promoted to a 3-star post in the RAF. We recognise that in an organisation such as the Armed Forces, where there is no external recruitment, it will take a number of years for increases in diversity in the lower ranks to feed through to the feeder groups and subsequently to the senior military. It is therefore disappointing that the proportion of female and BAME officers at OF4 to OF6 has fallen slightly this year. **We expect the MoD to provide us with data on the specific steps it is taking to broaden the talent pool and improve diversity and inclusivity in the Armed Forces.**

6.112 The strategic priorities on which we would like the MoD to focus are set out in Chapter 2.

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[144] The requirements are set out in paragraph 6.71.

[145] The AFPRB is currently carrying out research to ensure the X-Factor components are fit for purpose for the next X-Factor review in 2023. It expects to report on this research in its 2021 Report.

Chapter 7

The Judiciary (part 1)

Summary

Our remit for the 2020-21 pay round

7.1 This is the first annual review of judicial pay we have conducted since our Major Review of the Judicial Salary Structure was submitted in September 2018.[146] This year, the government asked us to make a recommendation for an annual pay award for all salaried judicial office holders, without regard to pension scheme membership. Because of worsening recruitment problems at the District Bench, the government asked us particularly to consider District Judge recruitment and retention.

7.2 We have also been asked to review the appropriate salary placement of two groups of judges (Upper Tribunal Judges and Senior Masters and Registrars) and to consider the issue of rewarding intermediate leadership. Our response to these requests is set out in part 2 of this chapter.

Context: government response to the Major Review remuneration recommendations

7.3 Since the Major Review, there has been substantial progress. Both the government and the judicial leadership have taken significant steps in response to our observations and recommendations. In particular, we welcome the proposal to address judicial leadership within the judicial pay structure in the current pay round.[147] Nonetheless, some of the measures put in place are temporary fixes.

7.4 In the Major Review, we concluded that there were serious problems in recruitment to High Court and Circuit Judge posts. An important reason was a decline in the total net remuneration on offer to applicants since 2010.[148] Our modelling showed that this had largely been caused by changes in judicial pension arrangements and the way that these interacted with the revised pensions taxation regime.[149] We noted that the Ministry of Justice (MoJ) wished to attract applications from high-quality barristers and solicitors with a wide range of civil, commercial or criminal experience, and that, despite their other motivations (such as a commitment to public service), these groups would not apply unless they believed that the overall financial package on offer was sufficiently attractive.

7.5 While it is beyond our remit to comment on either pension policy or pension taxation, we must take account of them where they affect the recruitment, retention and

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146 Two annual pay awards have been made since the Major Review. In 2018, the government awarded the judiciary a 2 per cent pay award (rather than the 2.5 per cent we had recommended) backdated to April 2018. This was announced alongside its initial response to the Major Review in October 2018. The government was still considering its response to the Major Review when our work for 2019 started and we were not asked to make a recommendation for judicial pay that year. As a result, the government's pay award of 2 per cent in 2019 was made without recourse to SSRB advice.

147 See: paragraph 7.198 for further details.

148 See: Appendix B. Take-home pay is defined as annual gross pay (base pay plus any allowances) less employee national insurance contributions, income tax, employee pension contributions and any annual allowance tax charge. Total net remuneration is calculated as take-home pay plus the value of the additional amount added to the annual pension during the year. It does not take account of issues related to the lifetime allowance for pension contributions.

149 Our analysis showed the change in inflation-adjusted (real) take-home pay and total net remuneration for High Court, Circuit and District Judges under the JUPRA93 and NJPS15 pension schemes between 2009-10 and 2017-18. It found that, across all groups of judges, those who were in the NJPS pension scheme had significantly lower inflation-adjusted take-home pay and total net remuneration in 2017-18 relative to those in the JUPRA93 scheme, though these varied in size for different salary groups.

motivation of public sector workers, as they have done particularly with the judiciary. In the light of the 2015 changes to the judicial pension, our Major Review recommended increases in judicial salaries to the minimum level we judged necessary to attract more applicants of the quality that the government had said that it wanted. We directed the largest pay increases to groups where the pension changes had caused the largest reductions in total remuneration.

7.6 In its full response to our Review in June 2019,[150] the government accepted our analysis. However, it announced that it would address the underlying cause of the recruitment and retention problems that we identified through future changes to the judicial pension scheme, rather than implementing the salary uplifts we recommended (32 per cent for High Court Judges, 22 per cent for Circuit Judges and 8 per cent for District Judges in the New Judicial Pension Scheme (NJPS)).[151] Pending such changes, short-term recruitment and retention allowances (RRAs) were awarded to those NJPS judges in roles where the government considered the problems were most acute.[152] These RRAs were about seven percentage points lower than the pay increases we had recommended. The District Bench, where we had flagged emerging recruitment issues and had recommended an 8 per cent salary uplift, did not receive an RRA.

7.7 As a result of the changes to the annual allowance pension taxation taper in the March 2020 budget, the government has since announced alterations to these RRAs. This is because these pension tax changes go some way to offset the deterioration in total remuneration that senior judges have suffered in recent years. From April 2020, the government withdrew RRAs completely for Circuit Judges and Upper Tribunal Judges, while the RRA for eligible High Court Judges (and those above them in the judicial hierarchy) remains at 25 per cent.[153]

7.8 We can understand the government's approach and, indeed, our modelling on the effect of the March 2020 budget changes supports the changes in the quantum of the RRAs. However, the budget changes do not resolve the long-term issues about how the judiciary, at different levels, is to receive a sufficiently attractive level of total net remuneration to address the serious recruitment problems it faces. For example, the lifetime allowance is likely to be reached for many members of the judiciary either before appointment or during their service on the Bench. This applies especially because many enter the judiciary late in their careers, having already built up pension provision.[154] When the judicial pension scheme was unregistered for tax purposes,[155] the lifetime allowance did not apply to judges and hence the pension was more valuable. This advantage no longer applies, thereby lessening the financial attractiveness of judicial service. Moreover, the March 2020 budget changes and their consequences highlight the fact that the current RRAs create further anomalies in an already complicated system with two such different pension schemes in place. We have already seen the effect on judicial morale and cohesiveness in many of the submissions we received this year. We believe that the RRAs can only be short-term measures and, if retained for too long in their current form, will cause damage, not only to current recruitment but to longer-term aspirations for the judiciary.

150 The government issued an initial response to the Major Review in October 2018.

151 For judges covered by the NJPS, we recommend that the pay of a High Court Judge should rise to £240,000; that of a Circuit Judge and equivalents to £165,000; and that of a District Judge and equivalents to £117,000.

152 RRAs are only awarded to those judges in the NJPS or those eligible to be in it (including judges who had opted out of the pension scheme). Before the March 2020 budget changes, eligible Circuit Judges, Upper Tribunal Judges and other identified roles in group 6.1 received a 15 per cent RRA. This has now been removed. Eligible High Court Judges and above continue to receive a 25 per cent RRA.

153 See: paragraph 7.49 for further details.

154 The Judicial Diversity Statistics show that 42 per cent of the judiciary (including fee-paid judges) are over the age of 60, with only 5 per cent under the age of 40.

155 This means it was not subject to pension tax rules relating either to the annual or lifetime allowance thresholds.

7.9 The government's proposals for addressing judicial recruitment problems by reforming judicial pensions have not yet been published. While it is outside our remit to comment on pension policy, we believe it is a matter of urgency to reach a more stable and less divisive settlement in some form, not least to improve the sense of collegiality and cohesiveness among the judiciary as a whole. Until the plans are published, no one can assess how successfully they will provide a stable foundation for future judicial remuneration, and whether they will be successful in addressing the evident recruitment problems. It is in this context that we have considered our recommendations for this year.

Developments in judicial recruitment and retention since the Major Review

7.10 Since the Major Review, there have been many judicial competitions and appointments. At the High Court and Circuit Bench, numbers of applications and appointments have increased, although it is impossible to know the extent to which the expectation of pension reform was a factor in addition to the RRAs. However, shortfalls in appointments remain at High Court and Circuit Bench levels, with both benches continuing to operate below the statutory or desired complement. We have seen no evidence of more early retirements, possibly because the McCloud judgment[156] meant that some judges no longer face an abrupt change to their pension scheme.

7.11 In the Major Review, we had noted emerging problems with recruitment to the District Bench which the government chose not to address in its response. These problems have intensified, both in terms of the number and the quality of both applicants and appointees.[157] There are also concerns about judicial morale. We discuss District Judges further from paragraph 7.17.

7.12 We believe the delay in implementing RRAs in Scotland and Northern Ireland has undermined the established convention of pay parity across the UK jurisdictions and the principle of a UK-wide judiciary. It has also caused resentment.

Pay recommendations for 2020-21

7.13 As noted above, we recommended significant salary uplifts in the Major Review, as we believed these were needed to address the recruitment difficulties we had identified. The government has announced it will address the issue by future reforms to the judicial pension scheme, thereby creating a more attractive financial offering to encourage more applications. We therefore think it imperative that the government moves with urgency to consult about and implement the judicial pension changes that it undertook to make in June 2019. We have made our pay recommendations for this year on the understanding that it will do so. Further delay would risk undermining judicial trust in government, with damaging consequences for recruitment and retention. If things have not significantly moved forward by next year, and there is no improvement in the recruitment and retention situation, we will have to consider recommendations that respond appropriately, drawing on the approach we took in the Major Review.

7.14 Meanwhile, much of the evidence we have seen this year would normally justify our recommending a significant pay increase for new members of all judicial groups. While the general recruitment situation has not worsened significantly (except for the District Bench), it has not improved as much as is needed.

7.15 We note the MoJ's proposal is for a 2 per cent pay award and that the government has asked that we continue to base our recommendations on the evidence provided pre-Covid-19.

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[156] See: from paragraph 4.24 for further details on the McCloud judgment.

[157] See: paragraph 7.114.

7.16 We have discussed in part 1 of the Executive Summary the potential impact of Covid-19 on the economy, pay, and government finances. Given this, and the government's intent to deliver pension reform, we have decided not to recommend higher pay increases this year. **We therefore recommend a pay award of 2 per cent for all the judiciary, pending the longer-term reform we hope to see next year.** If, however, recruitment difficulties at their current scale persist, and there is no movement towards a more lasting solution, we will need to reconsider whether higher salaries are needed next year.

District Judges

7.17 We were asked in this year's remit letter to look particularly at District Judge recruitment and retention.

7.18 As noted above, there is evidence that the recruitment difficulties we flagged in the Major Review have worsened for the District Bench (though not for other group 7 judges). We also heard a lot of evidence about poor morale for this group. A very high number of District Judges (366 out of 410) wrote to the President of the Association of Her Majesty's District Judges to raise concerns about their level of pay, and express their disappointment at the government's response to the Major Review. Judges in salary group 7 (for example, District Judges and First-tier Tribunal Judges) were particularly unhappy about being excluded from the award of any RRA, especially after it was extended to the Circuit Bench. We think it likely that this disaffection, and its communication to potential applicants, has contributed to the recruitment difficulties for District Judges.

7.19 The view of the Lord Chancellor, the judicial leadership[158] and the Judicial Appointments Commission (JAC) is that the recruitment problems at the District Bench will be solved by the replenishment of the fee-paid Deputy District Judge (DDJ) feeder pool following several years of little or no recruitment of DDJs. This is relevant as District Judges are required to have previous judicial experience. The judicial leadership believes that, given the recruitment exercises now being run for the DDJ pool, this will in due course create a satisfactory number of good quality applicants for salaried District Judge roles.

7.20 In oral evidence, the judicial leadership acknowledged that pay affects morale and may therefore be affecting recruitment. However, it believes that the feeder pool shortfall, perceived poor working conditions and increased workloads are the principal factors that need to be addressed.

7.21 We agree that there are many factors behind the shortfall in recruiting District Judges.[159] We agree too that the depletion of the feeder pool is significant, though we note that there are still over 700 judges in it.[160] We have not, however, seen evidence that newly-appointed DDJs will apply for full-time salaried District Judge posts at the same rate as their predecessors. We also note that the Major Review showed that District Judges, in general, took a pay cut to join the judiciary, while this was not true, on average, for First-tier Tribunal Judges. Having seen the evidence about the strength of feeling towards the government's decision not to provide an RRA for group 7 judges, we are not convinced that pay is irrelevant. On the contrary, we doubt whether the current levels of pay are sustainable.

[158] In this context, we use the term judicial leadership to refer to the Lord Chief Justice of England and Wales and the Senior President of Tribunals. When discussing Scotland and Northern Ireland, it will also include the Lord President of the Court of Session and the Lord Chief Justice of Northern Ireland.

[159] See: Paragraph 7.118.

[160] This is following the recruitment of 320 DDJs in 2018-19.

7.22 For these reasons, we considered recommending an additional pay award to recently appointed group 7 judges.[161] However, we are reluctant to start making separate awards to different categories of judges at a time when there is the impending prospect of significant judicial pension reform and when judicial cohesion seems to us in need of bolstering. We also note there is not a general recruitment issue for tribunal judges in group 7. In addition, as mentioned above, we are conscious that we do not yet have evidence on whether an increase in DDJs will translate into improved recruitment of salaried District Judges. Nor do we know how news of the changes to the RRAs will be received by the District or Circuit Benches, since we believe that pay relativities, as well as absolute levels of pay, have affected sentiment and recruitment. On balance, we have decided not to recommend an award or allowance targeted at the District Bench this year. **However, we will look closely at District Judge recruitment next year and should there be no notable improvement to the recruitment position we highlighted in the Major Review, we will consider a targeted award then.**

Observations

7.23 In the Major Review, we made some observations about issues which, while not directly about pay, we believed were relevant to judicial recruitment and retention. These included: workforce planning; court infrastructure and administrative support; and career management. We are encouraged by the progress in some of these areas. We particularly welcome the steps taken since the Major Review to improve the judicial HR function and to make resources available for the senior judiciary to exercise its leadership and management responsibilities effectively. We comment on these further in paragraph 7.66.

7.24 In our Report this year, we have continued to make observations about these issues where we consider it would be helpful to do so. These include the following:

- While recognising that there are no objective measures of judicial applicants' 'quality', we believe that it is essential to have more data than are currently available about this issue. Such data would require careful consideration and interpretation, but a lack of data makes it impossible to go beyond guesswork or anecdotal claims, a situation that is even less satisfactory. We would therefore like to see all three judicial appointment bodies across the UK collect from all applicants evidence that helps track some key trends in applications and appointments.
- We noted in the Major Review that a short timeframe for applications and an over-rigid adherence to a competency framework in the recruitment process create significant disincentives for some potential applicants.[162] While the JAC has taken steps to address these issues for High Court Judges in England and Wales, we would encourage all three judicial appointment bodies to consider implementing similar changes for all judicial recruitments.
- We noted in the Major Review the effect that poor working conditions and a lack of administrative support were having on judicial morale and the attractiveness of judicial appointment. We understand that the judicial leadership continues to press the government for funds to tackle these issues. As we continue to hear from judges about the effect of the working environment, we are concerned that failure to address these issues influences the attractiveness of judicial posts to the solicitors and barristers the appointment process needs to draw in. We are also concerned

[161] This would apply to judges not in the JUPRA pension scheme.

[162] The Attractiveness of Senior Judicial Appointments to Highly Qualified Practitioners, Dame Hazel Genn DBE QC on behalf of the Judicial Executive Board, 2008. The Attractiveness of Judicial Appointments in the United Kingdom, Report to the Senior Salaries Review Body, University of Cambridge, 2018 (see: https://www.gov.uk/government/organisations/review-body-on-senior-salaries). Report on QCs Attitudes regarding Appointment as a Senator of the College of Justice, 2017 (see: http://www.scotland-judiciary.org.uk/Upload/Documents/ReportonQCsattitudesreappointmentasSenator.PDF). Barriers to High Court Appointments in Northern Ireland, QUB, 2019 (see: https://pure.qub.ac.uk/files/192730958/ReportFINAL.pdf).

that new ways of working, to accommodate trials during Covid-19, will exacerbate these issues, particularly with regard to the need for administrative support. We will therefore continue to monitor the position and would welcome further evidence in the next round.

Introduction

The remit group

7.25 Our standing remit group comprises salaried judicial office holders in the courts and tribunals of the UK. Table 7.1 sets out the position in 2019, when there were 2,148 salaried judicial office holders in the UK. Data provided by the MoJ showed that the 1,854 salaried judges in England and Wales were made up of some 1,390 court judges and 412 tribunal Judges.[163] There was a total of 210 salaried judicial office holders in Scotland and a total of 84 in Northern Ireland.

[163]Due to discrepancies between data sets, the deployment of the remaining 52 judges has not been provided.

Table 7.1: **Judicial salaries and numbers in post (headcount) for 2019 by UK jurisdiction and salary group**

		Headcount			
Salary group (examples of specific roles)	**Annual salary (1 April 2019) £**	**E&W 2019[1]**	**NI 2019[1]**	**Scotland 2019[2]**	**Total**
1 (Lord Chief Justice)	262,264	1	0	0	1
1.1 (Lord Chief Justice Northern Ireland, Lord President)	234,184	2	1	1	4
2 (Justices of the Supreme Court)	226,193	15	0	1	16
3 (Lord/Lady Justices of Appeal, Inner House Judges of the Court of Session)	215,094	39	3	8	50
4 (High Court Judges, Outer House Judges of the Court of Session)	188,901	97	9	23	129
5+ (Judge of the First-tier Tribunal (Social Entitlement Chamber) and Deputy Judge of the Upper Tribunal)	160,377	2	0	0	2
5 (Senior Circuit Judges, Sheriffs Principal)	151,497	77	20	7	104
6.1 (Circuit Judges, County Court Judges (Northern Ireland), Sheriffs)	140,289	686	4	128	818
6.2 (Surveyor Members, Lands Tribunal (Scotland and Northern Ireland))	132,075	14	2	0	16
7 (District Judges)	112,542	921	45	40	1,006
8 (Members of the Scottish Land Court)	89,428	0	0	2	2
Total		1,854	84	210	2,148

1 England, Wales and Northern Ireland data as of 31 March 2019.
2 Scotland data as of 4 November 2019.

Source: Evidence to the SSRB from Ministry of Justice, published; Northern Ireland Courts and Tribunals Service, published; and Judicial Office of Scotland, unpublished.

Note: These salaries do not include recruitment and retention allowances.

7.26 Table 7.2 gives the number of salaried judges by headcount in post in the UK since 2010. The table shows that while there have been year-on-year fluctuations, the general trend has been a small decrease in numbers, with a notable low of 2,026 in 2016.

Table 7.2: **Number of salaried judges in post in the UK, 2010 to 2019 (headcount)**

Salary group	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
1	1	1	1	1	1	1	1	1	1	1
1.1	4	4	4	4	4	4	4	4	4	4
2	15	15	15	14	16	16	12	15	14	16
3	49	47	48	44	49	51	53	49	52	50
4	140	141	140	141	139	136	136	131	119	129
5+	0	0	0	0	0	0	0	1	2	2
5	96	96	96	97	99	99	85	87	80	104
6.1	860	831	823	812	811	808	757	792	854	818
6.2	36	37	41	40	39	32	42	21	14	16
7	1,039	1,036	1,041	1,024	1,045	1,037	936	1,018	962	1,006
8	0	0	0	0	0	0	0	0	0	2
Total	2,240	2,208	2,209	2,177	2,203	2,184	2,026	2,119	2,102	2,148

Source: Evidence to the SSRB from Ministry of Justice, published, Northern Ireland Courts and Tribunals Service, published, and Judicial Office of Scotland, unpublished.

Note: Salary group 8 was created in 2019 in response to the Major Review.

7.27 During the Major Review, the SSRB's remit was extended to include fee-paid judges, as well as judicial office holders in both the Reserved Tribunals and devolved tribunal systems in Scotland, Wales and Northern Ireland who have comparators with the salaried judiciary and/or are entitled to a judicial pension. While our standing remit does not include fee-paid judges, we consider it important to monitor their recruitment between Major Reviews. Fee-paid judges often use this position as a stepping-stone to applying for salaried judicial posts and are viewed as an essential 'feeder pool' for many categories of the judiciary, especially the court-based judiciary.

7.28 Fee-paid positions are usually similar to the equivalent salaried post but may deal with less complex or serious cases.[164] Table 7.3 sets out the number of fee-paid courts judges in England and Wales since 2010. This shows that the numbers of fee-paid judges have declined since 2010 as a result of the policy (in force from 2014 until 2017) that fee-paid judges should be recruited only for 'business critical' roles.[165] The decline is particularly marked for Recorders (fee-paid members of the Circuit Bench) who, in 2019, numbered 71 per cent of their 2010 level, and for DDJs in the Magistrates' Courts who, in 2019, numbered 53 per cent of their 2010 level. The number of fee-paid courts judges increased by 13 per cent between 2018 and 2019, mostly driven by a significant increase in the number of DDJs in the County Courts.

[164] Fee-paid judges also tend to have fewer wider responsibilities (e.g., for conducting training or appraisals).

[165] This is discussed further at paragraph 7.83.

Table 7.3: **Number of fee-paid court judges in post in England and Wales, 2010 to 2019**

Role	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Deputy High Court Judge	–	–	–	–	–	–	–	66	73	87
Deputy Master[1]	80	74	67	68	60	55	53	58	50	43
Recorder	1,233	1,221	1,155	1,196	1,126	1,031	1,035	920	830	873
Deputy District Judge (County Courts)	640	788	754	764	721	622	627	595	566	732
Deputy District Judge (Magistrates' Courts)	151	143	134	145	125	115	101	106	92	80
Total	2,104	2,226	2,110	2,173	2,032	1,823	1,816	1,745	1,611	1,815

1 Deputy Master, Deputy Registrar, Deputy Costs Judge, Deputy Insolvency and Companies Court Judge and Deputy District Judge (Principal Registry of the Family Division).

Source: Ministry of Justice written evidence.

7.29 Data from the Judicial Diversity Statistics 2019 highlighted the following key findings for England and Wales for 1 April 2019:

- Women represented 32 per cent of court judges and 46 per cent of tribunal judges. These percentages have increased by around 3 per cent and 1 per cent respectively since 2017.
- 7 per cent of court judges and 11 per cent of tribunal judges declared themselves from Black, Asian and Minority Ethnic (BAME) backgrounds.
- 33 per cent of court judges and 63 per cent of tribunal judges were from non-barrister backgrounds.
- No data are held on the proportion of judicial office holders registering a disability.

7.30 Data for Scotland showed that women represent 25 per cent of judicial office holders as of October 2018.[166]

7.31 The MoJ, JAC and Judicial Office are collaborating on a report that will bring together judicial diversity statistics with JAC appointments data. This may include data from the professional bodies (for example, the Bar Council, the Law Society and CILEx[167]), which would give a fuller picture of the eligible pool and better inform the approach to improving judicial diversity. We look forward to seeing this evidence once it is compiled.

[166] See: http://www.scotland-judiciary.org.uk/52/0/Publications

[167] CILEx is the professional body for Chartered Legal Executives, legal practitioners, paralegals and apprentices.

Pay and the pay system

7.32 The judicial salary structure consists of 11 salary groups, with a new group 8 created as part of the government's response to our Major Review.[168] Judges receive neither incremental progression nor performance-related pay.

7.33 The judicial paybill for England and Wales in 2018-19 was £516.6 million, an increase from £504 million in 2017-18. Of this £516.6 million, £351.3 million related to the salaried judiciary and £165.3 million related to the fee-paid judiciary. The MoJ estimates that the paybill will rise to £582 million in 2019-20. Reasons for this increase include the changes to salary group placements, implementation of the 2019 pay award and the introduction of the new RRAs.

7.34 In evidence, the Judicial Office for Scotland said it forecast a paybill of £50.4 million for 2019-20. This includes £33.5 million in salary related expenses, £15.1 million in pension costs and £1.7 million in service awards.[169]

7.35 In Northern Ireland, the paybill for the salaried judiciary in 2018-19 was £14.2 million including salaries, pension contributions and national insurance contributions.

7.36 In 2017, the government announced a temporary RRA for High Court Judges in the NJPS. This extra non-pensionable and taxable allowance was worth 11 per cent of salary. In 2018, these RRAs were implemented in Scotland and Northern Ireland.

7.37 Following the Major Review, in 2019, the government extended the RRA for High Court Judges (and above) eligible for the NJPS to 25 per cent. An RRA worth 15 per cent was also introduced for Circuit Judges, Upper Tribunal Judges and specific judicial roles in salary group 6.1 who were eligible for the NJPS.

7.38 In response to the changes to the pension tax taper announced in the March 2020 budget,[170] the government announced on 15 April 2020 that there would be changes to the current RRAs to reflect the benefit that High Court and Circuit Judges would receive from the new taper levels.[171] As a result, the MoJ said that from 1 April 2020, the RRA would be completely withdrawn for those judges below the High Court. High Court Judges in the NJPS (and not within the scope of McCloud) would continue to receive a 25 per cent RRA.

7.39 The RRAs announced in June 2019 were restricted to judges in England and Wales.[172] The government's response said that the MoJ was working with the devolved administrations in Scotland and Northern Ireland to consider the position in those jurisdictions and that further details would be made known in due course. In February 2020, we wrote to the Lord Chancellor to clarify the position on whether judges in Scotland and Northern Ireland would receive the RRAs. We also emphasised that the position not to implement changes equally in the UK jurisdictions undercuts the principle of a UK-wide judiciary. We were told that the Lord Chancellor is responsible for determining the remuneration for these judges and that his department was working with the devolved administrations to establish how best to implement the RRAs in

[168] According to the MoJ Judicial Salaries (https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/836749/judicial-salary-schedule-oct-2019.pdf), there are currently no judges assigned to group 8 in England and Wales. The government's response to the Major Review said that discussions would be held between the Lord Chancellor, LCJ and SPT to agree who should be placed in this group.

[169] Judges receive a service award which becomes payable when they near retirement. The level of the award, which is a proportion of the pension lump sum, reflects their years of service and their judicial grade and ensures the net value of the lump sum is maintained.

[170] See: paragraph 7.49 and Chapter 2 for further details.

[171] The analysis on the benefit realised are set out in paragraph 7.53 and 7.54.

[172] Upper Tribunal Judges in Reserved Tribunals in Scotland were eligible for RRAs.

Scotland and Northern Ireland. The Lord Chancellor said he considered this work a priority. We were also told that there were questions about what budget such payments would come from. In April 2020, the MoJ confirmed that the Lord Chancellor intended to apply the RRAs, on the new 1 April 2020 terms, to the equivalent judges in Scotland and Northern Ireland. At the time of writing, discussions are continuing about how this decision can be implemented.

7.40 The evidence we received shows that:

- In England and Wales, as of 1 April 2019, 54 per cent of all Circuit Judges and 61 per cent of salaried Upper Tribunal Judges were in receipt of the 15 per cent RRA. Fifty-seven per cent of High Court Judges were in receipt of the 25 per cent RRA.
- In Scotland, as of October 2019, 43 per cent of Senators (one Inner House and 12 Outer House)[173] were in receipt of the 11 per cent RRA.
- In Northern Ireland, as of 1 April 2019, six of nine High Court Judges were in receipt of the 11 per cent RRA.

Pension scheme membership

7.41 Following consultations in 2012 and 2014, the NJPS 2015 and the Northern Ireland Judicial Pension Scheme came into operation on 1 April 2015.[174] The main differences between these 2015 schemes and the previous pension scheme (JUPRA 1993) are as follows:

- Unlike the 1993 scheme, the 2015 schemes are registered schemes for taxation purposes.
- The pension paid upon retirement is calculated based on career average earnings, rather than final salary.
- An automatic additional lump sum is no longer received on retirement.
- The 2015 schemes are open to both salaried and fee-paid judicial office holders, while only salaried judges were eligible to join the 1993 scheme.[175]
- The 2015 schemes have a lower accrual rate, at 2.32 per cent compared to the previous 2.5 per cent.

7.42 In December 2018, the Court of Appeal held in the McCloud and Sargeant cases that the transitional protection arrangements for older judges and firefighters gave rise to unlawful age discrimination, as younger members were not eligible to receive it. While the judgment itself made no comment on remedy or compensation, the government has accepted that it would take steps to remove the discrimination retrospectively from all public sector pension schemes, whether or not they had made a claim. In April 2020, the MoJ confirmed that all judges in scope of McCloud (appointed prior to 1 April 2012) are entitled to be treated as having never left JUPRA and will no longer receive the RRA.[176] We discuss this issue in Chapter 4.[177]

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[173] As shown in table 7.1, Inner House judges are in group 3 (alongside Court of Appeal Judges) and Outer House judges are in group 4 (alongside High Court Judges).

[174] 'Judges, either fee-paid or salaried, were eligible to join the NJPS if they were: first appointed to judicial office after 1 April 2012; not members of a non-judicial public service pension scheme on 31 March 2012; and under the age of 55 at 31 March 2012. Judges also eligible to join are those who have reached the end of any period of tapering protection or opted to join NJPS on 1 April 2015.

[175] Fee-paid judges had access to a fee-paid judicial pension scheme which is the fee-paid equivalent of JUPRA.

[176] As the JUPRA scheme is not registered for tax purposes, these judges will receive a higher total net remuneration.

[177] See: paragraph 4.24, Chapter 4.

7.43 In June 2019, as part of its response to our Major Review recommendations for salary increases, the government made a commitment to long-term reform of judicial pensions. In oral evidence this year, the Lord Chancellor indicated that a consultation on the new scheme would be launched in late spring 2020.[178] This would run parallel to a consultation on the retrospective remedy for those judges affected by the McCloud judgment.

7.44 The membership of each of the pension schemes is set out in table 7.4. The number of active office holders in the JUPRA scheme fell from 1,075 to 896 between 31 March 2018 and 31 March 2019. Meanwhile, the number of NJPS active office holders increased from 3,022 to 3,496 over this period, reflecting new joiners.[179]

Table 7.4: **Judicial Pension Scheme membership, 2016-17 to 2018-19**

Years	Number of active office holders in JUPRA scheme	Number of active office holders in NJPS	Number of NJPS members who exceeded the annual allowance	Number of accepted applications for Scheme Pays
2016-17	–	–	303	1
2017-18	1,075	3,022	591	17
2018-19	896	3,496	764	28

Source: Ministry of Justice written evidence.
Note: The number of active NJPS office holders includes fee-paid judges.

Lifetime allowance

7.45 The lifetime allowance[180] was reduced from £1.8 million to £1 million between 2012 and 2016, and increased to £1.055 million for 2019-20. This increased the number of people within the judiciary who have either chosen to freeze their lifetime allowance and withdraw from the judicial pension scheme, or else who have breached it, or are likely to breach it in the near future.[181] Breaching the lifetime allowance means that pension accrual in excess of £1.055 million will be subject to a lifetime allowance charge of 25 per cent, thus reducing the value of the judicial pension scheme and total net remuneration for those affected. If in-year pension accrual also exceeds the annual allowance, as it likely will for higher-earning members of the judiciary, those affected will additionally be liable for annual allowance charges. Appendix B to this Report contains more detail about the propensity of pension taxation rules to create marginal tax rates on pension accrual that are well in excess of the standard top rate of income tax.

7.46 Because the impact of the lifetime allowance on an individual is highly dependent on their own particular lifetime earnings and pension accrual, our analysis of total net remuneration in the following section (and in Appendix B) has not tried to quantify its effects. Therefore, all analysis of total net remuneration should be interpreted as analysis of those who have not breached their lifetime allowance. Yearly total net remuneration of those who do breach the lifetime allowance will be lower, either because they will choose to withdraw from the judicial pension scheme or because they incur a significant tax liability.

[178] We note that the commitment to this timetable was made before Covid-19 took hold in the UK.

[179] Fee-paid judges may also be in NJPS.

[180] The amount of pension benefit that an individual can accrue before incurring a charge on retirement.

[181] This also affects other areas of the public sector, as is shown in Chapter 4 and Appendix B.

7.47 While we do not have the data to estimate exposure of the judiciary to breaching the lifetime allowance under the NJPS, it is likely to affect significant numbers of those applying for higher judicial posts. These judges will generally have had long previous careers in the private sector, often at very high earnings.[182] Therefore, it is probable that many potential applicants will already have chosen to freeze their lifetime allowance and hence will have opted out of further pension fund accumulation. Others will likely be at risk of breaching the lifetime allowance during their judicial careers if they were to accept appointment to a judicial post. Under the old JUPRA pension scheme, judges did not accrue lifetime allowance charges during judicial service, since the scheme was not registered for tax purposes. Hence the JUPRA pension scheme was an important financial incentive and probably the only one for those who took a significant reduction in pay on becoming a judge. Under the new pension arrangements for the judiciary, this significant element of remuneration no longer applies. So while pre-appointment earnings of those joining the judiciary vary widely, and while we have no data with which to model the effect of the lifetime allowance issue, we are in no doubt that it affects the financial desirability of becoming a judge, as we found in the Major Review.

Take-home pay and total net remuneration

7.48 This section updates our analysis on the take-home pay and total net remuneration of District Judges, Circuit Judges, and High Court Judges for 2019-20.[183] Take-home pay is total salary after tax deductions and pension contributions. Total net remuneration is take-home pay plus the value of any accrued pension.[184] We also look at the impact of the changes to pension taxation announced in the March 2020 budget. Full details are available in Appendix B.

7.49 Changes to the annual allowance taper were announced in the March 2020 budget, effective from the 2020-21 tax year. The threshold at which adjusted income,[185] rather than basic pay, is used to calculate the annual allowance was increased by £90,000, from £110,000 to £200,000. The threshold at which the annual allowance begins to be tapered was increased by £90,000, from £150,000 to £240,000. The minimum annual allowance was decreased by £6,000, from £10,000 to £4,000. These changes particularly benefit Circuit Judges, with a small benefit for High Court Judges. District Judges were not affected by the annual allowance taper as they were just below the original threshold income of £110,000, so they do not benefit financially from the change.

7.50 Our analysis only looks at in-year earnings, so does not model the impact of the lifetime allowance. It also assumes annual allowance tax charges are paid in the year, rather than through a pension reduction by using Scheme Pays.[186] All figures are in nominal terms, unless stated otherwise.

7.51 Take-home pay for a District Judge, Circuit Judge and High Court Judge over the period 2009-10 to 2019-20 is modelled in figure 7.1.[187] Take-home pay is defined as annual

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[182] The Judicial Diversity Statistics show that 42 per cent of the judiciary (including fee-paid judges) are over the age of 60, with only 5 per cent under the age of 40.

[183] These are example roles. Judges within the same salary group but in different roles will have experienced similar effects on their take-home pay and total net remuneration.

[184] Total net remuneration is our preferred measure because it takes account of not only taxation and pension contributions but also pension benefits accrued in the year. We believe this is the most comprehensive, and therefore the most appropriate, measure.

[185] Adjusted income is basic pay after pension contributions, plus the pension benefit.

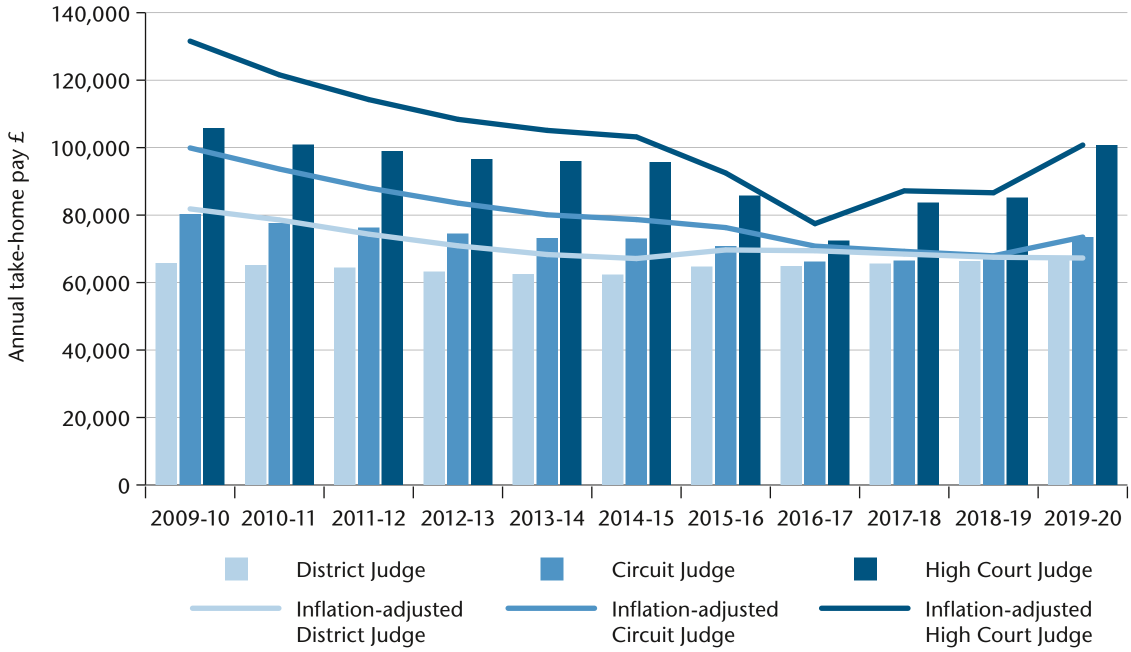
[186] Most allowance charges can be paid through Scheme Pays. This allows individuals to pay for their annual allowance charges by reducing the value of their pension rather than paying using cash. This option is more expensive the further away an individual is from retirement, reflecting the interest associated with deferring payment for many years, and will almost always result in a reduction of total net remuneration in excess of the cost of paying the charges up front. See: Appendix B for further details.

[187] See: Appendix B for full details.

gross pay (base pay plus any allowances) less employee national insurance contributions, income tax, employee pension contributions and any annual allowance tax charge for the pay band.

7.52 Under this model, a District Judge has seen a nominal increase in take-home pay of 2.3 per cent over the period 2009-10 to 2019-20, much of this over the last year, where take-home pay rose by 1.5 per cent. Prior to this year, basic pay increases had been almost entirely offset by higher pension contributions and higher national insurance contributions. District Judges are only marginally affected by the pension annual allowance because the amount a District Judge pays in annual allowance charge increased from £383 in 2018-19 to £710 in 2019-20.

Figure 7.1: **Take-home pay for a District Judge, Circuit Judge and High Court Judge, 2009-10 to 2019-20**



Source: OME analysis.

7.53 A Circuit Judge saw nominal take-home pay fall by 16.9 per cent over the 2009-10 to 2018-19 period, as basic pay increases were more than offset by higher pension contributions and the annual allowance tax charge. Over the last year, with the introduction of the RRA worth £21,043, a Circuit Judge saw an increase in nominal take-home pay of 10.1 per cent. This reduces the overall fall in nominal take-home pay since 2009-10 to 8.4 per cent. The amount a Circuit Judge pays in annual allowance charge increased from £10,254 in 2018-19 to £17,381 in 2019-20.

7.54 A High Court Judge saw nominal take-home pay fall by 19.5 per cent over the 2009-10 to 2018-19 period, as basic pay increases were more than offset by higher pension contributions, the annual allowance tax charge, and the introduction of the 45 per cent income tax rate. Over the last year, following the introduction of the new 25 per cent RRA worth £47,225,[188] a High Court Judge saw an increase in nominal take-home pay of 18.4 per cent. This reduces the overall fall in nominal take-home pay since 2009-10 to 4.7 per cent. The amount a High Court Judge pays in annual allowance charge increased from £26,435 in 2018-19 to £27,054 in 2019-20.

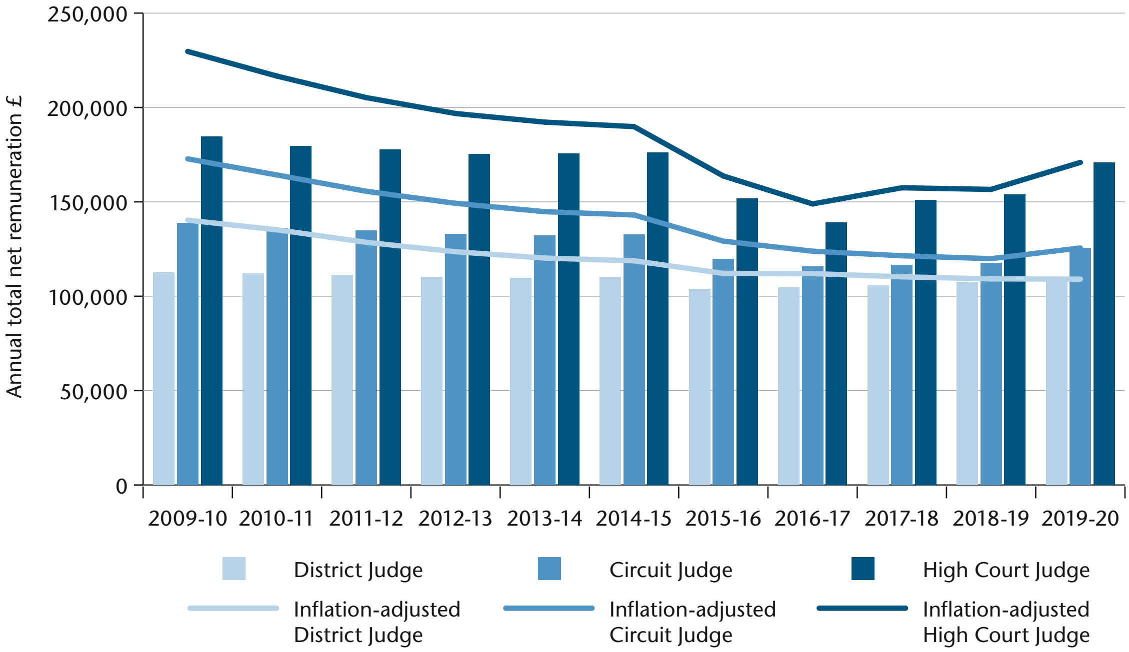
[188] This increase represents the value of the 25 per cent RRA. Prior to the introduction of the new RRA, High Court Judges in the NJPS had been eligible for an 11 per cent RRA. We note that the 25 per cent RRA is lower than the 32 per cent salary uplift we recommended in the Major Review for High Court Judges.

7.55 Adjusting for inflation, a District Judge has seen a fall in take-home pay of 17.8 per cent since 2009-10, a Circuit Judge has seen a fall of 26.4 per cent, and a High Court Judge has seen a fall of 23.4 per cent.

7.56 Total net remuneration for these three judicial roles is shown in figure 7.2. This is calculated as take-home pay plus the value of the additional amount added to the annual pension during the year.[189]

7.57 Unlike our other remit groups, judicial roles saw a fall in total net remuneration on the introduction of new pension schemes in 2015, due to the move to a taxable pension scheme and the reduction in accrual rates. This was in contrast to the increase in accrual rates experienced by other remit groups. A District Judge has seen a fall in nominal total net remuneration of 3.2 per cent over the period 2009-10 to 2019-20, a Circuit Judge has seen a fall of 9.5 per cent, and a High Court Judge has seen a fall of 7.4 per cent. Once adjusted for inflation, these falls in total net remuneration are 22.3 per cent, 27.3 per cent and 25.6 per cent for a District Judge, Circuit Judge and High Court Judge, respectively.[190]

Figure 7.2: **Total net remuneration for a District Judge, Circuit Judge and High Court Judge, 2009-10 to 2019-20**



Source: OME analysis.

7.58 As shown in table 7.5 and figure 7.3, the changes to the annual allowance taper announced in the March 2020 budget are of particular benefit to Circuit Judges (and others in those salary groups), as they will move out of the taper and regain a full annual pension allowance of £40,000. As shown in table 7.5, this is worth £11,947 to a Circuit Judge, equivalent to a rise of 16.3 per cent in take-home pay or 9.5 per cent in total net remuneration. The policy does not benefit everyone who receives annual allowance tax charges but only those who were being tapered. For this reason, District Judges do not benefit from this policy, as they were never tapered.

[189] See: Appendix B, paragraph 24 for details on how this is calculated.

[190] This in-year analysis does not take into account either the increased pension age or the lifetime allowance, both of which will lower the lifetime value of total remuneration further.

Table 7.5: **Benefit to judicial groups of March 2020 budget pension taxation changes**

Role	Basic pay	Tax benefit from changes	Remaining annual allowance charge	Still being tapered?
District Judge	£112,542	£0	£710	No
Circuit Judge	£161,332	£11,947	£5,434	No
High Court Judge	£236,126	£2,016	£25,038	Yes

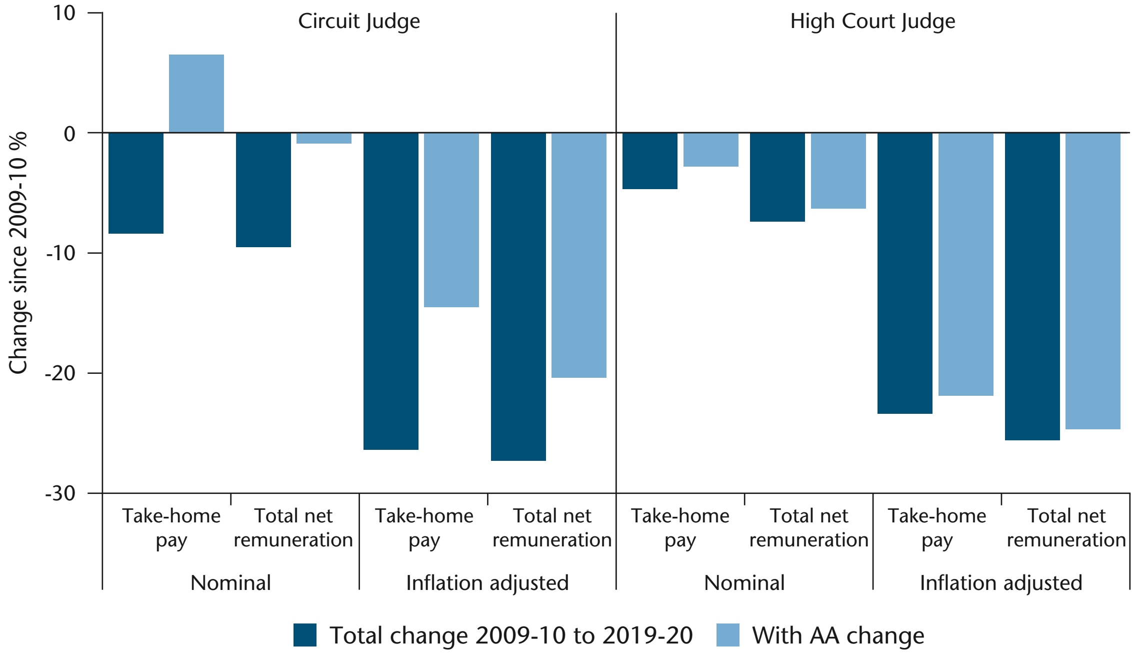
Source: OME analysis.

Note: Basic pay includes RRAs.

7.59 The changes to the RRA and the changes to pension taxation in the March 2020 budget collectively help to restore the pay differential between District Judges and Circuit Judges. In 2009-10, a Circuit Judge had 22 per cent higher take-home pay than a District Judge; by 2018-19 this had fallen to just 0.6 per cent. The RRA took this differential to 9.2 per cent, and the annual allowance taper change takes it to 27.0 per cent.

7.60 A High Court Judge will benefit by £2,016 from the change to the annual allowance taper, as their allowance increases from the £10,000 minimum. They are, however, now subject to the taper (having been above it before), and consequently face high marginal tax rates.

Figure 7.3: **Change in take-home pay and total net remuneration since 2009-10, nominal and inflation adjusted**



Source: OME analysis.

Government response to our Major Review recommendations

7.61 In June 2019, the government published its full response to our Review.[191] The government accepted our assessment of the recruitment problems and our conclusions that these had occurred largely because conditions of service for a judge had become less attractive. It accepted that the remuneration package had been eroded and it accepted our analysis which demonstrated the high value of the JUPRA pension in comparison to the NJPS pension.

[191] The government had issued an initial response to the Major Review in October 2018.

7.62 However, rather than implementing the salary uplifts we recommended (32 per cent for High Court Judges, 22 per cent for Circuit Judges and 8 per cent for District Judges in the NJPS), the government announced it would address the underlying cause of recruitment and retention problems we identified through future changes to the judicial pension scheme. Pending such changes, short-term RRAs were awarded to those NJPS judges in roles where the government considered the problems were most acute.[192]

7.63 While our net remuneration calculations suggested that judges in group 7 had seen a lower decrease than the rest of the judiciary, we found in the Major Review an emerging recruitment issue at the District Bench (though not among other group 7 judges) and we recommended an 8 per cent uplift in pay. The government said that the recruitment problem was not significant enough to justify awarding an RRA for these judges. In our view, this has contributed to a sense among the District Bench that they were not valued as highly as Circuit Judges. It is important to note that we believe this is a perception based partly on views about pay relativities, as well as being related to absolute levels of pay.

7.64 The new RRAs announced in June 2019 were only paid to the judiciary in England and Wales.[193] This meant that courts judges in Scotland (Senators and Sheriffs) and Northern Ireland (High Court Judges and County Court Judges) were excluded from receiving the new RRA.[194] This appears to us to be contrary to the principle of a UK-wide judiciary. We were told that the Lord Chancellor is responsible for determining the remuneration for these judges and work was continuing on implementing the RRAs. We were also told that there were questions about what budget such payments would come from. In April 2020, the MoJ confirmed that the Lord Chancellor intended to apply the RRA, on the new 1 April 2020 terms, to the equivalent judges in Scotland and Northern Ireland. At the time of writing, discussions are continuing about how this decision might be implemented.

7.65 Our recommendations in the Major Review for a more flexible pay structure with greater recognition for judges who take on leadership roles were not accepted. The government agreed that a range of posts, particularly in salary group 6.1, were exercising important leadership roles at levels that might warrant appropriate recognition. Our recommendations to place a number of other specific roles in higher salary groups were accepted. The government also gave an undertaking to bring the question of how to reward intermediate judicial leadership back to the SSRB in the future.[195]

Observations

7.66 In the Major Review, we made observations about a number of issues which, while not directly pay-related, seem to us relevant to judicial recruitment and retention. Overall, some encouraging progress has been made and we recognise the priority that has been given to this work. For example:

[192] RRAs are only awarded to those judges in, or eligible to be in, the NJPS. Before the March 2020 budget changes, Circuit Judges, Upper Tribunal Judges and other identified roles in group 6.1 received a 15 per cent RRA. High Court Judges and above continue to receive a 25 per cent RRA.

[193] Upper Tribunal Judges in the Reserved Tribunals in Scotland were also eligible for the RRA.

[194] Senators in Scotland and High Court Judges in Northern Ireland continue to be in receipt of the 11 per cent RRA awarded in 2017.

[195] See: paragraph 7.198. The Lord Chancellor wrote to the SSRB on 18 May to ask the SSRB for a view on the leadership proposals from Accenture in this Report.

- We are encouraged by the judicial leadership's more active role in the management of the judiciary. This has included developing the human resources function with the Judicial Office. The additional funding that has been provided by the MoJ has assisted in enabling this and we urge future funding to sustain this critical function.
- Job descriptions are being developed for the courts and tribunals judiciary to set out more clearly the respective responsibilities for each level of judge. These build on the job descriptions and summaries that were developed and agreed during the Major Review, which had been changed significantly from the less consistent job descriptions used in previous SSRB reviews.
- With respect to workforce planning, changes have been made to recruitment processes and timetables. Forward programmes for the short and long term, underpinned by supply and demand analysis, are now in operation. We welcome the recognition of the need for strategic longer-term planning for judicial recruitment, and appreciate the work required, in particular by the judicial appointments bodies, to increase the number of judicial appointments made over the last two years. This is critical to help avoid the depletion of feeder pools as has happened in the recent past.
- Since July 2018, all salaried judges across England and Wales are offered career-based conversations with their leadership judges. These discussions enable a regular dialogue about professional aspirations, workload and opportunities to broaden experience.
- In evidence, again partly in response to comments in the Major Review, the MoJ said that, given the potential judicial recruitment and retention benefits a change in mandatory retirement age might bring, it will consult further on the potential implications of raising it.[196]

7.67 Other observations we made in the Major Review related to the judicial working environment. These included the reduction in the administrative support provided to judges, the deteriorating condition of the court estate and increases to workload. Unfortunately, there appear to have been no significant improvements since our Report. In evidence, the Lord Chief Justice of England and Wales (LCJ) and the Senior President of Tribunals (SPT) said that both administrative support for judges and maintenance across the court estate are of continuing concern. We understand that the senior judiciary continues to press the government for funds to tackle these issues. As we continue to hear from judges about the effect of the working environment, we are concerned that failure to address these issues influences the attractiveness of judicial posts to the solicitors and barristers the appointment process needs to draw in. We are also of the view that it is neither an effective nor an efficient use of judicial time to be carrying out administrative tasks, which we believe a proper focus on outcomes (rather than immediate cost savings) would support. **We will therefore continue to monitor the position and would welcome further evidence in the next round.**

2018-19 pay award

7.68 When we submitted our Major Review Report in September 2018, we proposed that our pay recommendations should be backdated to April 2018. However, we recognised that the government had indicated it might take some time to consider all of our recommendations and that it would not be helpful to hold back the 2018-19 pay award until a full government response had been agreed. We therefore recommended an interim 2018-19 judicial pay award of 2.5 per cent that could, if desired, be implemented in advance of the government response to the full Report. On 26 October 2018, the

[196] The mandatory retirement age for judicial office holders is 70. However, some judges may have higher mandatory retirement ages.

then Lord Chancellor wrote to the SSRB Chair to say that the government did intend to implement a pay award for 2018-19 but had reduced the figure to 2 per cent.

2019-20 pay award

7.69 A further 2 per cent pay award for 2019-20 (backdated to 1 April 2019) was announced alongside the response to the Major Review in June 2019. For practical reasons, the 2019 pay award was made without recourse to the SSRB's advice.

2020-21 proposals

Government proposals

7.70 In the remit letter to the SSRB Chair, the Lord Chancellor requested that this year the SSRB:

- Make a recommendation for an annual pay award for salaried judicial office holders.
- Carefully consider the latest available evidence on recruitment and retention for salary group 7 judges, in particular at the District Bench.
- Consider the appropriate placement of Upper Tribunal Judges and Senior Masters and Registrars within the existing salary structure.[197]

7.71 The Lord Chancellor subsequently wrote to the SSRB Chair in May 2020 asking for our views on new proposals made in relation to rewarding intermediate leadership in judicial salary group 6.1.[198]

7.72 In written evidence, the government set out the following proposals and parameters for the 2020 pay award:

- A 2 per cent across the board pay award with no differentiation by pension scheme membership. The estimated cost of this would be £11 million.[199]
- No judicial office holder should have their pay reduced, as a matter of statute.
- Allowances cannot be paid for core judicial work, for example, specialist jurisdictions.
- A differential pay award for the District Bench would need to be backed-up with evidence that the recruitment problems were "specifically related to remuneration".
- The MoJ states that the Lord Chancellor has no express statutory power to pay an allowance to District Judges in the current legal framework.

Judicial proposals

7.73 In written evidence, the LCJ and the SPT said that they considered that a higher than inflation pay award was justified. They said that this should not be differentiated across salary groups. This was a view echoed by the Lord President and the Lord Chief Justice of Northern Ireland (LCJ-NI) in oral evidence.

7.74 In considering the recruitment position for District Judges, the LCJ and SPT said there should be consideration of awarding an allowance to all group 7 judges to 'ensure that any future pay increases are not entirely consumed by the additional tax on pension contributions'.[200]

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[197] Salary placement issues are considered in part 2 of this chapter.

[198] This issue is considered in part 2 of this chapter.

[199] This only relates to England and Wales.

[200] We recognise that this evidence was submitted before the announcements to changes in pension taxation made in the March 2020 budget. The effect of these is discussed from paragraph 7.49.

7.75 A number of judicial associations and representative groups made proposals on pay. We summarise these below but note that the evidence was received prior to Covid-19:

- The High Court Judges Association said that annual pay awards of 2.0 to 2.5 per cent above the rate of inflation for the next five to six years would demonstrate commitment to improving the attractiveness of judicial appointments.
- The Council of Her Majesty's Circuit Judges stated that, as austerity no longer applied across the public sector, there should be a substantial increase of at least 10 per cent to the pay of all judges.
- The Council of Appeal Tribunal Judges requested a pay award of 4 per cent for 2020-21 to help address the continuing decline in the value of judicial salaries.
- The National Council of Her Majesty's District Judges (Magistrates' Courts) asked for a pay award significantly above inflation for judges in salary group 7, whose pay it claims has been significantly reduced in real terms since 2009, despite annual pay awards.

Context

7.76 The courts and tribunals modernisation programme, announced in 2016, continues to seek reform of court processes and bring new technology and modern ways of working to how justice is administered. These processes and changes also seek to improve the day-to-day working life of the judiciary. It is clear, at the time of writing, that Covid-19, and the rise in remote working and different ways of delivering public services, have already led to change and given extra urgency to this work.

7.77 During the Major Review, we identified some overarching principles which were fundamental to a robust judicial pay structure. These were agreed and supported by the judiciaries and governments across the UK as being the right foundations upon which to build. We continue to use these principles to guide our judgements. They are summarised below:

- There should be no inherent distinction between the work of courts and tribunals. The salary structure, as now, should place court and tribunal judiciary within the same broadly comparable groups. This is thought essential in order to promote parity of esteem, encourage diversity and facilitate cross-deployment between the courts and tribunals where appropriate.
- Judges at the same level should generally be paid at the same rate, regardless of the area of law in which they operate. For example, a First-tier Judge in the Tax Tribunal should, as now, be paid the same as a First-tier Judge in the Immigration and Asylum or Social Security and Child Support Tribunals.
- Judges should be paid at a spot rate with no progression up a pay range. Experience alone does not qualify one judge to be paid more than another at the same level.
- Geographical location should not affect judicial pay.[201] The pay structure should not differentiate for labour markets or costs of living and the principle of a UK-wide judiciary remains important.
- Full-time, part-time, salaried and fee-paid judges who do the same job should be paid at the same *pro rata* rate, in accordance with recent legal rulings.

Evidence

7.78 We received evidence from the UK and Scottish governments, the Heads of Jurisdiction, organisations overseeing judicial appointments and a range of judicial associations and

[201] The one exception is that London Weighting is currently paid to group 7 Judges in London.

representative groups. A list of those who provided evidence is given in Appendix D. We heard oral evidence from:[202]

- The Lord Chancellor and Secretary of State for Justice.
- The Lord Chief Justice of England and Wales (LCJ) and the Senior President of Tribunals (SPT).
- The Lord President of the Court of Session.
- The Lord Chief Justice of Northern Ireland (LCJ-NI).
- The Judicial Appointments Commission for England and Wales (JAC).

Evidence: judicial recruitment

7.79 The key findings and updates on judicial recruitment are set out in the main body of the chapter below. The tables containing current and historical recruitment data are provided in the Data Annex at the end of this chapter.

Recruitment: general

7.80 Judicial appointments at the most senior levels, i.e., at group 3 and above, are made almost exclusively from among existing members of the salaried judiciary. However, most other judges are recruited externally from a labour market of relatively highly-paid individuals, usually solicitors and barristers/advocates. Appointments are made following competitions run by the JAC and its equivalents in the devolved administrations. Unlike our other remit groups, applicants generally apply from outside the judiciary, rather than moving up a career-ladder within it.

7.81 In England and Wales, workforce planning is overseen by the Judicial Complement Group and is a joint responsibility between the senior judiciary, the Judicial Office, the MoJ, Her Majesty's Courts and Tribunals Service (HMCTS) and the JAC.

7.82 In oral evidence, the SPT said that there had been significant improvements in workforce planning and the modelling that underpins it. There are now two-year and five-year forward plans in place.

7.83 The MoJ said in written evidence that large-scale recruitment across all judicial posts had been needed over the last two years to take account of anticipated retirements and promotions, recruitment shortfalls and to restore judicial complements. This followed a hiatus in competitions before 2017 when a policy of running only 'business critical' competitions was in place. The MoJ said this high number of competitions would continue into 2020-21 and it said it anticipated that they would return to a 'steady state' from 2021-22.[203]

7.84 Table 7.6 shows that the number of vacancies that the JAC has been asked to fill has increased every year between 2014-15 and 2018-19. The ratio of applications to selections has decreased every year since 2016-17.

[202] We also held informal meetings with groups of judges whose roles were affected by this year's remit.

[203] The evidence from the MoJ states that in each of 2019-20 and 2020-21, 44 exercises will be conducted.

Table 7.6: **Applications, selections and gradings for all JAC exercises, England and Wales, 2011-12 to 2018-19**

Year	Number of exercises launched in-year	Applications	Selections	Applicants per selection	% A and B grade candidates to selections
2011-12	–	5,490	746	7.4	–
2012-13	–	4,637	597	7.8	–
2013-14	–	5,591	806	6.9	87%
2014-15	–	2,323	305	7.6	92%
2015-16	–	2,439	330	7.4	95%
2016-17	–	2,190	284	7.7	103%
2017-18	33	5,125	745	6.9	84%
2018-19	27	4,917	1,027	4.8	57%

Source: Judicial Appointments Commission.

7.85 The JAC evidence states that there were shortfalls in five of the selection exercises recorded in 2018-19. Of these five, two were Circuit Judge selections (including one for the Central Criminal Court), two were for Senior Circuit Judge selections and the last was for the High Court. Although the statistics for 2019-20 have not yet been released, we note that shortfalls have occurred in at least three competitions: High Court, Circuit Judge and District Judge.[204]

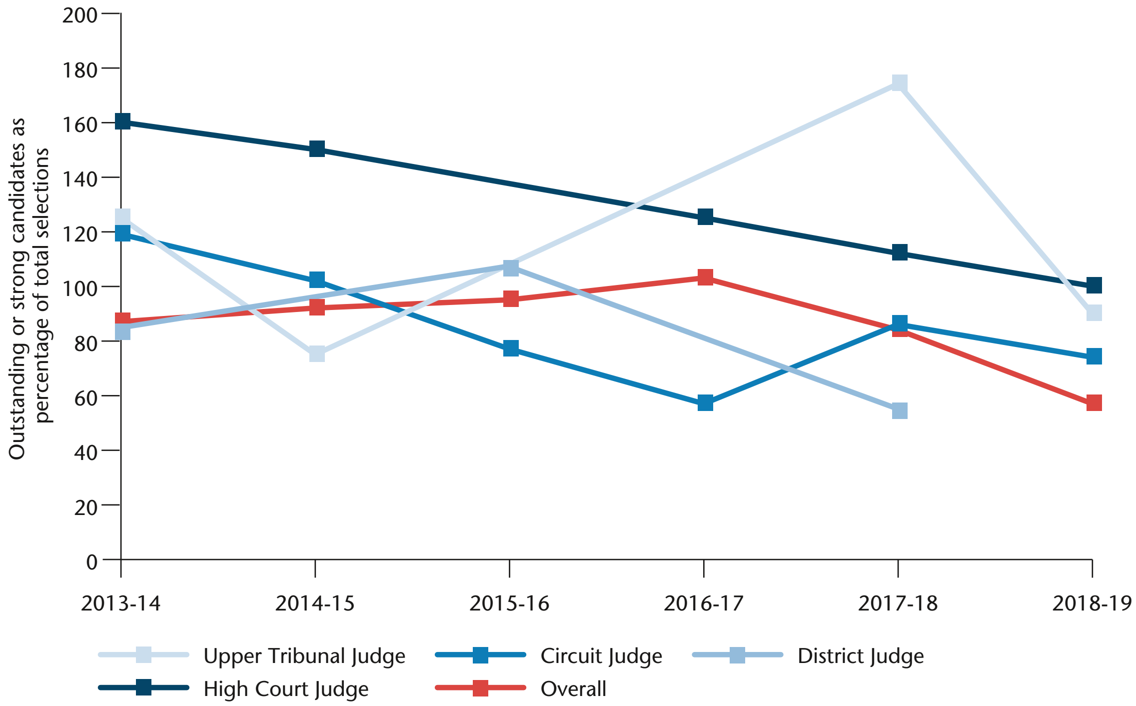
7.86 The Judicial Appointments Board for Scotland (JABS) and the Northern Ireland Judicial Appointments Commission (NIJAC) publish data annually on recruitment in Scotland and Northern Ireland respectively. Tables 7.11 and 7.12 in the Data Annex to this chapter show that there remains interest in applying for judicial posts, albeit with some fluctuation in the ratio of applications to selections.

7.87 The JAC uses a grading system to support the internal assessment of candidates throughout each selection exercise. Candidates are categorised as A (outstanding), B (strong), C (appointable) or D (not currently selectable). We have been told by the JAC that a grading of A-C indicates that a candidate is ready to take up an appointment as a judge immediately, with either no initial training or a short training programme, depending on the role in question. The JAC asked us to note that gradings are an internal assessment measure of a candidate's performance in a particular selection exercise and against the specific criteria for the role at that time. They do not indicate performance upon appointment.

7.88 The assessment of the grading of posts for different levels of the judiciary is set out in the relevant sections below. Figure 7.4 shows that the overall percentage of outstanding or strong candidates as a proportion of selections has fallen from 103 per cent in 2016-17 to 57 per cent in 2018-19. This decrease is replicated in the individual breakdown for High Court, Circuit, District and Upper Tribunal Judges, all of which have a lower proportion of candidates graded as 'outstanding' or 'strong' in 2018-19 than they did in 2013-14. While there are declines in quality gradings at all levels, they are particularly steep in the District Judge competitions, where record numbers of applications have been received but many vacancies were unfilled. This is discussed further in paragraph 7.114.

[204] See: paragraphs 7.93, 7.103 and 7.114 for further details.

Figure 7.4: **Number of A and B candidates as a percentage of total selections in England and Wales, 2013-14 to 2018-19**



Source: Judicial Appointments Commission.

SSRB analysis in relation to general judicial recruitment and workforce planning

7.89 We recognise the considerable steps taken to improve recruitment processes and timetables. Forward programmes for the short and long term, underpinned by supply and demand analysis, are now in operation. We welcome the recognition of the need for strategic longer-term planning for judicial recruitment and appreciate the work required, in particular by the judicial appointments bodies, in increasing the levels of judicial appointments made over the last two years. This is critical to help prevent the depletion of feeder pools as has happened in the past. However, given the stop-start nature of recruitment in recent years, we are sceptical that judicial recruitment will return to a 'steady state' in the next 18 months. In the Major Review, we noted the importance not only of the short-term effect of the depletion of 'feeder pools', but also of the longer-term changes in the perceived attractiveness of a salaried judicial career. This has been due in part to the pension changes but also to other perceptions among potential applicants about, for example, declining conditions of service and public esteem.

7.90 While we note the caveat about the meaning of the quality ratings used by the JAC, and would certainly not want to over-interpret small fluctuations or trends, we are concerned at the significant increase in the proportion of appointed judges receiving a 'C' rating from the JAC peer reviewers. We accept that some of this might reflect the difficulty in making gradings for candidates who are not currently practicing before the courts. However, there is a marked decline in the number of 'outstanding' or 'strong' candidates and there is repeated anecdotal evidence about judicial quality on the Circuit and District benches. There are also questions about whether current induction training is adequate for new intakes. We therefore think the size and steepness of the trend is a matter of real concern. We discussed this issue at some length in the Major Review. It may be that further attention needs to be directed at the process for allocating cases to reflect the experience of new judges, and serve as part of the induction process. We believe that this is an issue that the judiciary should look at with urgency.

7.91 We accept that measuring the 'quality' of the applicant pool for judicial posts is not susceptible to a 'hard' objective measure, and that care needs to be taken to ensure any measures do not cut across the objective of recruiting a more diverse judiciary, both in terms of candidate characteristics (gender and ethnic minority background) but also in the professional background (solicitors vs. barristers; Queen's Counsel (QC) vs. not). However, our firm view is this issue cannot be ducked by simply failing to collect and analyse evidence that can shed light on the issue of quality. To that end, we have raised the matter with all three judicial appointment bodies (England and Wales, Scotland and Northern Ireland). Currently, the JAC collects peer reviewer quality ratings; the NIJAC collects evidence of pre-appointment earnings (which would make clearer the size of the pay rise or pay cuts that successful judicial applicants were prepared to consider) and the JABS collects neither. **We would like to see all three judicial appointment bodies collect from all applicants evidence that helps track these trends. We believe these measures should include: the grading system currently used by the JAC (and carried out by peer reviewers); pre-appointments earnings; and information about the professional background of applicants**. We repeat that we know that none of these provide a single 'hard' measure of quality, but they would help both government and the SSRB assemble a picture, and alert all stakeholders to any sudden or large changes in time trends that were not the intended results of policies or practices related to judicial selection.

7.92 We noted in the Major Review that three sets of external research show that a short timeframe for applications and an over-rigid adherence to a competency framework (that restricts candidates from putting forward their relevant experience and skills, as well as their capacities) are significant disincentives to potential applicants.[205] In each of these studies, those applying wanted more time to prepare applications, and wanted to be able to highlight their experiences and skills in ways that did not disadvantage non-traditional applicants. The JAC told us that steps have been taken to address these issues for High Court Judges in England and Wales, with a longer period within which to submit applications (eight weeks compared to two/three weeks) and the inclusion of CVs, etc. While the JAC thought that it might consider these issues for other judicial posts over the next few years, we believe somewhat greater urgency is needed to attract more applications from qualified potential candidates because of the continuing shortfalls in appointing judges at all levels. We do not believe that, if sensitively implemented, these changes would undermine initiatives to improve judicial diversity. **We would therefore encourage all three judicial appointment bodies to consider implementing similar changes for all judicial recruitments within a reasonable timeframe.**

Recruitment: Judges in salary group 4

7.93 The first High Court vacancy occurred in 2014-15.[206] Since then, there have been four consecutive competitions which have resulted in shortfalls, ranging from six to 15. The JAC launched the latest High Court competition in October 2019. This is the fourth competition in a row seeking to fill up to 25 vacancies, which represents almost a quarter of the High Court Bench. As a result of successive shortfalls, the High Court has been working below its statutory complement of 108 judges since at least 2016.

7.94 In oral evidence, the JAC confirmed it does not, by agreement, recommend any candidate for appointment to the High Court unless they are assessed as either A

[205] The Attractiveness of Senior Judicial Appointments to Highly Qualified Practitioners, Dame Hazel Genn DBE QC on behalf of the Judicial Executive Board, 2008. The Attractiveness of Judicial Appointments in the United Kingdom, Report to the Senior Salaries Review Body, University of Cambridge, 2018 (see: https://www.gov.uk/government/organisations/review-body-on-senior-salaries). Report on QCs Attitudes regarding Appointment as a Senator of the College of Justice, 2017 (see: http://www.scotland-judiciary.org.uk/Upload/Documents/ReportonQCsattitudesreappointmentasSenator.PDF). Barriers to High Court Appointments in Northern Ireland, QUB, 2019 (see: https://pure.qub.ac.uk/files/192730958/ReportFINAL.pdf).

[206] See: table 7.13 (Data Annex).

(outstanding) or B (strong). Therefore, no C (appointable) candidates are put forward for selection. Hence, if not enough A and B graded candidates are available, High Court vacancies will not be filled and will be carried forward. Both the LCJ and the Lord Chancellor confirmed in oral evidence that the brief to the JAC is to leave vacancies empty if it does not have the quality of applicants to fill them.

7.95 The JABS told us that the most recent recruitment exercise for the post of Senators in Scotland was held this year, three years after the last one in 2016-17. In both these competitions, all vacancies, including reserve lists, were filled.[207]

7.96 In oral evidence, the Lord President said that, although all the vacancies were filled in the last competition, there was a limited number of good quality and appropriately experienced candidates from the Bar and large solicitors' firms. He pointed out that a number of Senatorial retirements are expected in the next five or six years which will require more recruitment competitions, and appointments will need to include those with expertise in civil and commercial cases.

7.97 The NIJAC explained that two of the three competitions for Northern Ireland High Court positions since 2016 had resulted in none of the advertised vacancies being filled.[208] In oral evidence, the LCJ-NI said that there was an increasing pressure on High Court resources due to numerous requests for High Court Judges to deal with legacy inquiries arising from the Troubles. The LCJ-NI also said that an agreement in principle had been reached to increase the statutory complement from the current 10. This will make it even more important to address the current recruitment shortfalls.

SSRB analysis of recruitment of group 4 judges

7.98 The recent High Court competition resulted in a higher number of applicants and appointments than the two competitions preceding it. Both the Lord Chancellor and the LCJ considered that this had been as a result of the new RRA and the promise of pension reform. While there was also a consensus among the Lord Chancellor, the LCJ and the Chair of the JAC that the competition had attracted high calibre candidates resulting in high quality appointments, we note that only 17 of the 68 applicants were deemed to be of high enough quality to be appointed.

7.99 While we accept the new RRAs may have prevented further deterioration in recruitment at this level, the fact remains that shortfalls continue and the accumulation of these over successive competitions has resulted in an unprecedented number of vacancies on the High Court Bench. We note that a further competition is underway which we have been told has attracted a low number of applicants and is therefore likely to result in potential further shortfalls. These shortfalls, coupled with expected retirements and elevations to the Court of Appeal, will put further pressure on the aim of restoring the High Court back to full complement.

7.100 In Scotland, vacancies at Senator level continue to be filled. However, we are conscious that future shortfalls may start to arise given the impending levels of expected retirements.

7.101 We are concerned about the continuing difficulties to recruit High Court Judges in Northern Ireland. The LCJ-NI told us that he had been exploring various options to address this, including creating a new role of temporary High Court Judge and seeking legislative changes to increase the size of the complement. However, given the unique position Northern Ireland faces, with increasing workload burdens arising from legacy inquiries, there is an urgent need to recruit judges and restore, and potentially increase, the High Court complement.

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[207] See: table 7.14 (Data Annex).

[208] See: table 7.15 (Data Annex).

7.102 These recruitment difficulties also highlight the urgency of finding a solution to implementing RRAs for judges in Scotland and Northern Ireland.

Recruitment: Judges in salary group 6.1

7.103 In 2019-20, a competition was run to recruit 50 Circuit Judges,[209] the first competition since the announcement of a 15 per cent RRA for Circuit Judges in 2019. The competition resulted in a shortfall of eight, which was an improvement on the previous competition in 2018-19, which resulted in a shortfall of 22. However, while there was an increase in the applicants to post ratio in comparison to the previous competitions, the fact remains that there have been unfilled vacancies in four successive competitions.

7.104 The JAC told us that the latest competition was launched in February 2020 and was seeking to fill a further 50 vacancies.

7.105 In oral evidence, the LCJ said the number of applicants to the Circuit Bench had fallen during the last two competitions. He said that there was a particular need to recruit civil and family Circuit Judges, where the workload demands were increasing. In contrast, workload in the Crown Court was decreasing and there was currently less demand for specialist criminal judges.

7.106 The Council of Circuit Judges said that the profile of new recruits to the Circuit Bench was changing and there had been a "downward spiral in terms of ability to recruit from the professions". It said that, from the research it had conducted, 34 per cent of new Circuit Judge appointments announced between 1 January 2019 and 4 November 2019, had no previous experience of sitting as a Recorder.

7.107 There were no Recorder competitions between 2015 and 2017.[210] Following the hiatus of fee-paid competitions between 2015 and 2017, annual competitions have now been reinstated into the JAC forward programme. We note from table 7.3 that although the size of the Recorder pool is less than three-quarters of the size it was in 2010, numbers have increased since 2018.

7.108 In relation to the recruitment of Upper Tribunal Judges in England and Wales, there is a generally stable picture with no shortfalls.[211]

7.109 The JABS told us that a competition for the Office of Sheriff was run in 2019 seeking to fill eight vacancies.[212] In total, 46 applications were received and all vacancies were filled. However, the Lord President said in oral evidence, that although all the vacancies for Sheriffs had been filled during the last competition, there had not been enough candidates for the reserve list. These comments were echoed by the Sheriffs' Association. The Lord President also said that there had been no external applicants for the recently advertised role of Sheriffs Principal. All applicants had been serving Sheriffs.

7.110 In Northern Ireland, at County Court level, there were 30 applications for the one County Court Judge post advertised in 2018-19. The LCJ-NI said that although this post was filled, he was concerned that the feeder pool of quality applicants was running low.

SSRB analysis in relation to the recruitment of group 6.1 judges

7.111 As with the High Court Judges, the introduction of RRAs and the promise of pension reform has been cited as a reason for a slightly improved recruitment position for the

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[209] See: table 7.16 (Data Annex).

[210] See: table 7.17 (Data Annex).

[211] See: table 7.18 (Data Annex).

[212] See: table 7.19 (Data Annex).

Circuit Bench. However, we note that the number of applications has fallen, as has the proportion of candidates rated as outstanding or strong. Following the withdrawal of the RRA for Circuit Judges from April 2020, we will be particularly monitoring the outcome of the current Circuit Judge competition. While we acknowledge the changes to the pension taxation offset the deterioration in total net remuneration for Circuit Judges, evidence shows that the relative pay of different judges affects morale and may therefore affect future recruitment.

7.112 The Council of Circuit Judges said in its evidence that it was concerned about a drop in the number of those who have been QCs being appointed to the Circuit Bench. Although the JAC collects a limited amount of information about the professional background of successful appointments to the judiciary, it does not collect data on those who have been QCs prior to their judicial appointment. We recognise the importance of diversity. However, while there may be good reasons for the numbers of QCs on the Circuit Bench to have reduced over time, there may also be concerns if no QCs ever apply for, or are appointed to, the Circuit Bench. It seems to us that there is clearly merit in collecting these data and monitoring the numbers over time, not, we stress again, as part of any quota or requirement, but simply as one indicator of the attractiveness of the Circuit Bench.

7.113 While vacancies continue to be filled at Sheriff level in Scotland and at the County Court in Northern Ireland, we note the concerns of the respective Heads of Jurisdiction in relation to future competitions. These issues may also have been exacerbated by the decision not to extend the RRA to these judges in June 2019. The dismay felt by these judges was notable, as demonstrated by the County Court Judges in Northern Ireland considering working to rule. Again, it should not be underestimated how the lack of parity with their counterparts in England and Wales has affected morale, and therefore potentially recruitment.

Recruitment: Judges in salary group 7

7.114 The first shortfall at the District Bench level occurred in 2017-18, with 95 vacancies (out of 100.5) being filled.[213] In 2019-20, the competition to recruit 92 judges resulted in a shortfall of 45. This meant that only around half the vacancies were filled. We understand a competition was launched in October 2019 which is seeking to fill a further 75 vacancies.

7.115 The District Bench predominantly recruits from the pool of fee-paid DDJs. Prior to 2018, there had not been a DDJ (civil) competition since 2015.[214] The MoJ told us that the JAC had recruited 320 DDJs in 2018-19. A new competition, seeking to fill 200 vacancies, was launched in March 2019.

7.116 Recruitment for First-tier Tribunal posts remains stable. In 2017-18, the JAC ran a competition for 65 salaried judges of the First-tier Tribunal. This competition recruited 45 judges for immediate appointment and 19 selections for possible future vacancies, leaving a shortfall of one from a pool of 956 applicants. In the same year, there were five vacancies successfully filled by competitions for specific posts in the First-tier Tribunal, from a pool of 36 applicants. In 2018-19, there were three competitions for individual posts in the First-tier Tribunal, two of which were successful, with a total pool of 28 applicants.

7.117 The JAC ran a competition for Employment Judges in 2018-19, which recruited judges for all 59 advertised vacancies.[215]

[213] See: table 7.20 (Data Annex).

[214] See: table 7.21 (Data Annex).

[215] See: table 7.22 (Data Annex).

SSRB analysis of the recruitment of group 7 judges

7.118 The emerging problems with recruitment to the District Bench that we noted in the Major Review have intensified, both in the number and quality of applicants and appointments. The proportion of candidates assessed as outstanding or strong compared to the number of selections was 56 per cent in 2017-18. While this is an arguably acceptable level, it is considerably lower than the equivalent figure in 2015-16, which was 107 per cent.

7.119 The view of the Lord Chancellor, the judicial leadership and the JAC is that the recruitment problems at the District Bench will be solved by the replenishment of the fee-paid DDJ feeder pool. However, we note from table 7.3 earlier in this chapter that the number of DDJs has by no means been wholly depleted, even when taking into consideration the recent recruitment of 320 new judges. The overall number of DDJs across the courts is now 93 per cent of peak levels in 2011. Before the recent recruitment in 2018, it was 72 per cent. While we acknowledge that having a large feeder pool from which to recruit is important, we consider that other factors, such as the unhappiness of the District Judges about their absolute levels of pay in the light of the pension tax regime then in place, and about their position relative to other categories of judges who received RRAs, are also affecting recruitment.

Evidence: retention and retirement

7.120 For the judiciary, appointees will normally join after many years working as a legal professional and there is a long-standing convention that they will not return to private practice. Therefore, for most judges, leaving the salaried judiciary coincides with retirement. The mandatory retirement age for the salaried judiciary is 70. Monitoring the age of those retiring is one measure to ascertain how well judges are retained.

7.121 Table 7.7 below sets out data on the number of retirements of salaried judges in England and Wales, and their average age at departure between 2011-12 and 2018-19. The data show that there has been a fairly consistent number of judicial retirees each year and a fairly consistent average age at which judges retire. This varies slightly between salary groups, with District Judges retiring on average earlier than High Court Judges, but that variation too has been stable over time. In aggregate, many judges decide to leave before the age of 70. However, the number of early leavers is not generally increasing, and judicial retirements are generally not happening earlier than they did in the recent past.

Table 7.7: **Number of retirements of salaried judges and average age of departure in England and Wales, 2011-12 to 2018-19**

Years	Number of retirements	Average age
2011-12	126 (6 DIO, 3 MR)	66.6
2012-13	145 (8 DIO, 6 MR)	66.0
2013-14	91 (3 MR)	66.9
2014-15	145 (7 DIO, 2 MR, 2 RFO)	66.1
2015-16	138 (5 DIO)	66.7
2016-17	146 (6 DIO)	67.4
2017-18	109 (4 DIO)	66.8
2018-19	114 (3 DIO)	67.0

Key: DIO (death in office), MR (medical retirement), RFO (removal from office).

Source: Judicial Office, unpublished.

7.122 In England and Wales, there do not appear to be any significant retention issues and no evidence of changes in the rates of early retirements. Key points to note are:

- The number of members of the higher judiciary[216] retiring before 65 has decreased from eight (24 per cent of all retirements) in 2016-17 to zero in 2018-19.
- The number of Circuit Judges retiring before 70 rose between 2017-18 and 2018-19 (from 16 to 25), but remains well below the 39 Circuit Judges retiring before 70 in 2016-17.
- The number of District Judges retiring before 70 represented 86 per cent of District Judge retirements in 2018-19, while 46 per cent of District Judge retirements were before 65. This is consistent with the trends in 2016-17 and 2017-18. The Association of Her Majesty's District Judges highlighted that since February 2018, 47 District Judges had retired, six of whom were under the age of 65, while 17 had less than the 20 years' service that would entitle them to a full pension.

7.123 In England and Wales, the Judicial Office conducted an Early Leavers survey amongst all judges retiring before their statutory retirement age with the aim of understanding the reasons why they had taken early retirement.[217] Fourteen out of the 24 judges who left before their 69th birthday between 1 April and 30 September 2019 responded to the survey. Results from this survey include:

- The most common reason for leaving was 'I had things I wanted to do with my life while I am able', and the next most common was a 'deterioration in the judicial work environment' with a number of respondents highlighting problems with administrative support.
- Three out of 14 pointed to changes to judicial remuneration (with judges able to select as many factors as they wished).
- None of the 14 judges had gone on to other paid employment.
- Eight of the 14 judges said that an improvement in financial compensation for their judicial work would have prompted them to reconsider leaving the judiciary early, while seven said that an improvement in judicial leadership would have led to reconsideration.

7.124 In Scotland, while there are no current retention concerns, the Judicial Office for Scotland said that there will be a significant turnover of members of the judiciary over the next few years. This includes a forecast of the statutory retirements of 19 Senators up to 2026.[218] In addition, it said that an increasing number of judges were considering early retirement and salaried part-time working. The Sheriffs' Association said that Sheriffs were now increasingly wanting to retire in their early 60s or to work part time which exacerbated the recruitment/shortage issue.

7.125 In Northern Ireland, there have not been any early retirements since 2016-17.

Salaried part-time working

7.126 In the Major Review, we observed that, because of the way the tax system operated at that time, many judges could work 80 per cent of full-time salaried hours and take home as much as if they had been working full time.[219] While the retention and retirement

[216] Defined by the Judicial Office (for this purpose) as Senior Circuit Judges and above.

[217] See: table 7.23 (Data Annex).

[218] The current complement of Senators is 35.

[219] See: paragraph 5.58, Supplement to the 40th Annual Report on Senior Salaries 2018. https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/751903/Supp_to_the_SSRB_Fortieth_Annual_Report_2018_Major_Review_of_the_Judicial_Salary_Structure.pdf

picture for the judiciary looks fairly stable, it is therefore of interest to monitor how applications for salaried part-time working have changed.

7.127 Table 7.8 shows the number of part-time salaried judges in 2019 in England and Wales. The propensity of salaried tribunal judges to work part time is much higher than that of salaried court judges. In the courts, the proportion working part time is lower in the higher courts, with only one in 97 High Court Judges working part time.

Table 7.8: **Number of full-time and part-time salaried judges in England and Wales, by tier of court and tribunal, at 1 April 2019**

Role	Full time	Part time	Per cent part time
Courts	1,248	147	11%
High Court Judge	96	1	1%
Circuit Judge	608	62	9%
District Judge	467	79	14%
Tribunals	262	135	34%
Upper Tribunal	34	20	37%
First-tier Tribunal	175	68	28%
Employment Tribunal	53	47	47%

Source: Ministry of Justice written evidence.

7.128 The Lord President said defining the statutory complement for Senators as headcount, and not full-time equivalents (FTE), was limiting opportunities to extend flexible working patterns at this level. There were currently three Senators on salaried part-time working patterns (working 80 or 90 per cent of full-time working days) but there is no mechanism to increase the headcount to maintain an FTE of 35. **We hope that the Scottish government will consider taking the requisite legislative action to convert the statutory complement of Senators to an FTE definition.** This would be in line with the changes made to the High Court complement in England and Wales.

7.129 The LCJ-NI said that while flexible working arrangements had been offered, there had been little take up.

Evidence: morale and motivation

7.130 In previous Reports, we have commented on the findings from the Judicial Attitude Surveys that were conducted in 2014 and 2016 across all three jurisdictions. Unfortunately, surveys have not been carried out more recently. Since the last survey was conducted before the Major Review and the changes subsequently announced by the government, we consider that it is essential that a new survey takes place this year and at least biennially thereafter.

7.131 In the evidence we have received, morale appears particularly low among the District Bench following the government's decision not to award them an RRA while doing so for higher levels of the judiciary. The uncertainty around government promises to review judicial pensions is also affecting morale among some judicial groups.

7.132 In Scotland, the Sheriffs' Association said morale was very low. The evidence stated that out of a complement of 124 Sheriffs, 31 had indicated they would retire in the next two years and 34 were considering salaried part-time working.

7.133 In Northern Ireland, the LCJ-NI said that morale was particularly low among the County Court Judges who had not received the RRA and who were feeling unvalued by the government. In the absence of a decision on the RRA, they were considering working to rule, which the LCJ-NI said would have significant implications on the operation of the courts.

7.134 In evidence, the NIJAC said it had commissioned Queen's University Belfast (QUB) to undertake research into the real and perceived barriers that may be influencing those at relatively senior levels in the legal professions when they are making decisions about whether to apply for a position as a High Court Judge.[220] It had become apparent that such positions were not as attractive to potential applicants as in previous years.

7.135 The QUB report found that pay and pensions are among the commonest barriers to seeking senior judicial appointment in this jurisdiction. Interviewees commented on the changes to the judicial pension scheme in 2015 and the relatively low salary attached to the position of High Court Judges in comparison with the higher salaries earned by successful QCs and senior partners in firms of solicitors. Other barriers to seeking appointment include lack of control over workload, changes to the work at the High Court Bench (increased volume and complexity), exposure to public criticism and the recruitment process itself.

Conclusions and recommendations

Key points from the evidence data and analysis

7.136 Since the Major Review, there have been many competitions and appointments. At the High Court and Circuit Bench, numbers of applications and appointments have increased. However, shortfalls in appointments remain at both levels, with both benches continuing to operate below the statutory or desired complement. While there remains a decision that only candidates graded A and B by the JAC will be appointed to the High Court,[221] this is not true of the Circuit Bench, and we have heard that some recent Circuit Judge appointees may have experience and skills that require a longer training regime than was the case with previous cohorts.

7.137 Meanwhile, the emerging problems with recruitment to the District Bench that we noted in the Major Review have intensified, both in terms of the number and quality of applicants and appointees. As with all categories of the judiciary, the problems are with the recruitment of new judges and not the retention of existing judges.

7.138 In the judiciary as a whole, we have seen no evidence of growth in early retirement since the Major Review. We have, however, seen indications that judicial morale continues to be an issue, and have observed this in the course of our meetings and evidence gathering. The RRAs have undoubtedly helped with recruitment to the High Court and Circuit Bench, but so too has the promise of pension reform. The value of the (old) JUPRA pension scheme relative to the new one may not always be understood by those within it, and the RRAs have reduced the sense of cohesion among the judiciary. Judges in salary group 7 (District Judges and First-tier Tribunal Judges) were unhappy about being excluded from the award of any RRA, and these feelings strengthened the closer they came to being affected by the annual allowance pension tax taper. We think it likely that this vocal unhappiness, and its communication to potential applicants, has contributed to the recruitment difficulties for this group.

7.139 Furthermore, the delay in finding a solution to implement RRAs in Scotland and Northern Ireland has undermined the established convention of pay parity across the UK jurisdictions and the sense of a cohesive UK judiciary.

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[220] See: https://pure.qub.ac.uk/files/192730958/ReportFINAL.pdf

[221] See: paragraph 7.87 for further explanation of the grading.

Pay recommendations for 2020-21

7.140 The findings of our 2018 Major Review continued to inform our deliberations on judicial pay this year.

7.141 The salary levels the SSRB recommended in the Major Review were intended to achieve total net remuneration levels that we considered stood a "reasonable chance of improving recruitment to the judiciary at different levels."[222] The recommendations were made on the assumption that pension tax arrangements, which are outside our terms of reference, remained unchanged.

7.142 The government has announced it would respond instead with judicial pension reform, and the immediate introduction of RRAs, as a temporary measure for judges in groups with the most acute recruitment problems. The levels of these RRAs were about seven percentage points lower than the levels of pay increases we recommended. As a result, the District Bench, where we had flagged emerging recruitment issues and had recommended an 8 per cent salary uplift, did not receive an RRA. There has been some improvement to the recruitment picture for judges in the groups receiving RRAs but the government acknowledges that these allowances are not a satisfactory permanent solution, for the reasons we have discussed above.

7.143 As set out in paragraph 7.49, the changes to the annual allowance taper announced in the March 2020 budget will offset the deterioration in total remuneration for Circuit Judges over the last decade. As a result, from 1 April 2020, the government withdrew the RRA completely for Circuit Judges and other judges in receipt of it below group 4. The 25 per cent RRA for eligible[223] High Court Judges and above was retained.

7.144 However, the March 2020 budget changes do not offset the fall in remuneration as a result of the shift in tax status of the pension scheme and the increased exposure of this remit group to lifetime allowance tax charges. While the RRAs have been temporarily useful, we do not consider them a long-term solution to pay levels or to judicial recruitment and morale. In evidence put to us, we have seen the extent to which they can undermine cohesiveness and collegial behaviour, not just between judges on the same spot rate receiving large differences in take-home pay owing to their pension scheme membership, but also between different tiers of the judiciary according to the levels of the allowances. This could potentially undermine the steps being taken by the senior judiciary and the MoJ to put in place a better managed, more flexible and more cohesive judiciary, as recommended by the Major Review. The RRAs create further anomalies in an already complicated system.

7.145 The government's proposals for changes to the judicial pension scheme have not yet been published. While it is outside our remit to comment on pensions policy, we believe it is a matter of urgency to reach a more stable and less divisive settlement in some form, not least to improve the sense of collegiality and cohesiveness among the judiciary as a whole. Until then, no one can assess how successfully pension reform will provide a stable foundation for future judicial remuneration and a comprehensive government response to the Major Review. It is against this context that we have considered our recommendations for this year.

7.146 We think it imperative that government moves with real urgency to consult about and implement the judicial pension changes that it announced in June 2019. We have made our pay recommendations for this year on the understanding that it will do so. Further delay would risk undermining judicial trust in government, with damaging consequences

[222] Supplement to the Fortieth Annual Report on Senior Salaries 2018 (paragraph 5.87). See: https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/751903/Supp_to_the_SSRB_Fortieth_Annual_Report_2018_Major_Review_of_the_Judicial_Salary_Structure.pdf

[223] Those with membership in the NJPS or eligible to be in it.

for recruitment and retention. If things have not significantly moved forward by next year, and there is no improvement in the recruitment and retention situation, we will have to consider recommendations that respond appropriately, drawing on the approach we took in the Major Review.

7.147 Meanwhile, much of the evidence we have seen this year would normally justify our recommending a significant pay increase for new members of all judicial groups.[224] While the general recruitment situation has not worsened significantly (except for the District Bench), it has not improved nearly as much as is needed.

7.148 In making our recommendations, we would also typically have regard to annual growth in public sector average weekly earnings (3.4 per cent in the three months to February 2020) and the CPI inflation rate (1.5 per cent in March 2020).[225] However, we recognise that these are not normal times. In Chapter 3 of this Report, we set out the significant economic challenges and uncertainty.

7.149 We note the MoJ's proposal is for a 2 per cent pay award and that the government has asked that we continue to base our recommendations on the evidence provided pre-Covid-19.

7.150 We have discussed in part 1 of the Executive Summary the potential impact of Covid-19 on the economy, pay and government finances. Given this, and the government's stated intent to deliver pension reform, we have decided not to recommend higher pay increases this year. **We therefore recommend a pay award of 2 per cent for all the judiciary, pending the longer-term reform we hope to see next year.** If, however, recruitment difficulties at their current scale persist, and there is no movement towards a more lasting solution, we will need to reconsider whether higher salaries are needed next year.

Recommendation 12: We recommend that all members of the judiciary should receive a consolidated 2 per cent pay award.

7.151 The recommended award will add an estimated £11 million to the paybill for England and Wales, £1 million to the paybill for Scotland and £0.3 million to the paybill for Northern Ireland. The pay scales for a 2 per cent pay award are set out in table 7.9 below.

[224] Judges not in JUPRA, whose total net remuneration is significantly greater than judges in, or eligible to be in, the NJPS.

[225] Latest data available, published April 2020.

Table 7.9: **Recommended judicial salaries from 1 April 2020**

Salary group	Recommended judicial salaries from 1 April 2020
1	£267,509
1.1	£238,868
2	£230,717
3	£219,396
4	£192,679
5+	£163,585
5	£154,527
6.1	£143,095
6.2	£134,717
7	£114,793
8	£91,217

Note: These salaries do not include recruitment and retention allowances.

District Judges

7.152 We were asked in this year's remit letter to look particularly at District Judge recruitment and retention.

7.153 During this round we received considerable evidence of worsening morale and recruitment to the District Bench (though not other group 7 judges). Many District Judges feel unvalued by the government. We note the very high proportion of the cohort (366 out of 410) who wrote to the President of the Association of Her Majesty's District Judges to raise their concerns about their pay, and their disappointment at the government's response to the Major Review. On the evidence we have seen, the unhappiness of the District Judges is both about their absolute levels of pay in the light of the pension tax regime then in place, and about their position relative to other categories of judges who got RRAs (another example of the potential for the RRA regime to undermine judicial cohesiveness).

7.154 The view of the Lord Chancellor, the judicial leadership and the JAC is that the recruitment problems at the District Bench will be solved by the replenishment of the fee-paid DDJ feeder pool. Since this pool has indeed decreased in size, and District Judges are required to have previous judicial experience, their argument is that replenishing the feeder pool will be both necessary and sufficient to recruit the required number and quality of District Judges. They noted too that there have been no such problems in recruiting tribunal judges in group 7 (where there is no requirement of previous judicial experience). In oral evidence, the judicial leadership acknowledged that pay is a factor affecting morale (and therefore, indirectly, possibly affecting recruitment). However, it believes that the shortfall in the feeder pool caused by years of non-recruitment, alongside factors such as poor working conditions and increased workloads, were the principal factors that need to be addressed.

7.155 We agree that there are many factors behind the shortfall in recruiting District Judges. We agree too that the depletion of the feeder pool is an important factor, though we note as well the absence of evidence that newly-appointed fee-paid DDJs will apply for salaried District Judge posts at the same rate as their predecessors. We also note that the Major Review showed that District Judges on average took a pay cut to join the judiciary, while this was not true, on average, for First-tier Tribunal Judges. Having seen the evidence about the strength of feeling about the government's decision not to provide an RRA for group 7 judges, we are not convinced that pay is irrelevant. On the contrary, we doubt whether the current levels of pay are sustainable.

7.156 For these reasons, we considered recommending an additional pay award to recently appointed group 7 judges.[226] However, we are reluctant to start making separate awards to different categories of judges at a time when there is the impending prospect of significant changes to overall judicial pension arrangements, and when the fostering of judicial cohesion, rather than division, seems to us imperative. We are also conscious that we do not yet have evidence on whether an increase in DDJs will translate into improved recruitment of salaried District Judges. On balance, we have decided not to recommend an award or allowance targeted at the District Bench this year. **However, we will look closely at District Judge recruitment next year and will consider recommending a targeted award then if the evidence supports it.**

Looking ahead

7.157 The government has announced it will address the recruitment issues linked to the total remuneration offer through pension reform rather than by substantially increasing salaries as we recommended. We are strongly of the view that it should act quickly to deliver its promise. This is essential to remove the uncertainty about the long-term settlement of judicial pay which is proving damaging to recruitment and morale. The judiciary, at all levels, has placed much weight on the government's commitment to pension reform and we have little doubt that this has helped improve recruitment. However, should this commitment not be met, there will be serious and long-lasting implications for the recruitment, retention, motivation and morale of the UK judiciary. Having a single new judicial pension scheme for all tiers of the judiciary would help foster collegiality and cohesiveness and encourage continuing improvements in the management of the judiciary as a system, rather than as a set of fragmented roles.

7.158 **We also urge that any decisions, whether temporary or permanent, are made with reference to the principle of pay parity across all three jurisdictions in the UK. We consider that implementation should be made simultaneously in all three jurisdictions.**

7.159 Throughout this chapter, we have made some observations about issues which, while not directly pay related, we consider relevant to judicial recruitment and retention. These include: the working environment of the judiciary (see paragraph 7.67); collecting and building evidence to enable a more objective assessment of changes in quality of appointments (see paragraph 7.91); and the judicial appointments process (see paragraph 7.92). We would welcome evidence on these areas next year. In relation to the collection of new data, we would be happy to work with the judicial appointments bodies to explain our reasoning and encourage progress.

7.160 The last assessment of the judiciary against our strategic priorities was set out in our 2017 Report, just after we had commenced our Major Review of the Judicial Salary Structure. Our assessment of the position this year for the judiciary and discussion on the areas on which we consider the judicial leaderships and MoJ should focus, are set out in Chapter 2.

[226] This would apply to judges not in the JUPRA pension scheme.

Chapter 7

The Judiciary (part 2): Job Placements and Leadership Allowances

Remit

7.161 In response to the Major Review in June 2019, the government made a commitment to seek further advice from the SSRB on the placement of a number of judicial offices. In his remit letter this year,[227] the Lord Chancellor therefore asked us to consider the appropriate salary placement of Upper Tribunal Judges and Senior Masters and Registrars.[228]

7.162 In our response to the remit letter,[229] we noted that we would not wish to make any recommendations for these posts that might potentially compromise a more strategic approach in the future to the creation of a coherent structure of judicial leadership. The remit, and our concerns about the need for a strategic approach, were further discussed with the Lord Chancellor and in a separate meeting with the Lord Chief Justice (LCJ) and the Senior President of Tribunals (SPT).

Background: Major Review proposals and the government response

Approach and methodology

7.163 At the outset of the 2018 Major Review, we made a conscious decision not to take account of the changes to job placements recommended by the 2011 Major Review, which had neither been accepted nor implemented by the government. We felt that, whatever the rationale for the recommendations of our predecessors in the previous Major Review, we needed to start from the current *status quo*, and form our own views.

7.164 We also decided to take a different approach from the one taken in the 2011 Major Review for considering the placement of posts in a salary structure. We particularly wanted consistency between job descriptions, produced under judicial oversight. We then used a judgement panel process, facilitated by the Institute of Employment Studies (IES) to assess these job descriptions.[230] In addition, we gathered evidence from our programme of visits, from a Call for Evidence, from a separate consultation on the salary structure, and from oral evidence sessions with government and judicial representatives.

7.165 Early on in the Major Review, we identified some overarching principles which we thought fundamental to a robust judicial pay structure. These were agreed upon and supported by the judiciary and governments across the UK as being the right foundations upon which to build. Our recommendations in the Major Review were based on these, and we continue to use these principles to guide our judgements in the current review. These are set out in paragraph 7.77 in part 1 of this chapter.

Recommendations on the salary structure

7.166 In the Major Review, we concluded that there was a general need for a more flexible judicial pay system enabling greater recognition for judges who take on leadership roles that were currently not recognised by the existing judicial salary structure. We were also

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[227] See: The remit letter from the Lord Chancellor is reproduced in Appendix H.

[228] Senior Masters and Registrars refer specifically to the offices of Senior Master of the Queen's Bench Division, Chief Chancery Master, Senior Costs Judge, and Chief Insolvency and Company Court Judge.

[229] See: The SSRB Chair's response to the Lord Chancellor's remit letter is reproduced in Appendix I.

[230] See: https://www.gov.uk/government/publications/ies-report-on-the-placement-of-judicial-posts

of the view that a more coherent approach was needed to address some anomalies and avoid others in future. We highlighted that these issues arose in particular at the Circuit Bench, where the distinction between the pay arrangements of the Senior Circuit Judge (group 5) and a Circuit Judge (group 6.1) had developed on an *ad hoc* basis, which had been described as neither fair nor consistent.

7.167 Specifically, we recommended the merger of the previous groups 5+, 5 and 6.1, to create a new group V, covering the broad range of judicial posts that sat between the High Court (new group IV) and the District Bench and First-tier Tribunals (new group VI). We also recommended that there should be four levels of leadership supplement within this expanded group V, with the judicial leadership determining what leadership supplements different judicial posts might attract. We also considered that any new allowances for leadership responsibilities should apply for only as long as the office holder held the post for which the allowance had been awarded.

7.168 While we were clear that this general approach had much merit, the focus of our recommendations was on the strategic aspects of the structure, rather than its details. We considered that the details of the final structure and the placement of individual posts should not only be informed by the more accurate and consistent job descriptions compiled for the Major Review, but also be led and managed by the judiciary itself, as this was clearly now their responsibility, as set out in the Constitutional Reform Act 2005.

Upper Tribunal Judges

7.169 With regard to the Upper Tribunal Judges, we concluded in the Major Review that they were not appropriately placed in group 6.1, and the Judgement Panel we convened agreed. However, within the proposed new broad group V, we said it should be for the judicial leadership to determine what level of supplement the Upper Tribunal Judges might attract, and therefore where they would sit within the new group.

7.170 Since the government did not accept the new structure with leadership supplements we proposed, it did not move Upper Tribunal Judges, who therefore remained in group 6.1. The government's response to the Major Review also stated that it was not possible to pay Upper Tribunal Judges a leadership allowance as they did not have leadership responsibilities (in the sense of person management) for other judges.

Senior Masters and Registrars

7.171 With regard to the Senior Masters and Registrars, the Major Review recommended that they too should be placed within the new group V. We recognised, however, that they would require a leadership supplement, since we had recommended that the Masters and Cost Judges, for whom they have leadership responsibilities, should also be placed in group V. We recommended that the judicial leadership should determine what level of supplement was appropriate.

7.172 The government accepted our recommendation that Masters and Cost Judges should move up from their previous group 7. However, since the government did not accept our proposed new salary structure, the Masters were moved into salary group 6.1. This is the same salary group as the Senior Masters, and the current legal framework states that Senior Masters cannot be paid the same as the judges they lead. Therefore, the MoJ gave the Senior Masters an interim 3 per cent salary uplift from 1 October 2019, pending a long-term solution.

7.173 In relation to both Upper Tribunal Judges and Senior Masters, the government accepted that further comparative analysis was needed to assess their placement and said it would consult further on this.

Evidence

7.174 This year, we received written and oral evidence on the placement remit from the Lord Chancellor and jointly from the LCJ and SPT. In addition, a number of judicial associations submitted evidence on these issues. This included the Council of Upper Tribunal Judges, the Chamber Presidents and the Senior Masters and Registrars. We also met informally with these groups.

7.175 In evidence, the MoJ put forward options for both the Upper Tribunal Judges and the Senior Master and Registrar posts. These were: to create a new salary group between groups 5 and 6.1, or to move the posts to group 5. For the Upper Tribunal Judges, the MoJ also proposed the third option of them remaining in group 6.1.

7.176 In support of their evidence to us, the LCJ and SPT commissioned a report from Accenture on the principles and approach to judicial pay and grading and leadership allowances.[231] The commissioning of this work was in part an acknowledgement of the SSRB's concern that we could make no recommendations for the two posts if they were likely to impede the strategic development of a coherent system to address the issues raised in the course of the Major Review about judicial leadership.

Accenture review of Judicial Pay Grading and Leadership Allowances

7.177 In its review, Accenture focussed on the pay grading and leadership allowance considerations for groups 5 and 6.1, including the position of the Upper Tribunal Judges and the Senior Master and Registrar posts. One important element underpinning the review was the LCJ's and SPT's desire to achieve greater harmonisation between the courts and tribunals Judiciary.

7.178 The approach taken and principles set out in the Accenture review are commensurate with those we established in the Major Review. While a quantitative assessment of job descriptions was used to examine boundaries, Accenture concluded that a principle-led approach was more appropriate in determining a consistent and fair judicial pay structure, particularly across groups 5 and 6.1. The design and application of their framework were informed by over fifty hours of interviews with the judiciary from each jurisdiction. Accenture also drew on the significant historic work completed on this subject by the judiciary, the Judicial Office and our previous Reports and Major Reviews.

7.179 In its review, Accenture drew the distinction between roles in group 6.1 (i.e., those typically containing no leadership responsibilities) and the majority of roles within group 5 (i.e., those with large leadership roles, as set out in their job descriptions). Accenture's analysis identified several roles that should be placed between groups 5 and 6.1. These conclusions echoed some of those we made in the Major Review. Accenture recommended that a new 'intermediate' pay group should be established between group 5 and group 6.1 and that the Upper Tribunal Judges and the Senior Masters and Registrars should be placed in that new group.

7.180 Accenture stated that, given the scale of leadership responsibility and the greater burden and complexity of work completed by group 5 Senior Circuit Judges, the work of Upper Tribunal Judges and Senior Masters did not merit a move to group 5. Accenture also acknowledged there are a few anomalies in group 5 (some with a long history) but noted that these will remain in the pay structure until a fundamental recalibration of the entire judicial salary structure is undertaken, for which there is no current appetite.

7.181 The LCJ and SPT sent the Accenture report to us on 2 April 2020. In their covering letter, they commented that they saw the report as a positive contribution to the debate, and they hoped that the core recommendations would be helpful to us. They also said

[231] Accenture, Judicial Pay Grading and Leadership Allowances Review, final report, April 2020, unpublished.

that, while it was not possible to find a solution free of all anomalies, they believed that there was a chance to put in place some significant improvements to the present arrangements.

SSRB analysis of the evidence and recommendations

7.182 The Major Review stated that there was a need for greater recognition for judges who held leadership responsibilities. We had stressed that, in line with the philosophy of the Constitutional Reform Act 2005, the senior judiciary were best placed to take the lead in making recommendations and decisions about the placement of judicial posts in relation to each other. We recognised that they were likely to require specialist HR input to support their thinking. We therefore see the commissioning and delivery of the Accenture report as a constructive step.

7.183 We consider that the overall approach taken by Accenture is consistent with the conclusions we reached in the Major Review. The principle-led framework and the statistical analysis used to underpin widespread stakeholder consultation enabled evidence-based proposals to be put forward to us, both for the salary placements we have been asked to consider this year, and for the strategic direction to address currently unremunerated judicial leadership posts.

7.184 The substantive proposal in the Accenture review is for the creation of a new 'intermediate' pay group between the present groups 5 and 6.1. In the Major Review, we concluded that there were posts for which a pay grade intermediate between group 5 and group 6.1 would be appropriate. This is reflected in the Accenture review conclusions that there are posts that sit between groups 5 and 6.1, either in complexity or leadership responsibilities. We therefore agree that a new intermediate group should be created.

Recommendation 13: We recommend the creation of a new intermediate salary group between existing groups 5 and 6.1.

Upper Tribunal Judges

7.185 Before the Accenture report was commissioned, we had already gathered evidence about two key issues that we thought fundamental in relation to the placement of the Upper Tribunal Judges: their appellate function in comparison to the Circuit Bench; and the comparison of their role with Circuit Judges who sit in the Employment Appeal Tribunal (EAT). Both of these issues were also identified by the Accenture review.

7.186 In relation to the appellate powers of the Upper Tribunal Judges, we had already sought clarification from the MoJ on the extent to which their precedential powers differed from those of Circuit Judges. The Upper Tribunal is the sole appellate body for the whole of the First-tier Tribunal and, aside from some Judicial Reviews and a very limited number of first instance jurisdictions, the Upper Tribunal role is an entirely appellate one. However, the Circuit Judges also have an appellate function and it was unclear to us the extent to which the binding powers of these functions differed.

7.187 From the information we received from the MoJ, which was also shared with Accenture, there appeared to be a clear difference between the nature of the appellate function exercised by Upper Tribunal Judges from that of Circuit Judges. The information stated that Upper Tribunal judgments are binding on the Upper Tribunal and First-tier Tribunals, whereas County Court judgments bind no court. This could potentially be relevant to their salary placement.

7.188 We also noted that Senior Circuit Judges of the EAT, whose work might be seen as similar to that of Upper Tribunal Judges, are in group 5. However, as the Accenture review identifies, the majority of the EAT work across the piece is in fact done by a variety of judges, including Circuit Judges and High Court Judges deployed into the tribunal; some of this is set out in statute. It would not, therefore, be correct to say that cases in the EAT are typically heard by a Senior Circuit Judge. Thus, the parallel with the Upper Tribunal Judges is not an exact one. We wish to be clear, however, that our conclusion is not that the EAT work is more onerous or valuable *per se* than that of the other Upper Tribunal chambers. This mirrors our approach to the first-instance Employment Judges compared to judges in tribunal chambers, and is consistent with the principle of not generally differentiating pay by the area of law over which a judge presides.

7.189 The Accenture review recommended that Upper Tribunal Judges should move to the intermediate pay grade between the current groups 5 and 6.1. This was based on their differentiation from typical 6.1 roles, specifically their complex case work and appellate responsibilities, while not being as 'heavy' as that of the Senior Circuit Bench in group 5.

7.190 We accept that any recommendation on this issue is ultimately a matter of judgement. However, the reasoning behind the Accenture report and the clear analytic principles combined with evidence seem to us to make a strong case; we also note the support from the LCJ and SPT, who we think are ultimately responsible constitutionally. Accordingly, we are happy to concur with the recommendation that Upper Tribunal Judges should go to the new intermediate salary group.

Recommendation 14: We recommend that Upper Tribunal Judges should be moved to the new intermediate salary group between groups 5 and 6.1.

Senior Masters and Registrars

7.191 The Accenture review concluded that the role of Senior Masters did not warrant a move to group 5. While it was acknowledged that there was a gap in the leadership structure above Senior Masters, which resulted in them reporting directly to Heads of Division, their leadership responsibilities were neither as extensive nor as onerous as those undertaken by Senior Circuit Judges in group 5.

7.192 The evidence we received supports this conclusion. Accordingly, we are happy to concur with the recommendation that Senior Masters should go to the new intermediate salary group.

Recommendation 15: We recommend that Senior Masters should be moved to the new intermediate salary group between groups 5 and 6.1.

7.193 We note that the MoJ state in its evidence that the cost of implementing potential changes to salary group placements would be approximately £1 million, which would be affordable to the department.[232]

Other posts

7.194 The recommendation to create a new intermediate salary group, and to move Upper Tribunal Judges and Senior Masters to it, has some potential consequences for other judicial roles. We have not been asked formally to review these posts, but we note the issues here, so that further unintended anomalies are not created by the new placement of the two posts we were asked to consider.

[232] This is in addition to the approximate £11 million it estimates a 2 per cent pay award would cost.

7.195 In the Major Review, we concluded that the work carried out by Surveyor Members of the Upper Tribunal (Lands) was akin to that of other Upper Tribunal Judges.[233] In the response to the Major Review, the government agreed with our conclusion and moved them to salary group 6.1. We were not asked as part of our remit this year to consider their placement and we note they are not mentioned in the Accenture review. However, given the conclusions reached in the Major Review, and the government's acceptance of this rationale, we think the judicial leadership should consider whether they should be moved up to the same category as Upper Tribunal Judges.

7.196 During the Major Review, most of the proposals we received were to move posts in England and Wales. We did not take it for granted that changes to posts in England and Wales should necessarily mean change elsewhere; job titles may conceal important differences in what the posts are expected to do in different jurisdictions. However, we did take the view that, where such posts were assessed by the judicial leadership in the relevant jurisdiction as being of the same weight, then UK-wide parity should be maintained.

7.197 On that basis, we concluded that the Presiding Master of the Court of Judicature (Northern Ireland) was comparable to the Senior Master role in England and Wales and that the Lands Tribunal post in Northern Ireland was comparable to the Surveyor Member Upper Tribunal (Lands) post. Our recommendations for salary group moves were accepted by the government. We have not been asked to consider the placement of either of these roles in our remit this year. However, we note that, on the basis of the accepted conclusions on their placement in the Major Review, further consideration of their placement should be made in consultation with the devolved authority.

Leadership allowances

7.198 We note Accenture's recommendation that leadership allowances should be awarded to Designated Family Judges, Designated Civil Judges and Resident Judges who are in group 6.1. These judges are generally not given extra remuneration for their leadership roles, which usually involve significant extra work. The Accenture report stated that allowances should be allocated to recognise a judge's responsibility for a number of other salaried judges. Accenture commented that the ability to reward a judge's transitory leadership role, without disproportionately remunerating them in the future should they step away from leadership responsibilities, is desirable.

7.199 We were not asked in the original remit letter from the Lord Chancellor to consider the issue of group 6.1 judicial leadership, which was scheduled for next year. However, following discussions with us arising from the Accenture report, the Lord Chancellor subsequently wrote to the SSRB Chair on 18 May 2020, seeking our views on the proposal made by Accenture with an eye to addressing the issue this year.

7.200 Our approach to rewarding judicial leadership was set out clearly in the Major Review. The Accenture proposals to the Judicial Executive Board appear to us to accord with the findings of the Major Review and they meet many of the key aims that our proposals were designed to address. Accenture has also identified the relevant 'intermediate leadership' posts that we were concerned about in the Major Review. We welcome this step forward.

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[233] See: paragraph 3.61, Supplement to the 40th Annual Report on Senior Salaries 2018. https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/751903/Supp_to_the_SSRB_Fortieth_Annual_Report_2018_Major_Review_of_the_Judicial_Salary_Structure.pdf

Recommendation 16: We recommend that the judicial leadership, with support from the MoJ, implements the proposals for recognition of Circuit Bench leadership posts now, rather than waiting for another year. These allowances should be paid at the equivalent rate of the new intermediate salary group between groups 5 and 6.1 and only for the duration that the leadership post is held.

Remaining issues

7.201 If the recommendation for a new salary group is accepted, there are two further issues which need to be considered.

7.202 First, is the salary level of the new group. We have seen no evidence about what this should be and indeed it is hard to know what evidence about a future putative salary could be. Our assumption is that this will be placed at the midpoint between salary groups 5 and 6.1, after any 2020 pay award increase to these points has been applied. However, we have no strong view about this or whether a slightly higher salary should be applied.

7.203 Second, if an 'intermediate' salary group is agreed, it will have to be called something. There could be value in reconsidering the current labelling of judicial salary groups in line with the Major Review proposals, in order to signal a more consistent approach for the judiciary in the tier above current group 7. The proposed intermediate group will sit between current groups 5 and 6.1. It seems to us that there is an opportunity to signal the commonalities in the work done by judges in all three of these groups, which sit between the High Court and the District Bench and the First-tier Tribunals. The judicial roles vary according to their complexity and responsibility but have an underlying unity. Table 7.10 below illustrates a potential way of achieving this.

Table 7.10: **Proposed new labelling of the judicial pay structure**

Current structure	New structure
5+	5+
5	5
	5.1 new group
6.1	5.2
6.2	6
7	6.1

Looking ahead

7.204 We acknowledge that any new labelling of judicial salary groups has wider implications for how judges think of the system in the long term, and may take more time. However, if the proposals for recognising judicial leadership are accepted, the justification for considering new salary group labels now becomes greater and we therefore think any renaming of judicial salary groups should be considered alongside the proposals for a coherent approach to rewarding judicial leadership.

7.205 As we stated in the Major Review, we believe that, in line with the philosophy of the Constitutional Reform Act 2005, the judicial leadership needs to become more proactive in identifying particular pay and grading issues and in taking steps to resolve them. We welcome the positive steps taken by the senior judiciary this year towards this. We look forward to receiving proposals in the future that are presented as part of a judicially-led strategic approach to workforce management.

Data Annex

7.206 The key findings and updates are presented in the main body of this chapter. The tables, as set out below, support these findings.

Recruitment

Recruitment: general

7.207 The Judicial Appointments Board for Scotland (JABS) publishes data annually on recruitment in Scotland. Table 7.11 shows that there is considerable interest in applying for judicial posts, albeit with some fluctuation in the ratio of applications to selections.

Table 7.11: **Applications and selections for all JABS exercises, 2011-12 to 2017-18**

Year	Applications	Selections	Applicants per selection
2011-12	192	27	7.1
2012-13	94	20	4.7
2013-14	8	2	4.0
2014-15	161	15	10.7
2015-16	212	15	14.1
2016-17	237	33	7.2
2017-18	177	8	22.1

Source: Judicial Appointments Board for Scotland.

7.208 The Northern Ireland Judicial Appointments Commission (NIJAC) publishes data annually on recruitment in Northern Ireland. Table 7.12 sets out the competitions run and vacancies filled over recent years.

Table 7.12: **Applicants and selections for all NIJAC exercises, 2011-12 to 2018-19**

Year	Applications	Selections	Applicants per selection
2011-12	209	32	6.5
2012-13	154	23	6.7
2013-14	351	60	5.9
2014-15	510	47	10.9
2015-16	167	22	7.6
2016-17	–	–	–
2017-18	–	–	–
2018-19	151	8	18.9

Source: Northern Ireland Judicial Appointments Commission.

Recruitment: Judges in salary group 4

7.209 Table 7.13 shows JAC data for High Court recruitment exercises in England and Wales since 2012-13.

Table 7.13: **Vacancies and selections of candidates for the High Court in England and Wales, 2012-13 to 2019-20**

Year	Vacancies	Selections	Shortfall	Applicants	Applicants to post ratio	A and B grades (% of selections)
2012-13	14	14	0	–	–	24 (171%)
2013-14	10	10	0	–	–	16 (160%)
2014-15	11	10	1	–	–	15 (150%)
2015-16	–	–	–	–	–	–
2016-17	14	8	6	56	4.0	10 (125%)
2017-18	25	17	8	129	5.2	19 (112%)
2018-19	25	10	15	51	2.0	10 (100%)
2019-20	25	17	8	68	2.7	17[1]

1 The proportion of A and B graded selections is not publicly available at time of writing.

Source: Judicial Appointments Commission.

7.210 Table 7.14 below sets out the JABS data for Senators of the College of Justice recruitment exercises in Scotland since 2011-12.

Table 7.14: **Applications and recommendations for Senators of the College of Justice in Scotland, 2011-12 to 2019-20**

Year	Applications	Recommendations	Ratio of applications to recommendations
2011-12	5	0	–
2012-13	30	6	5.0
2013-14	8	2	4.0
2014-15	–	–	–
2015-16	–	–	–
2016-17	25	7	3.6
2017-18	–	–	–
2018-19	–	–	–
2019-20	Unknown	5	Unknown

Source: Judicial Appointments Board for Scotland.

7.211 Table 7.15 sets out the NIJAC data for High Court recruitment since 2016-17.

Table 7.15: **Applications and recommendations for High Court Judges in Northern Ireland, 2016-17 to 2019-20**

Year	Number of vacancies	Applications	Recommendations	Ratio of applications to recommendations
2016-17	3	Unknown	0	–
2017-18	–	–	–	–
2018-19	3	10	2	3.3
2019-20	2	Unknown	0	–

Source: Northern Ireland Judicial Appointments Commission.

Recruitment: Judges in salary group 6.1

7.212 Table 7.16 sets out JAC data for recruitment of Circuit Judges in England and Wales since 2012-13.

Table 7.16: **Vacancies and selections of candidates for Circuit Judges in England and Wales, 2013-14 to 2019-20**

Year	Vacancies	Selections	Shortfall	Applicants	Applicants to post ratio	A and B grades (% of selections)
2013-14	54	54	0	293	5.4	64 (119%)
2014-15	32	53	0	232	7.3	54 (102%)
2015-16	61	62	0	246	4.0	48 (77%)
2016-17	55	44	11	184	3.3	25 (57%)
2017-18	116.5	104	12.5	401	3.4	89 (86%)
2018-19	94	72	22	200	2.1	53 (74%)
2019-20	50	42	8	164	3.3	27[1]

1 The proportion of A and B graded selections is not publicly available at time of writing.

Source: Judicial Appointments Commission.

7.213 Table 7.17 below shows the data for Recorder competitions. Recorders are fee-paid judges who sit in the Crown and County courts and have similar jurisdiction to Circuit Judges, though we have been told that salaried judges usually handle the more difficult/serious cases.

Table 7.17: **Vacancies and selections of candidates for Recorders in England and Wales, 2017-18 to 2019-20**

Year	Vacancies	Selections	Shortfall	Applicants	Applicants to post ratio
2017-18	150	150	0	2,425	16.2
2018-19	160	160	0	1,233	7.7
2019-20	100	–	–	–	–

Source: Judicial Appointments Commission.

7.214 Table 7.18 sets out JAC data for recruitment for Upper Tribunal Judges in England and Wales since 2012-13. The table shows a generally stable picture with no shortfalls in recruitment.

Table 7.18: **Vacancies and selections of candidates for Upper Tribunal Judges in England and Wales, 2012-13 to 2019-20**

Year	Vacancies	Selections	Shortfall	Applicants	Applicants to post ratio	A and B grades (% of selections)
2012-13	3	3	0	Unknown	Unknown	6 (200%)
2013-14	8	8	0	Unknown	Unknown	10 (125%)
2014-15	6	12	0	Unknown	8.7	9 (75%)
2015-16	–	–	–	–	–	–
2016-17	–	–	–	–	–	–
2017-18	19	19	0	Unknown	Unknown	33 (174%)
2018-19	10	10	0	47	4.7	9 (90%)
2019-20	2	2	0	19	9.5	–

Source: Judicial Appointments Commission.

Note: There were no exercises for salaried Upper Tribunal Judges in 2015-16 and 2016-17.

7.215 Table 7.19 sets out the JABS data for recruitment to the Office of Sheriff and Office of Sheriff Principal in Scotland since 2011-12.

Table 7.19: **Applications and recommendations for Office of Sheriff and Office of Sheriff Principal in Scotland, 2011-12 to 2017-18**

Year	Applications	Recommendations	Ratio of applications to recommendations
2011-12	187	27	6.9
2012-13	64	14	4.6
2013-14	–	–	–
2014-15	161	15	10.7
2015-16	43	2	21.5
2016-17	56	4	14.0
2017-18	119	7	17.0
2018-19	–	–	–
2019-20	46	8	5.8

Source: Judicial Appointments Board for Scotland.

Notes: Also includes competitions for part-time Sheriff and Chair of the Scottish Lands Court. There were no competitions for Office of Sheriff in 2018-19.

Recruitment: Judges in salary group 7

7.216 Table 7.20 sets out the JAC data for the recruitment of District Judges (civil) since 2013-14.

Table 7.20: **Vacancies and selections of candidates for District Judges (civil) in England and Wales, 2013-14 to 2019-20**

Year	Vacancies	Selections	Shortfall	Applicants	Applicants to post ratio	A and B grades (% of selections)
2013-14	Unknown	54	0	Unknown	Unknown	45 (83%)
2014-15	–	–	–	–	–	–
2015-16	61	61	0	199	3.3	65 (107%)
2016-17	–	–	–	–	–	–
2017-18	100.5	95	5.5	271	2.7	53 (56%)
2018-19	–	–	–	–	–	–
2019-20	92	47	45	190	2.1	28[1]

1 The proportion of A and B graded selections is not publicly available at time of writing.

Source: Judicial Appointments Commission.

7.217 Table 7.21 below sets out the data from the Deputy District Judge (DDJ) (civil) competition in 2018-19. DDJs are fee-paid judges and are considered to be the main feeder group for the District Bench.

Table 7.21: **Vacancies and selections of candidates for Deputy District Judges in England and Wales, 2018-19**

Year	Vacancies	Selections	Shortfall	Applicants	Applicants to post ratio
2018-19	303	320	0	1,704	5.6

Source: Judicial Appointments Commission.

7.218 Table 7.22 sets out the JAC data for the recruitment of Employment Judges. The table shows there was no shortfall in the recent recruitment round. This is despite the fact there had not been a competition for a number of years, due to the effect of the previous fees regime reducing the number of employment cases being brought.

Table 7.22: **Vacancies and selections of candidates for Employment Judges in England and Wales, 2009-10 to 2018-19**

Year	Vacancies	Selections	Shortfall	Applicants	Applicants to post ratio
2009-10	Unknown	32	Unknown	133	4.2
2011-12	8	8	0	50	6.3
2012-13	Unknown	24	Unknown	70	2.9
2018-19	54	59	0	420	7.8

Source: Judicial Appointments Commission.

Note: There were no competitions for Employment Judges in 2010-11 or between 2013-14 and 2017-18.

Retention and retirement

7.219 Between April 2019 and September 2019, the Judicial Office conducted a survey among judges who had left judicial office before their 69th birthday. Table 7.23 sets out the responses to the question, "What factors prompted you to leave the judiciary before your full retirement age?" in the survey.

Table 7.23: **Factors for leaving the judiciary before retirement age, 2019**

Factor	Number of respondents selecting	Per cent of respondents
I no longer enjoyed or gained satisfaction from my day-to-day work in court	5	36
Recent changes to judicial remuneration (e.g., salary, pension)	3	21
Lack of investment in career development/ opportunity for promotion to higher judicial post	1	7
Deterioration in the judicial work environment (e.g., administrative support, court resources)	8	57
Lack of effective leadership in the judiciary	2	14
I was offered more interesting or enjoyable work elsewhere	0	0
I felt I had served as a judge for long enough	3	21
I had financial security to do so	3	21
I had things I wanted to do with my life while I am able	9	64
Factors relating to health	1	7
Lack of opportunities to work flexibly (reduce sitting pattern/closer to home)	0	0
Other	7	50

Source: Judicial Office evidence, unpublished.

Note: Covers 14 early leavers between 1 April 2019 and 30 September 2019.

Chapter 8

Senior leaders in the National Health Service

Summary

8.1 The NHS Long Term Plan[234] and the Interim People Plan[235] published in 2019 set out a vision for significant change in the NHS, enabled by effective leadership and sustained cultural change. To support the delivery of this vision, we recommend that the Secretary of State for Health and Social Care formally requests that the SSRB provides the Department of Health and Social Care (DHSC) with advice on pay for all senior leaders working across the NHS.

8.2 The authoritative, independent advice we can deliver will support the DHSC and NHS England and NHS Improvement (NHSE/I) as they develop and implement a coherent pay and reward framework for NHS senior leaders.

8.3 We recognise the exceptional contribution NHS senior leaders are currently making as the NHS responds to the unprecedented coronavirus pandemic. This national crisis has illustrated the need for a skilled cadre in these critical roles. It has, moreover, highlighted the benefits of collaboration and an approach to leadership shaped around integrated systems rather than separate organisations. Our deep and broad expertise on senior remuneration puts us in a strong position to offer advice on relevant pay and reward matters to support improvements in the recruitment, retention, motivation and performance of these leaders.

Introduction

8.4 Since it was formed in 1971, the SSRB has provided government with independent advice on senior pay and reward in the public sector. As part of this remit, we already have responsibility for providing independent advice to the government on pay for a number of groups of senior staff in the public sector, including Executive and Senior Managers (ESMs)[236] in the DHSC's Arm's Length Bodies (ALBs). In our 2017 Report, we noted that ESMs alone do not form a practical or sensible remit group. We therefore recommended that consideration should be given either to removing ESMs from the SSRB's remit or extending our remit to include Very Senior Managers (VSMs)[237] in the NHS. An extension will facilitate greater consistency and coherence in remuneration for what is, in practice, a single leadership community. Following completion of an initial DHSC scoping exercise, the Secretary of State for Health and Social Care wrote to the SSRB Chair on 29 July 2019 asking the SSRB to work with his officials to develop a view on the practicalities of the SSRB providing advice on setting pay for both ESMs and VSMs in the future.[238]

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[234] See: https://www.longtermplan.nhs.uk/

[235] See: https://improvement.nhs.uk/resources/interim-nhs-people-plan/

[236] An ESM is defined as someone who holds an executive position in one of the DHSC's Arm's Length Bodies (ALBs) or someone who, although not a board member, holds a senior position typically reporting directly to the chief executive. ALBs range in size, budgetary control and breadth of responsibility but all ALBs have a national role and are key components in the health and social care system. They undertake an extraordinarily wide and diverse range of functions, encompassing highly specialised services on the one hand to responsibilities affecting the entire health and social care system on the other. This level of responsibility is reflected in the size, budget and complexity of each ALB.

[237] A VSM is defined as someone who holds an executive position on the board of an NHS Trust or NHS Foundation Trust or someone who, although not a board member, holds a senior position typically reporting directly to the chief executive. The chief accountable officer, finance officer, chief nurse and similar senior staff employed by clinical commissioning groups (CCGs) are also VSMs.

[238] See: the letter is reproduced in Appendix J.

8.5 We have worked closely with officials at the DHSC and NHSE/I to respond to the Secretary of State's request and develop a proposition for the future role for the SSRB. While we would usually have had detailed discussions about next steps with Ministers, senior leaders at NHSE/I and employee representatives as the proposals crystallised, the pressures on the department and the NHS in responding to the coronavirus pandemic mean this has not been possible. To support the government in continuing to make progress on this issue, we have provided our initial analysis and recommendations here, and look forward to an opportunity to discuss these with Ministers, senior leaders in NHSE/I and employee representatives in the coming months.

Context

8.6 The proposed remit group would comprise both VSMs and ESMs, including senior managers in Clinical Commissioning Groups (CCGs). There are around 1,550 VSMs working in Trusts and there are currently estimated to be between 400 and 500 in CCGs. There are around 460 ESMs working in Executive Agencies and ALBs.

Current approach: VSM pay

8.7 Many VSMs are employed on locally-agreed contracts which are not subject to national collective bargaining. Many generic elements, such as annual leave and redundancy provisions, are linked to Agenda for Change terms.[239] Medical Directors are often employed on complex contractual arrangements including links to consultant contracts, whose pay framework and other terms are subject to national collective bargaining.

8.8 Since 2015, VSM pay levels have been informed by guidance issued by NHSI, in coordination with the DHSC. The guidance sets out the parameters within which VSM pay should be determined and provides a number of pay ranges to inform remuneration committees in taking decisions about the salaries of senior managers. These pay ranges are based on a categorisation of Trusts depending on size (turnover) and sector, (i.e. acute, mental health, community, ambulance). They specify the lower, median and upper quartile pay levels for relevant board roles. The pay ranges have been developed based on a data collection exercise undertaken by NHSE/I. For the majority of cases, the guidance sets out that pay should be set at the median of the relevant range. There is a requirement that all proposed VSM pay at or above £150,000 (increased from £142,500 in January 2018) in NHS Trusts be subject to ministerial approval and, in Foundation Trusts and CCGs, to ministerial comment before appointments are made.

8.9 Work has progressed within NHSE/I to agree and issue a new VSM Pay Framework. This work has, understandably, been delayed due to the current focus on responding to Covid-19. This framework will outline the parameters within which VSM pay should be set and will apply to all VSM posts, not just those at £150,000 and above.

Current approach: ESM pay

8.10 The ALB ESM Pay Framework was implemented from June 2016 and applies to all senior appointments in the DHSC's ALBs. This includes Executive non-Departmental Public Bodies and Special Health Authorities. The Framework was developed to address a number of design and implementation issues associated with the use of the previous ALB VSM Pay Framework. This was a consequence of increasing both the number of ALBs and roles arising from the 2012 Health and Social Care system reforms. The 2016 ESM Pay Framework is based on a job evaluation system, which is implemented independently on behalf of the ALBs and the DHSC by the NHS Business Services Authority.

[239] Agenda for Change is the national pay system for all NHS staff, with the exception of doctors, dentists and most senior managers.

8.11 All new ESM roles, all proposed Chief Executive appointment salaries and all proposed ESM appointment salaries above the respective Operational maximum, require the approval of the DHSC Remuneration Committee. Any proposed salary that exceeds the senior salaries approval threshold of £150,000 additionally requires DHSC ministerial approval. Proposed salaries that exceed the senior salaries approval threshold of £150,000 and are above the respective ESM Grade Exception Zone maximum[240] will also require Chief Secretary of the Treasury approval.

How the NHS is transforming

8.12 The NHS Long Term Plan and the Interim People Plan were published in 2019. Both set out a requirement for sustained, transformational change, enabling new models of care, new delivery arrangements and new quality standards. At the heart of the People Plan is the aim to transform the way in which people across the NHS, from a broad range of professions, work together. There are a number of significant themes in the Plan which are relevant to considering the pay and reward framework for senior leaders:

- Improving the NHS leadership culture with a focus on positive, compassionate and improvement-focused leadership to create a culture that delivers better care.
- Developing a workforce to deliver 21st century care with a more varied and richer skill mix, new types of roles and different ways of working, ready to exploit the opportunities offered by technology and scientific innovation to transform care and release more time for care.
- Developing a new operating model for the workforce based on working collaboratively and being clear what needs to be done locally, regionally and nationally.
- Setting up integrated care systems to enable NHS organisations, in partnership with local councils and others, to take collective responsibility for managing resources, delivering NHS standards, and improving the health of the population they serve.

Potential role of the SSRB

8.13 We believe that the Review Body, working across the extended remit group, would add value and support the government and national level NHS bodies in effectively developing their approach to pay and reward for senior leaders. To validate this, we have carefully considered the following criteria, which we examine in further detail in the subsequent paragraphs:

- That a remit extension would be consistent with the overall people and leadership strategy as set out in the NHS People Plan.
- That there are demonstrable benefits in considering the pay of ESMs and VSMs together.
- That information, evidence and data are available to allow the SSRB to carry out its work.
- That the key bodies and organisations can be identified and are willing to work with the SSRB on this.
- That the SSRB has the capacity to take on this complex work.

That a remit extension would be consistent with the overall people and leadership strategy as set out in the NHS People Plan

8.14 The NHS People Plan requires a significant shift in leadership competences and behaviour. Leaders will drive forward transformational change, work effectively in

[240] The maximum the organisation can offer with Department of Health and Social Care approval.

integrated systems and consistently adopt an enabling, compassionate approach. There will, moreover, be a need for more active talent management in terms of development and deployment. The SSRB, with decades of experience offering strategic advice on senior pay and reward, can support this shift. As with our Major Review of judicial pay, we would expect that significant engagement would be needed with a wide range of partners over time to develop a deep understanding of the complexities of the pay system and the challenges and opportunities.

8.15 Annual pay settlements for NHS senior leaders need to be considered in the context of NHS long-term objectives and the pay and reward and workforce strategies required to support them. The SSRB has consistently advocated and adopted a strategic, long-term approach in its work. It has recognised the requirement for sequential and, at times, incremental steps towards defined end points.

8.16 At present, the NHS system does not approach or actively manage its leaders as a single talent pool. Clear career progression pathways supported by a consistent offer on learning and development, as well as pay and reward, would enable a more strategic approach to the management of senior talent across the health care system. The pay and reward system should support senior leaders to move to challenging roles and enable a system-wide approach to addressing complex local issues. Addressing the significant inconsistencies and incoherence which currently exist will also encourage and enable effective talent management.

That there are demonstrable benefits in considering the pay of ESMs and VSMs together

8.17 Pay and reward can be a powerful tool to enable genuine reform. There is a strong and increasingly compelling case for taking a strategic and unified approach towards NHS leaders as a single group.

8.18 The People Plan makes it clear that ESMs and VSMs should form one leadership pool. At present there is movement between the two groups, but it is not clear that this is optimised. A more consistent, unified approach to pay and reward would support career pathways and talent management across the different parts of the NHS.

8.19 The People Plan also identifies the need to improve the diversity of the NHS workforce to ensure the NHS, including senior leaders, reflect the diversity of the communities they serve. Experience from our other remit groups could helpfully be brought to bear on this issue.

That information, evidence and data are available to allow the SSRB to carry out its work

8.20 On behalf of the DHSC, NHSE/I asked a group of 26 provider trusts, as a representative sample of NHS trusts and NHS foundation trusts, to provide specific information, relating to board-level VSM roles. We also received data on ESMs from the ALBs. This information has now been collated and shared with the SSRB.

8.21 The availability of the necessary data is encouraging. It paints a picture of NHS pay which is understandable in the context of prevailing policy over recent years but also describes progression towards greater consistency and control. However, it does flag some issues which we might at a future point review further, including performance-related pay, pay progression and allowances. To complement the data, familiarisation visits and discussion groups with remit group members and feeder groups would be required to gain a deeper understanding of the workforce issues.

8.22 We recognise that the ongoing management of the coronavirus pandemic might have an impact on data collection and engagement processes over the coming months. However, we are of the view that it will be possible to make significant progress in both these areas during the course of 2020-21.

That the key bodies and organisations can be identified and are willing to work with the SSRB on this

8.23 A prerequisite for making a meaningful recommendation is senior level buy-in to the approach in both the DHSC and NHSE/I. The Secretary of State for Health has already requested work in this area, and the DHSC is already actively involved in the detail at official level. We have established links with ESMs and are developing links with the NHS, provider trusts and employees' representatives. Through these connections we can see a way forward to activate strong engagement with the full potential remit group.

That the SSRB has the capacity to take on this complex work

8.24 The SSRB already has the right breadth of membership to address this work. There are no significant financial implications to the SSRB taking on an expanded remit. However, there may be minor resource implications, which would need to be discussed with the DHSC.

The value the SSRB could add in making recommendations about pay and reward

8.25 Since 1971, the SSRB has existed with one defining purpose: to provide independent advice to government on the ever-sensitive question of pay arrangements for senior public-sector leaders. This means it can:

- Provide reassurance that senior remuneration is being reviewed by a body which focusses on issues of particular relevance to top public sector roles. These include recruitment and retention, the impact of pensions and taxation as well as the benefits, pressures and accountabilities that come with holding senior positions.
- Ensure that pay remains competitive through benchmarking, drawing on its broad knowledge of pay and remuneration for senior public sector leaders.
- Enable government and ministers to get early warning from an objective and independent source of problem areas and potential risks. At times, it can also give the government reassurance that things may not be as bad as some voices might suggest.
- Consider senior pay across a number of public sector groups to facilitate the transfer of best practice and enable comparability across these roles to be considered.
- Offer wide experience in providing advice on pay and reward for remit groups where there are complex issues set against a backdrop of historical and cultural contexts.
- Provide a structure consistent with the approach taken by large private sector organisations where an executive remuneration committee or similar body is responsible for reviewing senior pay.
- Advise on approaches to performance-related pay and bonuses which balance transparency and fair incentives that also drive efficiency for the taxpayer.
- Use its long track record in providing robust, evidence-based advice to identify approaches to pay and reward that are appropriate for a particular labour market and set of skills. Through its work over many years, the SSRB has earned credibility and respect from ministers, government departments and its remit groups.

8.26 A recent example of how we have successfully supported government as set out above, is our leadership in highlighting the effect of changes to pension taxation on total net remuneration[241] across all our remit groups and illustrating the need for government to act to reduce its detrimental impact.

Approach and timetable for change

8.27 The proposals for the SSRB to consider the pay and reward framework for all NHS leaders are entirely aligned with, and supportive of, the strategic direction of the NHS. We appreciate, however, that this is a complex challenge and fully recognise the pressure being experienced by the DHSC and all parts of the NHS as they respond to Covid-19 and work to restore and recover key services. We would, therefore, propose a pragmatic and flexible approach requiring close collaboration between the SSRB, the DHSC and NHSE/I. Given ministerial approval, we would recommend early engagement to agree a work programme starting in 2020-2021. We would envisage this having a number of elements covering areas including strategic principles and policy, data collection and engagement. The programme would also clarify realistic time-frames over which proposals for significant change to pay and reward could be designed and implemented. The SSRB stands ready to contribute to this vital work and will do so in a manner which is sensitive to the current challenges facing the NHS but which recognises the opportunity to deliver transformational change at pace.

Conclusion

8.28 We would welcome the opportunity to support the Secretary of State for Health and Social Care and NHS bodies as they design future pay and reward arrangements for senior leaders in the NHS. The SSRB has unique, relevant experience, and can draw on specialist expertise – both from its own membership and from its secretariat. We recognise the very specific challenges and opportunities facing the NHS and the absolute necessity to drive forward complex, ambitious change. We are confident that the SSRB can offer informed, strategic advice relating to the pay and reward of NHS senior leaders which will support and enable this change.

[241] See: Appendix B. Take-home pay is defined as annual gross pay (base pay plus any allowances) less employee national insurance contributions, income tax, employee pension contributions and any pension annual allowance tax charge. Total net remuneration adds on the pension benefits received in the year.

Chapter 9

Police and Crime Commissioners

Introduction

The remit group

9.1 There are currently 40 directly elected police and crime commissioners (PCCs) in England and Wales. Of these 40, five also hold responsibility for fire services in their area.

9.2 PCCs are elected for a four-year term. The first elections were held in November 2012. As part of its response to Covid-19, the government postponed for a year the elections scheduled to take place in May 2020.

Previous SSRB Reviews

9.3 In 2018, we were commissioned to carry out a review of PCC salaries, the first substantive review since the pay structure was put in place in May 2012.

9.4 Our recommendations, and our disappointment with the government's response to them, are set out in our 2019 Report.[242] The government largely ignored our recommendations and provided no explanation. We remain unclear why our advice was sought and then not followed.

Proposals for 2020

9.5 In June 2019, the then Home Secretary wrote to the SSRB Chair stating that the next annual review of PCC pay would not be commissioned until after the PCC elections had concluded in 2020.[243]

Timing of the next pay award

9.6 We would welcome confirmation from the Home Office on whether the decision to delay the PCC elections affects the timing for the next PCC pay review.

9.7 Should the decision be taken to delay the next PCC pay review, the next pay award PCCs will receive will be in May 2022 at the earliest, a four-year gap since the last pay award in 2018. In these circumstances, we would urge the Home Office to consider whether special arrangements should be put in place for an interim pay award. In this context, we refer to the recommendations made in our 2018 Report, that a simple annual or biennial mechanism linking PCC pay to the pay award for local authority staff should be put in place.

Looking forward

9.8 We noted in our 2018 Report that it is not necessary or proportionate to conduct a full review of the pay of this remit group every year. However, we would stress that before commissioning the next formal review of PCC pay, the Home Office needs to consider how best it can use the SSRB's expertise in relation to the remit group and clarify what it expects of us. We would welcome the assurance from the Home Office in advance of commissioning any review, that it will engage seriously with both the review and its findings. This should include consideration of the strategic position of this workforce.

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[242] 41st Annual Report on Senior Salaries 2019 (Chapter 7). See: https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/819475/SSRB_2019_Report_Web_Accessible.pdf

[243] See: Appendix K.

9.9 We reiterate that the following issues would require consideration:

- There is a limited evidence base for this workforce. Nevertheless, further information should be provided in relation to the careers of PCCs, both before taking on the post and after leaving it.
- Further evidence on the motivation to undertake the PCC role is needed. The Home Office and the Association of Police and Crime Commissioners (APCC) need to put in place a mechanism to capture the views of those choosing to step down from the role at the next election in 2021.
- In order to carry out a proper assessment of the impact of the additional responsibilities arising out of fire and rescue governance, we expect both the Home Office and the APCC to undertake a comprehensive evidence-gathering exercise to ensure that a solid evidence base is provided about what these responsibilities involve.

Appendix A

Economic data

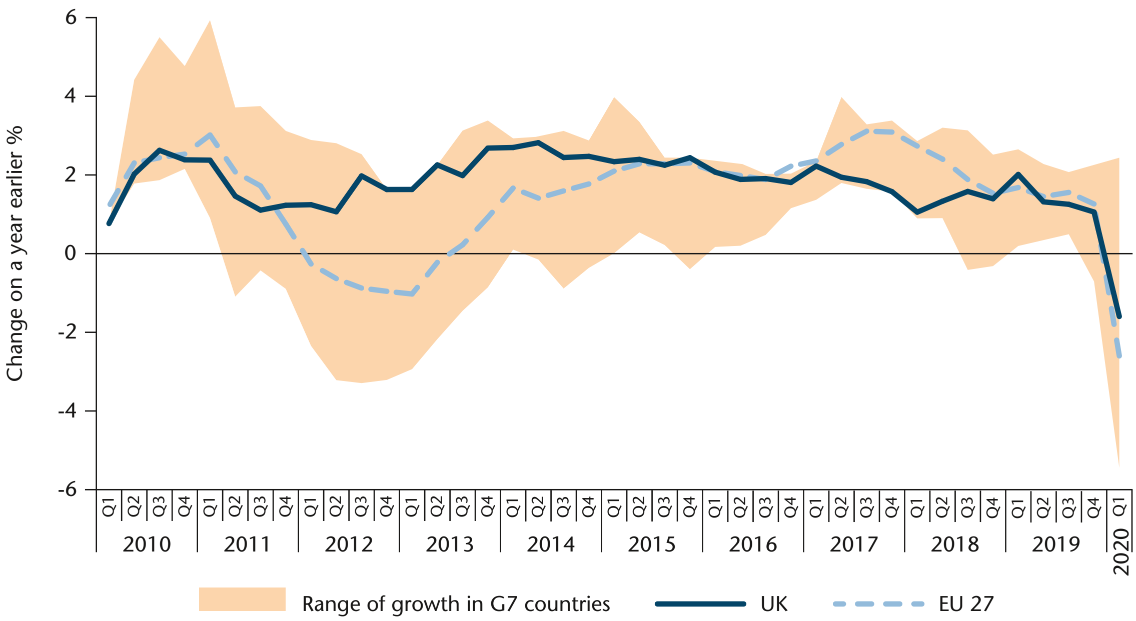
Overview

1. This appendix sets out the economic data available up to 13 May 2020. This includes the provisional estimate for GDP in the first quarter of 2020, inflation to March 2020, and labour market data to February 2020.

Economic growth

2. The UK economy grew by 1.4 per cent overall in 2019, broadly in line with other G7 and EU countries (see figure A.1). GDP was estimated to have fallen by 2.0 per cent in quarter 1 2020, the largest fall since quarter 4 2008. The decline in the first quarter largely reflects the 5.8 per cent fall in output in March 2020, with widespread monthly declines in output across the services, production and construction industries.

Figure A.1: **GDP four-quarter growth in the UK and other G7 countries, 2010 to 2020**

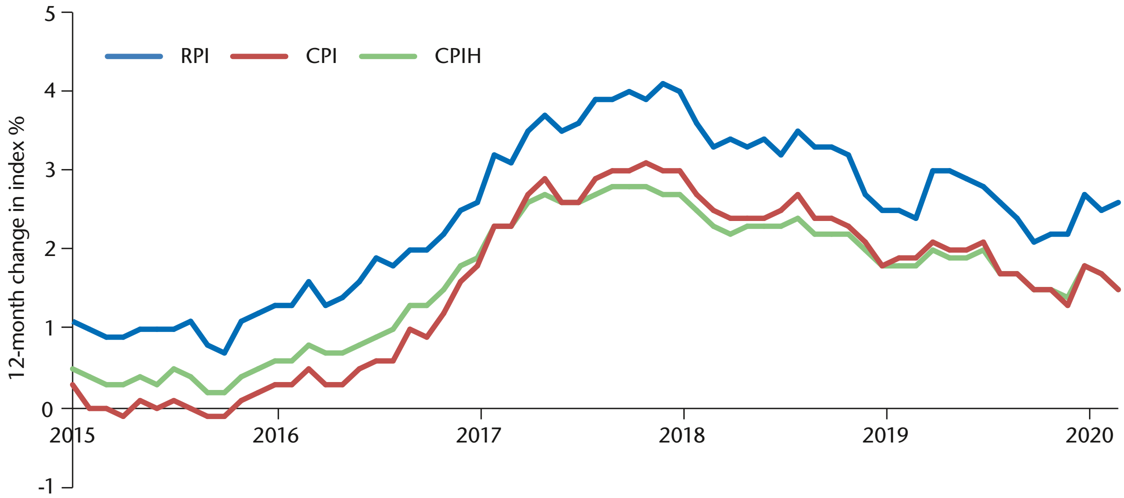


Source: OECD.

Inflation

3. The CPI and CPIH rates of inflation were both at 1.5 per cent in March 2020, and the RPI rate was at 2.6 per cent. Inflation was on a broad downward path through 2018 and 2019, with falling prices for petrol and clothing, as well as price cuts for gas and electricity.

Figure A.2: **Inflation, 2015 to 2020**

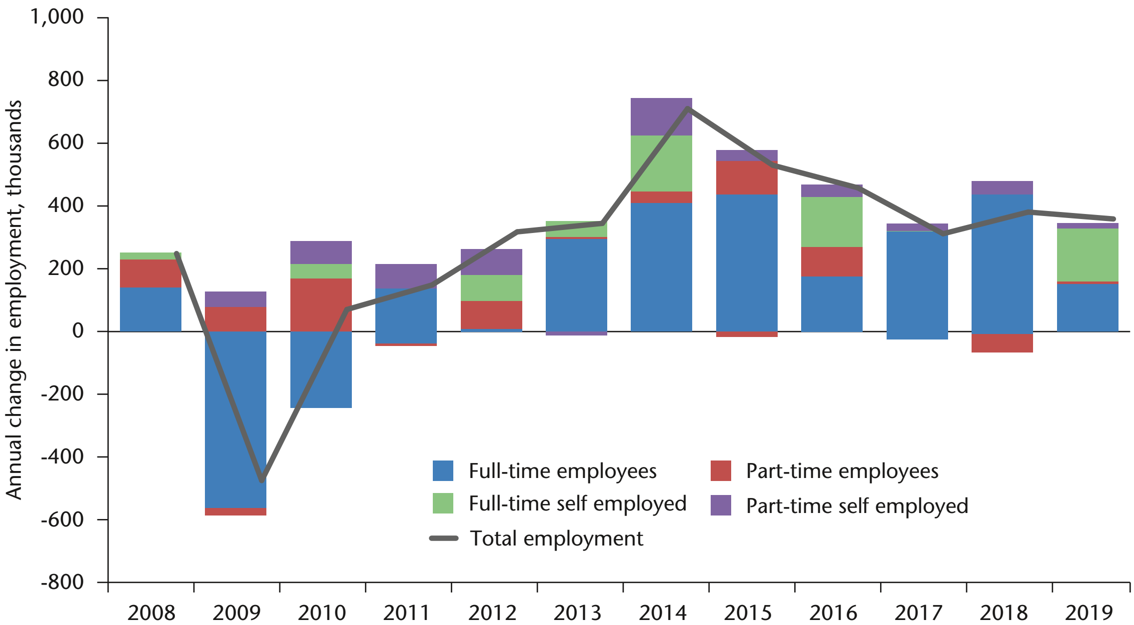


Source: ONS, CPI (D7G7); CPIH (L55O); RPI (CZBH), monthly, not seasonally adjusted, UK, January 2015-March 2020.

Labour market

4. The latest official statistics on the labour market, for the three months to February 2020, showed that employment had again increased to record levels. The employment level rose by 352,000 (1.1 per cent) over the year, and by 172,000 over the three months, to February 2020, to reach 33.1 million. The employment rate was at 76.6 per cent in the three months to February 2020, up 0.4 percentage points over the year and the highest since comparable records began in 1971. Unlike the 2008-09 post-recession period, the recent employment growth has been concentrated among full-time workers (see figure A.3).

Figure A.3: **Annual change in employment, 2008 to 2019**



Source: ONS, year-on-year change: full-time employees (YCBK); part-time employees (YCBN); full-time self-employed (YCBQ); part-time self-employed (YCBT); and number of people in employment age 16+ (MGRZ), UK, seasonally adjusted, 2008 to 2019.

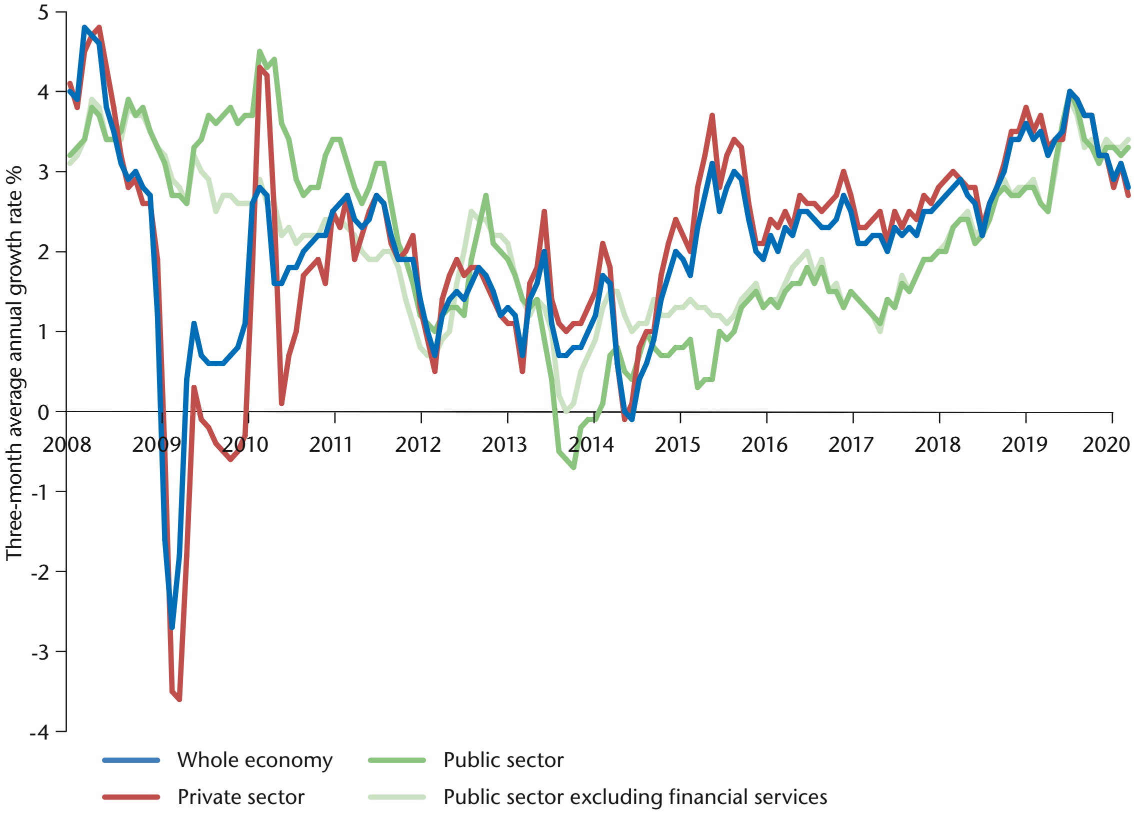
5. The level of unemployment (i.e., those looking for and available for work), rose by 58,000 in the three months to February 2020, and by 22,000 over the year, to 1.36

million. This gave an unemployment rate of 4.0 per cent in February, up from a 45-year low of 3.8 per cent at the end of 2019.

Earnings growth

6. Whole economy average weekly earnings growth was at 2.8 per cent in the three months to February 2020, having fallen back from its medium-term peak of 4.0 per cent in June 2019. Public sector average earnings growth (excluding financial services) was at 3.4 per cent in the three months to February 2020, having reached 3.9 per cent in June 2019, the highest rate since August 2008. Private sector average earnings growth was at 2.7 per cent in the three months to February 2020, down from 4.0 per cent in June 2019, the highest rate since April 2010.

Figure A.4: **Average weekly earnings growth (total pay), three-month average, 2008 to 2020**



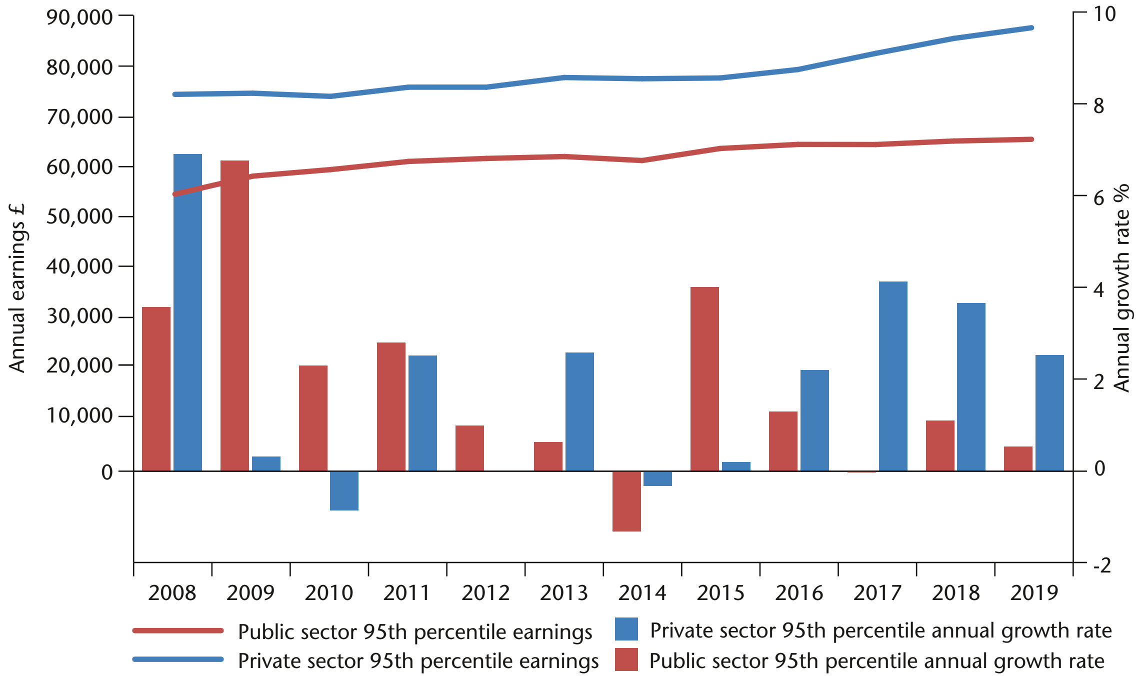
Source: ONS, average weekly earnings annual three-month average change in total pay: whole economy (KAC3); private sector (KAC6); public sector (KAC9); public sector excluding financial services (KAE2), monthly, seasonally adjusted, GB, 2008-2020.

7. Median pay settlements were 2.5 per cent in 2019. The latest estimates for median pay settlements in the three months to March 2020 were 2.4 to 2.5 per cent. Surveys indicate that many employers are likely to freeze pay or postpone decisions on pay awards in the current economic climate. Some employers with front-line workers, especially in the retail sector, have paid temporary pay increases.

8. Data from the Annual Survey of Hours and Earnings (ASHE) to April 2019 shows that private sector earnings growth has been ahead of the public sector since 2016. For most parts of the earnings distribution, this has meant that private sector earnings have caught up relative to the public sector since 2008, although earnings growth still remains slightly behind at the 97th percentile (see figures A.5 and A.6).[244]

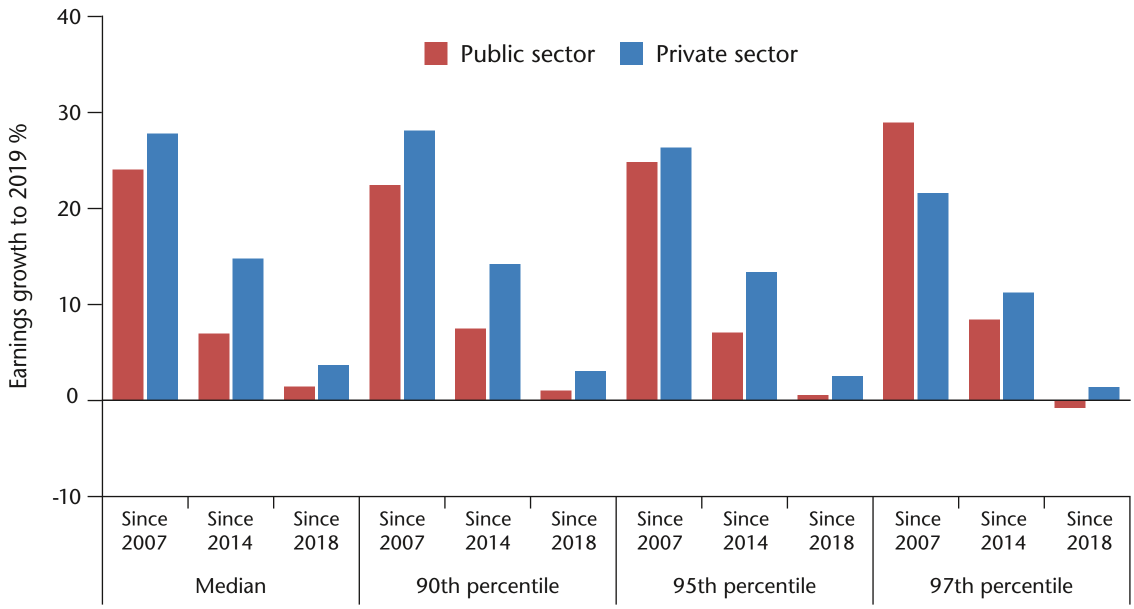
[244] We note that comparing points on the income distribution does not mean we are comparing jobs with the same characteristics or skills.

Figure A.5: **Earnings levels and growth at the 95th percentile, public and private sectors, 2008 to 2019**



Source: ASHE.

Figure A.6: **Earnings growth at different points in the earnings distribution, public and private sectors, 2007 to 2019**



Source: ASHE.

Appendix B

Take-home pay, total net remuneration and pensions

Overview

1. This appendix sets out in detail the analysis conducted on take-home pay and total net remuneration referred to in the main Report. It updates the analysis contained in our 2019 Report and includes: [245]

   - Details of the various changes to the tax system, national insurance, and pension schemes that have been introduced since 2009-10.
   - Analysis of the effects on SSRB remit groups of the March 2020 budget changes to pension taxation.
   - Analysis of the likely effect of the lifetime allowance on SSRB remit groups.

2. In our 2017 Report,[246] we demonstrated that pension taxation led to very high effective marginal tax rates in some cases, where relatively large increases in pensionable income led to little change in take-home pay.[247]

3. In our 2018 Report,[248] we modelled the impacts of promotion and career progression on tax paid, as well as the subsequent take-home pay profiles. We noted from this analysis that the annual allowance tax charge had resulted in a significant reduction in take-home pay, especially for those on a final salary pension scheme.

4. The supplement to our 2018 Report, the Major Review of the Judicial Salary Structure,[249] showed the change in inflation-adjusted take-home pay and total net remuneration for High Court, Circuit and District Judges under the old (JUPRA) and the new (NJPS) pension schemes between 2009-10 and 2017-18. Across all groups of judges, those who were in the NJPS had significantly lower take-home pay and total net remuneration in 2017-18 relative to those in the JUPRA scheme, albeit to varying magnitudes for the different groups. The analysis also showed that, for all groups and all pension schemes, there had been a fall in both inflation-adjusted take-home pay and total net remuneration between 2009-10 and 2017-18.

5. The key findings from the analysis in the 2019 Report were that:

   - Over the 10-year period from 2009-10 to 2018-19, both take-home pay and total net remuneration fell for nearly all groups, when adjusted for inflation. Only the SCS pay band 1 minimum showed little change.
   - Changes to the pension annual allowance had dramatically affected our higher earning groups, especially High Court Judges, Circuit Judges and 4-star senior military officers. In particular, the reductions in the annual allowance, first to

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[245] 41st Annual Report on Senior Salaries 2019. See: https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/819475/SSRB_2019_Report_Web_Accessible.pdf

[246] 39th Annual Report on Senior Salaries 2017. See: https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/629680/SSRB_2017_report_Web.pdf

[247] The high effective marginal tax rate arises because of the payment of annual allowance charges in the current year.

[248] 40th Annual Report on Senior Salaries 2018. See: https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/740064/Fortieth_Annual_Report_on_Senior_Salaries_2018.pdf

[249] Supplement to the 40th Annual Report on Senior Salaries 2018, the Major Review of the Judicial Salary Structure. See: https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/750331/supplement-fortieth-annual-report-senior-salaries-2018.pdf

£50,000 and then to £40,000, and the introduction of the annual allowance taper in 2016-17, had a strong negative impact on take-home pay and total net remuneration.

- While changes to pension schemes (higher accrual rates), increased the total net remuneration of some remit groups (SCS and senior military), others (the judiciary) witnessed sharp falls in total net remuneration. This was mainly because the new pension scheme was registered for tax purposes, while the older one was not. Other changes made, such as lower accrual rates and the removal of a lump sum, exacerbated the negative impact on total net remuneration for the judiciary.

6. Extending the analysis to 2019-20 continues to show that both inflation-adjusted take-home pay and total net remuneration have fallen for nearly all groups since 2009-10. However, larger pay increases (relative to previous years) and changes to income tax thresholds have helped to considerably reduce the gap in take-home pay and total net remuneration between 2009-10 and 2019-20 for some remit groups.

7. Changes in the March 2020 budget to pension taxation have substantially increased take-home pay and total net remuneration for some of the groups hardest hit by annual allowance charges. Our analysis suggests that Circuit Judges, 4-star officers and Permanent Secretaries on the minimum of their pay range would have had annual allowance charges at least £10,000 smaller had the changes applied in 2019-20. Other groups, such as High Court Judges and 2-star officers, will not see significant benefits from this policy change. These groups either earn enough to still have a tapered annual allowance or not enough to have ever been significantly affected by the annual allowance taper.

8. Analysis of the lifetime allowance illustrates that SSRB remit group members with long-standing service in public sector pension schemes, or who have been high earners and built up large pension funds before joining public service, are likely to either have already breached the lifetime allowance or be at high risk of breaching it. Since pensions typically form a larger proportion of remuneration in the public sector than in the private sector, this is likely to make senior public sector roles less attractive. Furthermore, for those in post, it will create large disincentives to accrue pension benefit, with marginal tax rates on additional pension benefit ranging from roughly 55 to 110 per cent for those who have breached the lifetime allowance.[250] Consequently, some SSRB remit group members receive little value from marginal pension accrual.

Key changes to income tax, national insurance and pensions

9. From 2009-10 to 2019-20, the income tax personal allowance almost doubled from £6,475 to £12,500. In 2010-11, an income limit was introduced which tapers the personal allowance by £1 for every £2 of taxable income above £100,000 and below £125,000. Those with income of £100,000 to £125,000 therefore face an effective marginal tax rate on income of 62 per cent.

10. The salary at which the higher (40 per cent) rate of income tax was paid decreased from £43,875 in 2009-10 to £41,450 in 2013-14, before rising to £50,000 in 2019-20. In addition, a new income tax rate was introduced on earnings above £150,000 in 2010-11 at a marginal rate of 50 per cent, which was reduced to 45 per cent in 2013-14.[251]

11. The annual allowance is the amount of pension benefit that can be built up from tax-free income in a pension scheme each year without incurring a tax charge. In 2010-

[250] See: from paragraph 42. Further details are provided on the lifetime allowance and more detail is provided on the conditions that produce these marginal tax rates on pension benefit.

[251] Note that income tax levels are different in Scotland. In particular, the additional rate is currently 46 per cent and the higher rate is 41 per cent. The higher rate threshold is lower in Scotland than in the rest of the UK.

11, the annual allowance increased to £255,000, before being reduced to £50,000 in 2011-12. The annual allowance was lowered to £40,000 in 2014-15. Additionally, a taper was introduced in 2016-17. Until April 2020, this annual allowance taper reduced the annual allowance by £1 for every £2 of adjusted income[252] above £150,000, down to a lower limit of £10,000 if threshold income[253] exceeded £110,000 and adjusted income exceeded £150,000. This leads to very high marginal tax rates for those who have breached their annual allowance and for those being tapered. Since additional pensionable pay increases adjusted income through higher basic pay and higher pension benefit, the annual allowance is reduced, incurring higher annual allowance tax charges and thus much higher marginal tax rates for the duration of the taper. The annual allowance is tapered for adjusted income levels between £150,000 and £210,000.

12. We have analysed what effective marginal tax rates on income would be faced by employees in breach of their annual allowance. We assume they have a typical career average pension scheme with a 2.2 per cent accrual rate and an 8 per cent employee contribution rate. For a higher rate taxpayer who has breached their annual allowance, the effective marginal tax rate would be 54 per cent, or 60 per cent if they are an additional rate taxpayer. If they also have an annual allowance that is being tapered, the effective marginal tax rate is 80 per cent, or 89 per cent if they are an additional rate taxpayer. If they have basic income of £100,000 to £125,000, annual allowance tax combines with the personal allowance taper to create an effective marginal tax rate of 74 per cent if they have breached their annual allowance and 100 per cent if their annual allowance is also being tapered. We note that this 100 per cent effective tax rate no longer applies, because following the March 2020 budget changes, the annual allowance taper occurs at a higher level of income than the personal allowance taper. These rates measure increased in-year tax liabilities caused by a marginal increase in basic income, and do not account for the increased value of the pension.

13. The lifetime allowance, introduced in 2006, is the maximum amount of pension benefit that can be built up by an individual across all their pension schemes over their lifetime, without incurring a tax charge. The allowance was lowered from £1.8 million to £1.5 million in 2012-13, to £1.25 million in 2014-15 and to £1 million in 2016-17. Since then it has been increased in line with inflation, to £1.055million in 2019-20. Given the valuation factor of 20 used to calculate lifetime allowance tax charges, this is equivalent to a defined benefit pension of £52,750 a year at retirement (where there is no lump sum). If the pension is taken as income, the tax paid is 25 per cent of any pension value in excess of the lifetime allowance, while if the pension is taken as a lump sum, the tax paid is 55 per cent of the excess. The difference is accounted for by the assumed 40 per cent rate at which pension taken as income is taxed, meaning that the two are taxed equivalently.[254] If an individual has a combination of lump sum and income pension, they may choose which one counts as excess pension.

14. From 2009-10 to 2019-20, the national insurance lower earnings limit and primary threshold generally rose year on year, while the upper earnings limit decreased from £43,875 in 2009-10 to £41,450 in 2013-14, before rising in successive years to £49,254. In 2016-17, both the upper accrual point and the employees' contracted-out rebate were removed.

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[252]Adjusted income is defined as gross pay minus the employee pension contribution plus pension benefit.

[253]Threshold income is defined as gross pay minus the employee pension contribution.

[254]A pension taken as a lump sum is taxed once, at point of crystallisation through lifetime allowance charges, at a rate of 55 per cent. A pension taken as income is taxed twice, both at the point of crystallisation through lifetime allowance charges at a rate of 25 per cent and through income tax on the remaining 75 per cent of excess benefits at a rate of 40 per cent for higher rate taxpayers. Since 0.25 + (0.75 × 0.4) = 0.55, both these systems leave 45 per cent of excess pension untaxed.

15. Contribution rates in public sector pension schemes increased between 2012-13 and 2015-16, when new pension schemes were introduced. Employee contribution rates to the civil service Classic scheme increased from 1.5 per cent in 2011-12 to 7.35 per cent in 2015-16 for those earning £51,516 to £150,000. Member contributions to the judicial pension scheme were increased from 1.8 per cent at the start of the period to 4.43 per cent in 2015-16. Both the Armed Forces pension schemes analysed here – AFPS05 and AFPS15 – have zero employee contribution rates for all years.

16. The new pension schemes introduced in the public sector in 2015-16 were all career average schemes, while the older schemes were typically final salary (both old and new are defined benefit schemes). In order to maintain the value of the pension in the new career average schemes relative to the old final salary ones, the newer schemes generally have higher accrual rates. The accrual rates for the civil service rose from 1/80th (1.25 per cent) of annual gross pay in Classic to 1/43rd (2.32 per cent) in Alpha. The senior military also saw an increase in accrual rates from AFPS05 to AFPS15. The accrual rate for the judicial pension schemes decreased, however. While the JUPRA scheme had an accrual rate of 2.5 per cent, this fell to 2.32 per cent in the NJPS – the only group to see a decline. Additionally, JUPRA was not registered for tax purposes while NJPS is.

17. The old pension schemes generally pay out a lump sum of 2.25 per cent (JUPRA) or three times the value of the annual pension on retirement (Classic and AFPS05). The newer schemes do not pay out an automatic lump sum on retirement.

March 2020 budget changes to pension taxation

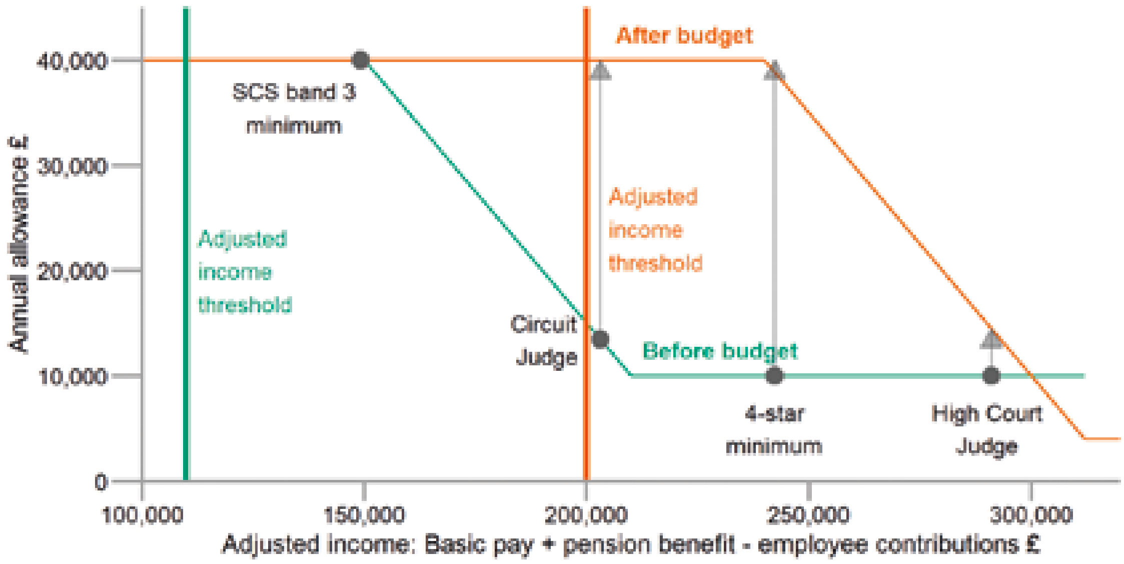
18. The pension taxation changes created high marginal tax rates for high earning groups. This led to concerns over incentives to reduce working hours in some cases, especially NHS consultants with flexible working arrangements. In response to this issue, the Chancellor of the Exchequer announced changes to the annual allowance taper in the March 2020 budget.

19. The budget implemented three separate changes, which are shown in figure B.1 below. These changes will take effect at the start of the 2020-21 tax year.

    - The threshold at which adjusted income, rather than basic pay, is used to calculate the annual allowance was increased by £90,000, from £110,000 to £200,000.
    - The threshold at which the annual allowance begins to be tapered was increased by £90,000, from £150,000 to £240,000.
    - The minimum annual allowance was decreased by £6,000, from £10,000 to £4,000.

20. Everyone with an adjusted income in the section of the graph where the turquoise line is below the orange line stands to benefit from the changes. This is anyone who met the old adjusted income threshold of £110,000 with a total remuneration greater than £150,000 but less than £300,000. The labels indicate where some roles in our remit groups fall on this graph, with arrows indicating how their annual allowance will increase.

Figure B.1: **Annual allowance before and after budget changes, by level of adjusted income**



Note: The 4-star minimum now receives the full annual allowance of £40,000, because it does not meet the £200,000 threshold income after which adjusted income is taken into account.

21. The maximum an individual can benefit from the changes is £13,500 (the difference between the old annual allowance of £10,000 and the new one of £40,000, times the tax rate of 45 per cent). Those with adjusted income between £210,000 and £240,000 will receive this, having moved from a fully tapered annual allowance of £10,000 to an un-tapered annual allowance of £40,000.

22. After the March 2020 budget changes to pension taxation, the annual allowance is being tapered for adjusted income levels between £240,000 and £312,000. There are some SSRB remit group members who still have a tapered annual allowance, though not all of these are being tapered at the margin. This includes:

- Judges in NJPS from groups 1, 1.1, 2, 3 and 4.
- The Metropolitan Police Commissioner and Deputy Commissioner.
- Civil servants earning more than £217,500. This includes the Chief Executive of the Civil Service, the Chief Executive of Defence Equipment and Support and the DIT 2nd Permanent Secretary.
- The Chief of the Defence Staff and 4-star officers at the top of their pay band.

Methodology and assumptions

23. In our analysis, we define take-home pay as total salary after tax deductions and pension contributions. It is calculated as gross pay (base pay plus performance-related pay, allowances and pay premiums) less employee national insurance contributions, income tax, employee pension contributions and any annual allowance charges.

24. We define total net remuneration as take-home pay plus the value of any accrued pension. For defined benefit schemes (applicable to our remit groups) the value of accrued pension is the additional amount added to the annual pension during the year. We calculate this by multiplying pensionable pay by the accrual rate of the pension scheme multiplied by the valuation factor of 16 that is used for calculating annual allowance tax liability in a defined benefit scheme (adding in any lump sums that are payable on retirement). For a defined contribution scheme, pension accrual is comprised of pension contributions and the value of the tax relief. Though we use the valuation

factor of 16 set for taxation purposes, the value of a defined benefit pension to any individual depends on how many years they expect to claim it, which may be more or less than 16. Total net remuneration does not take account of lifetime allowance charges.

25. The definition of take-home pay includes the value of annual allowance charges, reflecting an assumption that they are paid up front rather than through Scheme Pays. Scheme Pays, as set out in box B.1, allows individuals to pay for their annual allowance charges by reducing the value of their pension rather than paying cash in the current year. This option is more expensive the further away an individual is from retirement, reflecting the interest associated with deferring payment for many years, and will almost always result in a reduction of total net remuneration in excess of the cost of paying the charges up front. Our assumption reflects the fact that it is optimal for most pension holders to pay up front if they have the funds to do so, as that option generally maximises their total net remuneration.

Box B.1: **Scheme Pays**

- Scheme Pays is a method of avoiding large up-front tax obligations associated with pension accrual that pension holders do not benefit from for many years. Instead of paying the tax obligation up-front, the pension scheme pays HMRC directly and applies an actuarial reduction to the annual pension. The size of this reduction is dictated by a factor. For example, if the tax bill was £1,000 and the factor was 10, the individual's annual pension would be reduced by £100. The factor is calculated by the scheme owner, and generally depends on the pension holder's years from retirement, reflecting interest accrued on the initial annual allowance charge.
- Because of the interest individuals have to pay to incentivise the schemes to allow them to pay in many years' time, this is almost always more expensive than paying up-front. For example, the factor that Civil Service Pensions uses for 40-year olds in Alpha with a retirement age of 65 is 6.19 (a higher factor under Scheme Pays is more beneficial to the individual). Given the factor of 16 used by our analysis and HMRC to calculate the value of pensions, this means that 40-year olds paying their annual allowance charges through Scheme Pays incur a reduction in total net remuneration of roughly twice the size as the reduction in take-home pay they would incur by paying up front. The factor for an otherwise similar 63-year old is 16.44, meaning that it is cheaper for them to use Scheme Pays, so long as the valuation factor of 16 accurately represents their own valuation of their pension.
- Though Scheme Pays is often a less attractive way to pay annual allowance charges, it has implications for other forms of taxation that may make it more favourable. Scheme Pays leads to an actuarial reduction of the pension, so using it to pay annual allowance charges reduces the lifetime allowance charge. It also reduces the amount of income tax that is eventually paid on pension taken as income. Paying annual allowance charges up front leaves other tax obligations unaffected. Thus, for some, it will be tax efficient to use Scheme Pays.
- There are two types of Scheme Pays, Mandatory Scheme Pays and Voluntary Scheme Pays. Any scheme may voluntarily allow their pension holders to pay any annual allowance charges under Voluntary Scheme Pays. However, they are only obligated to allow some Mandatory Scheme Pays payments in circumstances where the annual allowance charge is in excess of £2,000 in a single scheme, and on annual allowance charges that apply to pension accrued in excess of £40,000. This means that dual scheme holders and those with a tapered annual allowance may not be able to pay their full charges under Mandatory Scheme Pays. There are different deadlines associated with the different types of Scheme Pays, but apart from that they function in the same way.

26. Several assumptions have been made in the analysis with respect to pay, pension benefit, tax obligations and the period analysed. These apply both to the analysis of the annual allowance changes announced in the March budget, and the longer-term analysis of take-home pay and total net remuneration.

   - Pay:
     - The focus is on specific pay points, so the analysis does not track what may have happened to an individual in terms of pay progression or promotion.
     - The senior military 2-star minimum salary includes X-Factor.

  - The gross pay figures used for the High Court Judge and Circuit Judge in 2018-19 and 2019-20 include the recruitment and retention allowances (RRAs). These were at a rate of 25 per cent for High Court Judges and 15 per cent for Circuit Judges in 2019-20.

- Pension benefit:

  - All roles are assumed to have switched from the old pension schemes to the new ones in 2015-16.
  - The value of pension benefits has been calculated by multiplying pensionable pay by the accrual rate of the pension scheme and the valuation factor of 16 used to calculate annual allowance charges. Thus, the pension benefit may be more or less valuable to the pension holder in reality if they expect to claim it more or less than 16 times.
  - The valuation factor differs from an individual's actuarial valuation which would take into consideration other factors, such as age.
  - Since all calculations ignore the pension benefit that career average scheme holders accrue through revaluation in excess of inflation, our analysis may underestimate the total accrued pension benefit for those groups.
  - Because career average schemes tend to have higher accrual rates, they will appear more generous than final salary schemes in this analysis. However, it is worth noting two features of the recently introduced career average schemes that reduce their value to the holder relative to the schemes they replaced and are not included in our analysis. Firstly, final salary schemes are much more valuable for those with steep career paths as the accrual of earlier years is uprated by final salary. Secondly, many of the new career average schemes have significantly higher retirement ages than their predecessors. For example, the new civil service pension scheme, which in our analysis is significantly more valuable than the scheme it replaced, has a retirement age of up to eight years higher than it was previously.

- Taxation:

  - No annual allowance is carried forward.
  - Scheme Pays is not used to pay the annual allowance charge; the charge is deducted from annual pay.
  - The analysis does not include the use of an earnings cap by older pension schemes, opting instead to conduct the analysis with the annual allowance (that alongside the lifetime allowance replaced the earnings cap in 2006-07).
  - As we are conducting an in-year analysis, the lifetime allowance tax charge, which is tested and paid only when the pension is crystallised (typically at retirement), and varies according to an individual's pension history, is not taken into account.
  - Income tax paid on pension in retirement is not taken into account.

- Time period:

  - The analysis begins with the 2009-10 tax year and ends with 2019-20. Starting in 2009-10, a year before the introduction of the public sector pay policy, takes full account of changes to take-home pay and total net remuneration stemming from the policy, as well as changes to taxation and national insurance.

– Inflation-adjusted take-home pay and total net remuneration are in 2019 prices and deflated by CPI.

March 2020 budget analysis

27. Table B.1 contains analysis of the effect of the March 2020 budget changes on a number of SSRB remit roles. It shows the reduction in their annual allowance tax charges, and the remaining tax charge they would be liable to pay.

28. Those who benefit most were both severely affected by the pension taper before the changes and have threshold income below £200,000. Circuit Judges, 4-star officers, Permanent Secretaries on the minimum and high earning Chief Constables are among the biggest gainers. Of the analysed positions, only High Court Judges are still being tapered. The Chief of the Defence Staff has a fully tapered annual allowance and will see it reduced from £10,000 to £4,000.

29. These changes do not mean that SSRB remit group members will no longer receive annual allowance tax charges. Many members, even if they receive the maximum benefit of £13,500 from this policy, will still receive annual allowance charges that are large relative to the benefit from these changes.

30. The cliff edge problem, in which crossing the adjusted income threshold dramatically increases annual allowance tax liabilities and puts an individual in the range of adjusted income for which they are being tapered, is less of an issue, but we will continue to monitor it. With the threshold now at £200,000 rather than £110,000, very few SSRB remit group members are near the cliff edge; 4-star officers at the top of their pay bands and the Metropolitan Police Deputy Commissioner are examples of members who are within 2 per cent of the threshold.

Table B.1: **Benefit to SSRB remit groups of March 2020 budget pension taxation changes**

Role	Basic pay plus RRAs	Tax benefit from changes	Remaining annual allowance charge	Still being tapered?
SCS band 1 minimum	£70,000	£0	£0	No
SCS band 2 minimum	£92,000	£0	£0	No
SCS band 3 minimum	£115,000	£0	£1,075	No
Permanent Secretary minimum	£150,000	£10,047	£6,505	No
2-star minimum	£118,431	£1,750	£127	No
3-star minimum	£137,794	£7,543	£2,763	No
4-star minimum	£180,733	£13,500	£9,687	No
Chief of the Defence Staff	£276,318	-£2,700	£40,530	Yes
District Judge	£112,542	£0	£710	No
Circuit Judge	£161,332	£11,947	£5,434	No
High Court Judge	£236,126	£2,016	£25,038	Yes
Chief Constable (Manchester)	£199,386	£13,500	£7,960	No

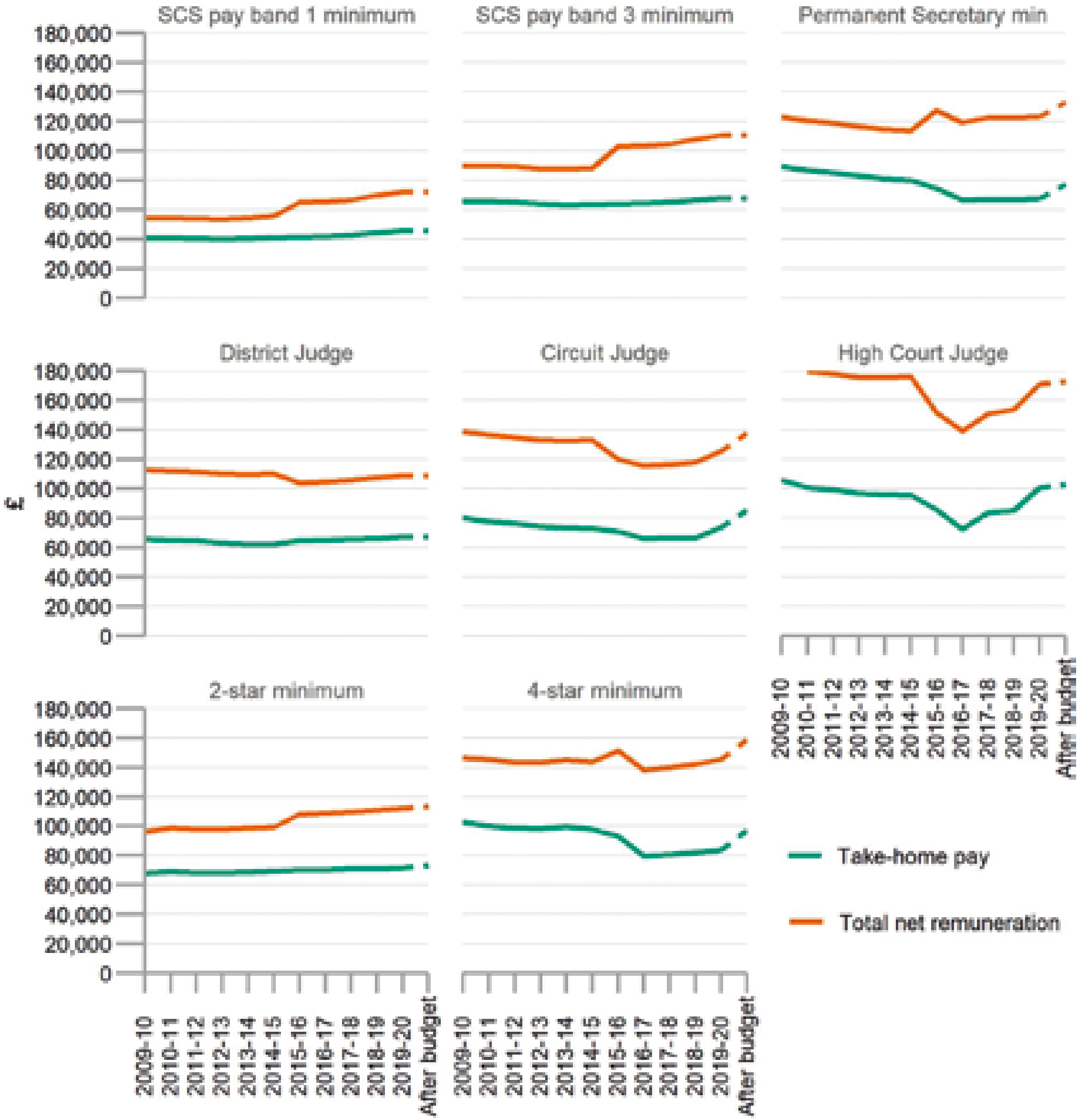
Take-home pay and total net remuneration analysis

31. The first part of this section looks back and analyses the effect of the 2019-20 pay award, accounting for inflation. The second part looks at the effects of the March 2020 budget changes to pension taxation by analysing take-home pay in 2019-20 as if the changes had applied in that year.

Take-home pay and total net remuneration in 2019-20

32. Figure B.2 shows the evolution of nominal take-home pay (turquoise) and total net remuneration (orange) for representative members of SSRB remit groups since 2009-10. The dotted line shows the impact of the March 2020 pension taxation changes. Figure B.3 performs the same analysis but adjusted for inflation. Since total net remuneration is take-home pay plus the value of the pension, the gap between the two lines in figures B.2 and B.3 can be interpreted as the value of the pension each year, which was broadly unchanged across remit groups last year.

Figure B.2: **Nominal take-home pay and total net remuneration for the SCS, senior military and judiciary, 2009-10 to 2019-20**



Note: The dotted lines update the 2019-20 figures as if the annual allowance change had happened in the 2019-20 tax year and account for no other changes.

33. Table B.2 shows the increase in nominal take-home pay and total net remuneration over the last year and since 2009-10. Table B.3 shows the change in inflation-adjusted take-home pay and total net remuneration since 2009-10.

Table B.2: **Increase in nominal take-home pay and total net remuneration, 2018-19 to 2019-20 and 2009-10 to 2019-20**

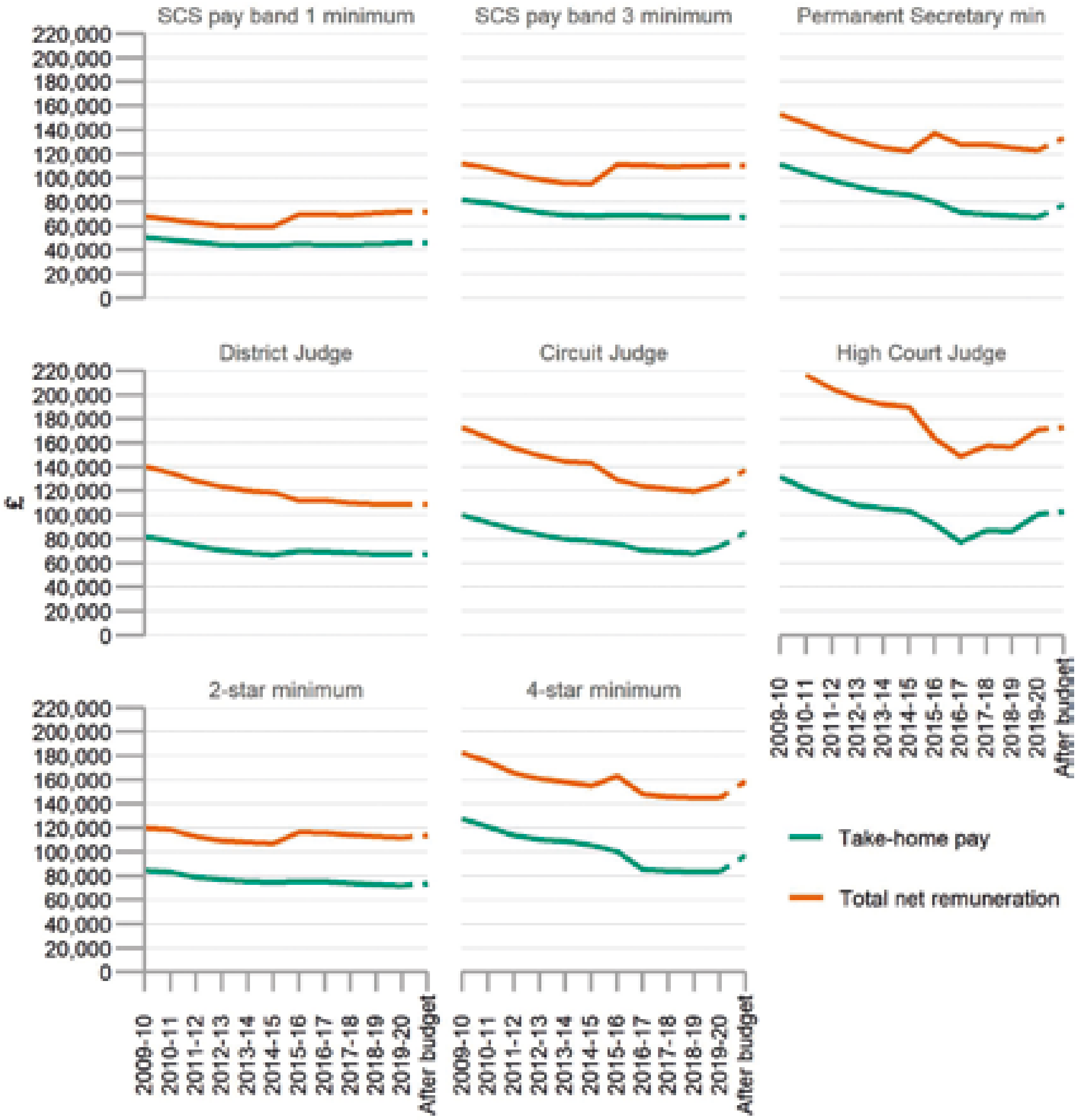
	Increase, 2018-19 to 2019-20		Increase, 2009-10 to 2019-20	
	Take-home pay	Total net remuneration	Take-home pay	Total net remuneration
Role	%	%	%	%
SCS pay band 1 minimum	3.6	3.3	13.2	32.1
SCS pay band 3 minimum	1.8	2.3	2.9	22.8
Permanent Secretary minimum	0.4	0.2	-24.5	0.1
2-star minimum	0.7	1.1	5.2	16.3
4-star minimum	1.9	2.0	-18.5	-1.0
District Judge	1.5	1.7	2.3	-3.2
Circuit Judge	10.1	6.6	-8.4	-9.5
High Court Judge	18.4	11.1	-4.7	-7.4

34. Between 2018-19 and 2019-20, nominal take-home pay and total net remuneration increased for all the analysed groups. The increases in take-home pay range from 0.4 per cent (Permanent Secretary minimum) to 18.4 per cent (High Court Judge). The increases in both take-home pay and total net remuneration can mainly be attributed to increases in base pay where, for example, the SCS pay band 1 minimum rose by nearly 3 per cent. High Court and Circuit Judges also saw their salaries increase through recruitment and retention allowances of 25 per cent and 15 per cent respectively.

35. Permanent Secretaries, 4-star officers, Circuit Judges and High Court Judges still have nominal take-home pay below the level of 10 years ago. At worst, the Permanent Secretary minimum had take-home pay 24.5 per cent below 2009-10 levels in 2019-20. The SCS pay band 1 minimum take-home pay increased by the most (13.2 per cent since 2009-10).

36. Because of an increase in the value of some pensions, fewer groups have seen their total net remuneration fall over the last decade. In particular, Permanent Secretaries, despite suffering a 24.5 per cent fall in take-home pay in the 10 years to 2019-20, increased their total net remuneration by 0.1 per cent over the same period. Total net remuneration at the SCS pay band 1 minimum increased the most of any group, by 32.1 per cent, largely due to increases in the value of the civil service pension.

Figure B.3: **Inflation-adjusted take-home pay and total net remuneration for the SCS, senior military and judiciary, 2009-10 to 2019-20**



Note: The dotted lines update the 2019-20 figures as if the annual allowance change had happened in the 2019-20 tax year and account for no other changes.

Table B.3: **Increase in inflation-adjusted take-home pay and total net remuneration, 2018-19 to 2019-20 and 2009-10 to 2019-20**

	Increase, 2018-19 to 2019-20		Increase, 2009-10 to 2019-20	
	Take-home pay	**Total net remuneration**	**Take-home pay**	**Total net remuneration**
Role	%	%	%	%
SCS pay band 1 minimum	1.8	1.5	-9.1	6.2
SCS pay band 3 minimum	0.0	0.5	-17.3	-1.3
Permanent Secretary minimum	-1.4	-1.6	-39.4	-19.6
2-star minimum	-1.1	-0.6	-15.5	-6.6
4-star minimum	0.1	0.2	-34.5	-20.5
District Judge	-0.3	-0.1	-17.8	-22.3
Circuit Judge	8.2	4.7	-26.4	-27.3
High Court Judge	16.3	9.1	-23.4	-25.6

37. When adjusted for inflation, only the SCS pay band 1 minimum and the 4-star minimum experienced a rise in both take-home pay and total net remuneration from the annual uplift between 2018-19 and 2019-20. Circuit Judges and High Court Judges experienced the greatest rises in both take-home pay and total net remuneration, due to the effect of their recruitment and retention allowances. Other roles saw decreases between 0.1 per cent and 2.0 per cent in at least one measure.

38. Over the 10 years to 2019-20, figure B.3 and table B.3 show that take-home pay, when adjusted for inflation, has reduced for all roles, by as much as 39.4 per cent for the Permanent Secretary minimum. The SCS pay band 1 minimum was the only role to see an increase in total net remuneration once adjusted for inflation, by 6.2 per cent over the period. This, and more modest falls in total net remuneration for other SCS roles, was mainly due to the increased value of the civil service pension.

Changes to the annual allowance taper from April 2020

39. Table B.4, and the dotted lines in Figures B.2 and B.3, show the effect on take-home pay and total net remuneration of changes to the annual allowance taper announced in the March 2020 budget. The pension taxation changes will give substantial increases in take-home pay and total net remuneration to Permanent Secretaries on the minimum, 4-star officers and Circuit Judges. There will be smaller increases in take-home pay and total net remuneration for High Court Judges and 2-star officers.

40. Over a longer period, the changes will significantly reduce the falls in take-home pay and total net remuneration experienced by some roles, especially Permanent Secretaries on the minimum, 4-star officers and Circuit Judges. Comparing with table B.2, the fall in nominal take-home pay for the Permanent Secretary minimum is reduced from 24.5 per cent to 13.3 per cent. For Circuit Judges the fall in take-home pay of 8.4 per cent is now a rise of 6.5 per cent and for the 4-star officer minimum, a fall of 18.5 is reduced to a fall of 5.3 per cent.

41. As a result of the budget changes, the 15 per cent recruitment and retention allowance for Circuit Judges has been removed from 1 April 2020. By our analysis, this still leaves

Circuit Judges better off in take-home pay terms than they were prior to the introduction of the recruitment and retention allowance, by £396 or 0.5 per cent.

Table B.4: **Increase in nominal take-home pay and total net remuneration from March 2020 budget changes to pension taxation, assuming they had applied in 2019-20**

	Increase from budget changes relative to 2019-20		Increase between 2009-10 and 2019-20, including budget changes	
	Take-home pay	**Total net remuneration**	**Take-home pay**	**Total net remuneration**
Role	%	%	%	%
SCS pay band 1 minimum	0.0	0.0	13.2	32.1
SCS pay band 3 minimum	0.0	0.0	2.9	22.8
Permanent Secretary minimum	14.9	8.2	-13.3	8.2
2-star minimum	2.4	1.6	7.8	18.1
4-star minimum	16.1	9.3	-5.3	8.2
District Judge	0.0	0.0	2.3	-3.2
Circuit Judge	16.3	9.5	6.5	-0.9
High Court Judge	2.0	1.2	-2.7	-6.3

The lifetime allowance

42. The lifetime allowance is the maximum amount of pension benefit that can be accumulated by an individual over their life across all their registered pension schemes without incurring a tax liability. The lifetime allowance is a significant issue for many high earning public sector workers. Due to the generosity of public sector pension schemes, it is feasible that high earning public sector workers will have an annual pension greater than the £52,750 required to breach the lifetime allowance in 2019-20. Pension schemes which pay a lump sum upon retirement will breach the lifetime threshold at a lower level of annual pension, since the lump sum contributes to the lifetime allowance. For example, a pension scheme with a lump sum three times the annual accrual will incur a charge on an annual pension greater than £45,870.

43. For those with total pension benefits greater than £1 million as of 6 April 2016, protection of their existing lifetime allowance was available. Similar protections were made available after the reductions in the lifetime allowance from April 2014 and 2012.[255]

44. When an individual on a defined benefit scheme is liable for a lifetime allowance charge, this is usually paid by the pension scheme provider initially, then paid by the individual through a reduced annual pension.

[255] There are two types of 2016 protection: Individual and Fixed. Individual protection protects lifetime allowance to the lower of the value of accrued pension at 5 April 2016 or £1.25 million, and allows further pension accrual. Fixed protection fixes lifetime allowance at £1.25 million and does not allow further pension accrual. Analogous protection in 2014 allowed individuals to have a lifetime allowance of up to £1.5 million, and 2012 protection allowed individuals to have a lifetime allowance of up to £1.8 million.

45. It is impossible to model the effect of the lifetime allowance on any particular group of workers in the same way as take-home pay was modelled in the previous section, since the lifetime allowance charge will depend on the pension an individual has accrued over the course of their entire career. However, the impact with representative figures can be described.

46. Considering final salary pension schemes, if a pension scheme has a 1.6 per cent accrual rate and a three times final pension accrued lump sum, then:

- A worker with 30 years pensionable service in this scheme would need to have a final salary of £95,562 to breach the 2019-20 lifetime allowance.
- If they had worked 40 years instead, they would need to have a final salary of £71,671 to breach the lifetime allowance.
- If they did not have a lump sum component and had 30 years pensionable service, their salary would need to have been £109,895 to breach the lifetime allowance.

47. Considering career average pension schemes, if a pension scheme has a 2.2 per cent accrual rate, no lump sum and a worker earns twice as much in the second half of their career as they did in the first, then:

- A worker with 30 years pensionable service in this scheme would need to have a final salary of £106,566 to breach the lifetime allowance.
- If they had worked 40 years instead, they would need to have a final salary of £79,925 to breach the lifetime allowance.

48. This basic analysis shows that long-standing high earning officials in typical defined benefit schemes are likely to breach the lifetime allowance. This may also be the case among remit group members that have not been in their organisations for the entirety of their careers, such as judges. Many judges come from long, high-earning careers in professional legal practice, during which they may already have breached the lifetime allowance depending upon their pension arrangements prior to joining the judiciary.

49. For those drawing their pension as income, the tax charge for breaching the lifetime allowance is 25 per cent of accrued pension benefit in excess of the lifetime allowance. Someone with a pension of £82,750 and no lump sum would have a total pension benefit of £1,655,000, breaching the lifetime allowance by £600,000 and incurring a lifetime allowance charge of £150,000. Assuming that the scheme provider pays the lifetime allowance charge on crystallisation, and reduces the annual pension using a valuation multiplier of 20 and does not charge interest on repayment of the lifetime allowance charge, this would be equivalent to £7,500 of annual pension and reduce their annual pension to £75,250.[256]

50. We have analysed the marginal cost of accruing pension under the current pension taxation regime. This analysis takes into account the lifetime allowance charge, the annual allowance charge, and income tax paid when a pension is drawn as income. Note that we only estimate the proportion of a marginal increase in pension value that is taken as tax. The analysis does not take into account the costs of acquiring pension accrual, such as members' contribution rates. We have assumed the pension is claimed for 20 years, that the pension and lifetime allowance are adjusted for inflation, and that

[256] Schemes will use different factors depending on age. Those who retire early, with more pensionable years to pay off the tax charge, will receive more generous factors than older retirees. For example, the factor Civil Service Pensions uses for someone in Alpha who retires at 55 is 22.34. The factor used for someone aged 65 who is otherwise similar is 17.32. Thus, if factors for other schemes are in line with the practice of Civil Service Pensions, this section will tend to underestimate the effect of lifetime allowance charges.

annual allowance charges are not paid through Scheme Pays. The Scheme Pays box on page 203 gives more detail on the effects of this assumption.

51. Under these assumptions, the marginal tax rate on pension accrual after breaching the lifetime allowance is roughly 55 per cent. This is a combination of the actuarial reduction in pension to pay for the lifetime allowance charge and the income tax paid on the annual pension. A higher rate taxpayer who has breached their annual allowance and their lifetime allowance has a marginal tax rate on pension accrual of roughly 85 per cent. If they were an additional rate taxpayer the tax rate would be roughly 90 per cent.

52. Finally, an individual would have a higher marginal tax rate on pension accrual if their annual allowance was also being tapered. An additional rate taxpayer who has breached their lifetime allowance and has an annual allowance that is being tapered would have a marginal tax rate on pension accrual of roughly 110 per cent. In comparison, any pay in lieu of pensions option, common in the private sector, would be marginally taxed at 47 per cent at most (the 45 per cent highest rate of income tax, plus 2 per cent national insurance).

53. We have estimated that marginal tax rates in the scenarios analysed are between 55 and 110 per cent. These estimates depend on strong assumptions, such as the number of years a pension is claimed. If individuals live longer and their annual pension is claimed more times, then the value of the pension would be higher but annual allowance and lifetime allowance charges would remain the same, reducing the effective marginal tax rate. We estimate that the range of marginal tax rates would be between 50 per cent and 95 per cent if the pension was claimed for 25 years, and between 50 per cent and 85 per cent if the pension was claimed for 30 years.

54. The results are also highly sensitive to the fact that we assume Scheme Pays is not used. As we note in box B.1, there is a bigger incentive for those who have breached the lifetime allowance to use Scheme Pays for annual allowance tax charges since, unlike up-front payment, Scheme Pays reduces the lifetime allowance charge.

55. In summary, this analysis illustrates that SSRB remit group members are at risk of breaching the lifetime allowance if they have long standing pensionable service within their organisations. Breaching the lifetime allowance creates large disincentives to accrue pension benefit, with marginal tax rates on pension benefit ranging from roughly 55 to 110 per cent. These individuals consequently receive little value from their pension accrual each year and are therefore likely to leave their pension scheme.

Appendix C

Characteristics of the SSRB remit groups

Introduction

1. To enable easy comparison, this appendix gives descriptive information on our individual remit groups. Table C.1 provides a short summary of the key characteristics of each group. Tables C.2 through to C.7 give detailed information on the senior civil service (SCS), the senior military, the judiciary, Executive and Senior Managers in the NHS (ESMs), chief police officers, and Police and Crime Commissioners (PCCs).

2. All our remit groups consist of the most senior officials in their respective areas of the public sector. Significant leadership and management responsibilities are intrinsic to almost all SSRB remit group roles. Their jobs are demanding, and appointments are made following appropriately rigorous selection processes.

3. High-level qualifications, whether academic, professional, leadership and management, or specialist knowledge and skills, are required for most roles. As elected officials, PCCs are different and the qualities they need are subject to the priorities and preferences of local electorates.

4. Age profiles of remit group members show that members tend to be in the later stages of successful careers.

5. Remit groups differ in the degree of specialisation required. For some groups, such as the senior military and chief police officers, all will have had long careers rising within the organisation they lead. Others, such as judges, are all external appointees from specialist fields of work in which they have had years of prior professional practice. Many SCS positions and PCC roles are suitable for individuals with varied public or private sector experience, or a blend of the two.

6. Pay structures vary between remit groups. The judiciary, Chief Constables and Deputy Chief Constables, and PCCs are on spot rates of pay. Non-overlapping pay bands are used for the senior military, permanent secretaries in the SCS, chief police officers (below the rank of Deputy Chief Constable) and ESMs, while most SCS members are in a system with overlapping pay bands. The judiciary and chief constables have no pay progression. The SCS and ESMs have pay progression at the discretion of their organisations, while the senior military and chief police officers (below the rank of Deputy Chief Constable) have a pay spine and incremental progression.

7. All remit groups have defined benefit public sector pension schemes available to them. All groups, except PCCs, will be split between newer career average schemes and older final salary schemes.[257]

8. Responsibility for the SCS, judiciary, and chief police officer remit groups is at least partially devolved to other UK governments. ESMs are England only. The senior military is UK wide and not devolved. PCCs are elected only in England and Wales, and do not cover London or Manchester (where the Mayors have responsibility for policing).

9. In terms of geographical distribution, the SCS, judiciary, and ESMs are disproportionately located in London and, where relevant, the capital cities of other UK countries. Chief

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[257] Career Average Revalued Earnings (CARE) schemes are defined benefit schemes that allow individuals to accrue a portion of their present earnings as pension benefit. This is then revalued year on year, usually by inflation or similar.

police officers and PCCs are evenly distributed across the UK countries in which they work.

10. Diversity data are only available for some remit groups, and only then for some characteristics. The SCS and judiciary perform relatively well on gender diversity, with 45.2 and 37.0 per cent of post holders being women. By contrast, only 4 per cent of the senior military is female. The judiciary has the highest ethnic diversity, with 8.8 per cent of members from an ethnic minority background (the national proportion is 14.0 per cent).[258] The senior military currently has no members from an ethnic minority.

[258] Estimate from the 2011 Census.

Table C.1: **Summary of all remit group characteristics**

Characteristic	SCS	Senior military	Judiciary	ESMs	Chief police officers	PCCs
Size of remit group	5,036	125	2,148 (salaried judges)	467	212	40
Geography	England, Wales, and Scotland.	UK wide.	UK wide.	England.	England, Wales, and Northern Ireland.	England and Wales (except London and Manchester).
Pay structure	Overlapping bands. Separate but similar system for GCO.	Non-overlapping pay bands.	Spot rates by salary group.	Non-overlapping pay bands.	Spot rates for Chief and Deputy Chief Constables. Non-overlapping pay bands for Assistant Chief Constables and Commanders.	Spot rates by police force area.
Pay progression	Departments have discretion over pay progression.	Incremental pay progression.	No formal pay progression.	Organisations have discretion over pay progression.	Assistant Chief Constables and Commanders have incremental pay progression.	No formal pay progression.
How appointed	Department run and Civil Service Commission regulated open competition.	Internal promotion only.	Regulated open competitions run by the three devolved appointment bodies.	Employing organisation makes appointments with requirement for Board ratification and in some instances DHSC or Ministerial approval.	In England and Wales, appointed by the PCC. In Northern Ireland and London, by the Home Office.	Election by relevant police force area.
Age profile	Under 30: <1% 30-39: 18% 40-49: 39% 50-59: 37% 60-69: 6% 70+: <1%	Under 30: 0% 30-39: 0% 40-49: 17% 50-59: 82% 60+: 1%	Under 40: 5% 40-49: 20% 50-59: 33% 60+: 42% Includes fee-paid judges.[259]	Not known.	Under 26: 0% 26-40: 2% 41-55: 93% 55+: 5%	Under 30: 0% 30-39: 9% 40-49: 21% 50-59: 27% 60+: 42% At time of 2016 election.
Diversity profile	45% female 6% ethnic minority 5% disabled 6% LGBO	4% female 0% ethnic minority 0% disabled	37% female 9% ethnic minority	Not known.	27% female 3% ethnic minority	18% female 3% ethnic minority

[259] Outside the SSRB remit. Fee-paid judges, since they are generally in less senior positions, are likely to be younger on average than salaried judges.

Table C.2: **Senior civil service remit group characteristics**

Characteristic	Senior civil service
Size of remit group	5,036 This represented 1.1% of the civil service headcount in 2019.
Employer(s)	All government departments and some arms-length bodies.
Geography	67.9% are London based, the remaining 32.1% are based regionally.
Devolution	There are senior civil servants in our remit group working in the Scottish Government and Welsh Government, but not the Northern Irish Government, which has a separate civil service.
Hierarchy	There is a clearly defined managerial structure in the SCS and the wider civil service. This is, from top to bottom: Permanent Secretary, Director General (pay band 1), Director (pay band 2), Deputy Director (pay band 3).
Pay structure	Pay ranges from £70,000 to £208,100 across three wide overlapping bands, named pay bands 1 to 3. For internal appointments, pay is set at the bottom of the band unless an exception is granted. For external appointments, pay can be set above the minimum based on capability and experience. There are three Permanent Secretary pay tiers set centrally based on the weight and complexity of the role, ranging from £150,000 to £200,000. A small number of specialist roles sit outside the tiers. Additionally, there are 194 members of the Government Commercial Organisation (GCO) who are in specialist grades that are equivalent to the SCS. Some members of the GCO have the option of different terms and conditions. External recruits are automatically on the GCO terms, while internal recruits have the option to be on the GCO terms if they scored an ‘A’ in the pre-appointment assessment. By August 2019, 36% of eligible candidates had taken this opportunity. GCO salaries range from £90,000 to £193,819 at SCS equivalent level. There is a performance bonus of up to 20% for people on GCO terms. This is in lieu of alternative benefits available on existing civil service terms.
Pay progression	There is currently no formal mechanism for pay progression. Departments are expected to make annual awards targeted towards demonstration of sustained high performance, increased effectiveness and deepened expertise, and position in the pay range.
Pension scheme(s)	There are four different civil service pensions, three of which are closed to new members. SCS members may be in more than one scheme if they switched to Alpha post-2015. In 2018, three in four civil servants earning £70k+ were members of Alpha. Employee contribution rates are the same across all pension schemes: 7.35% for those earning up to £150,000 and 8.05% for those earning more than £150,000. Alpha: career average, 2.32% accrual rate, state pension age, for post-2015 joiners and non-protected members post-2015. Classic: final salary, 1.25% accrual rate plus three times final pension lump sum, pensionable age 60, for pre-2002 joiners. Premium: final salary, 1.7% accrual rate, pensionable age 60, for 2002-2007 joiners or switchers from Classic. Nuvos: career average, 2.3% accrual rate, pensionable age 65, for 2007-2015 joiners.

Characteristic	Senior civil service
Retirement age	Those in the Alpha pension scheme may claim their pension without actuarial reduction from the state pension age, currently 66. Classic and Premium members may do so from age 60 and Nuvos members from age 65.
How they are appointed	All SCS members are recruited by their direct employer through processes regulated by the Civil Service Commission. By default, all recruitment processes must include an open competition, with some conditions for exemption. For Directors and above, these open competitions must include selection committees chaired by the Civil Service Commission.
Age profile	The age profile as of 2019 was: Under 30: <1% 30-39: 18% 40-49: 39% 50-59: 37% 60-69: 6% 70+: <1% The median age was 48.
Diversity profile	In 2019 the SCS was: 45% female 6% ethnic minority 5% disabled 6% LGBO The median gender pay gap in 2019 was 5.7% for the SCS (compared to 11.1% for the civil service as a whole).
Work-life balance	Members of the SCS are not eligible for overtime or shift allowances. In normal circumstances, as specified in the SCS contract, SCS are required to work such additional hours as may from time to time be reasonable and necessary for the efficient performance of their duties. Exceptional overtime arrangements have been agreed for SCS working directly on Covid-19 response. The latest FDA survey of civil service working hours from 2019 found that 86% of respondents said they worked at least four hours per week beyond their contracted hours, with 20.5% saying they worked at least 14 hours per week beyond their contracted hours. As of 2019, 9.5% of SCS members worked part time.
Career paths	Around 79% of SCS members were civil servants before they joined the SCS. Roughly 20% have been on the Fast Stream programme. Around 20% were external appointments when they joined the SCS, recruited from the private sector or other parts of the public sector.
Qualifications	Some specialist roles, such as economists, will require specific qualifications or professional accreditation on entry. There are currently no subject specific requirements for generalist SCS members, who make up most of the remit group. Many roles will require experience in a relevant area and specialist knowledge or qualifications where appropriate.

Characteristic	Senior civil service
Job security and tenure	SCS members are employed on permanent or fixed-term contracts depending on the role. Redundancies are rare in the civil service and, for permanent staff, there is no mandatory requirement to move after a set period, although movement may be required to reflect a change in organisational structure or business needs. However, most SCS members change jobs frequently. The median tenure of current SCS members in a post is two years. The standard tenure expected of Permanent Secretaries is five years.
Leadership and management	Each tier of the senior civil service has leadership responsibility for all those below them within their scope of responsibility, including direct line management functions. A typical structure might be a Deputy Director responsible for a specific policy area, such as Future Sectors; their Director responsible for a policy area, such as Business Growth; their Director General responsible for a strategic priority, such as Industrial Strategy; and a Permanent Secretary responsible for the whole department.

Note: The information in this table has been checked by the Cabinet Office.

Table C.3: **Senior military remit group characteristics**

Characteristic	Senior military
Size of remit group	125 As of 2019 this represented 0.09% of the Armed Forces full-time headcount.
Employer(s)	The senior military are employed by the service branches of the British Armed Forces: the Royal Navy, the Army, and the Royal Air Force.
Geography	The senior military are most likely to work in single-service or joint military headquarters or in the Ministry of Defence's head office. Several operational roles are based overseas.
Devolution	The Armed Forces are not devolved.
Hierarchy	The senior military structure consists of Chief of the Defence Staff (4-star), who is the professional head of the Armed Forces, and 4-star, 3-star and 2-star officers who support the Chief of the Defence Staff.
Pay structure	The pay structure consists of three ranks each with six increments. The Chief of the Defence Staff has a separate pay spine with four increments. Salaries range from £118,431 to £276,318. There are currently three Medical and Dental Officers (MODOs) at 2-star rank who are paid on a spot rate. The 2-star MODO base rate of pay is 10% above the top 1-star rate of pay, while there is a 3-star MODO rate of pay that is 5% above the 2-star spot rate. 2-star and 3-star officers receive X-Factor at rates of £5,445 for 2-star officers and £2,723 for 3-star officers, which equates to 50% and 25% of the top OF4 pay scale. MODOs are given a differing level of X-Factor of £4,333 at the 2 and 3-star level.
Pay progression	Incremental progression occurs annually on 1 April for all personnel, subject to satisfactory performance. Senior personnel are required to be in their new rank for six months before becoming eligible for their first increment.
Pension scheme(s)	There are three different pension schemes: AFPS75, AFPS05, AFPS15. Unlike other public sector pension schemes, there are no required employee contributions. The benefits are as follows: AFPS75: Final rank (not final salary) pension with lump sum, roughly proportionate to years of service up to a maximum of 48.5% of representative rank pay and a lump sum of three times annual pension. AFPS05: Final salary pension with lump sum, 1/70th accrual rate up to a maximum of 40 years with a lump sum of three times annual pension. AFPS15: Career average pension with 1/47th accrual rate. Revalued according to the average weekly earnings index.
Retirement age	Those in the 1975 and 2005 pension schemes have a pension age of 55. Those in the 2015 pension scheme have a pension age of 60.
How they are appointed	Members of the senior military are all internally promoted by the service to which they belong.

Characteristic	Senior military
Age profile	The age profile of the senior military is: Under 30: 0% 30-39: 0% 40-49: 17% 50-59: 82% 60+: 1%
Diversity profile	The senior military is: 4% female 0% ethnic minority 0% disabled Data on the rates of LGBT representation and the gender pay gap are not available.
Work-life balance	Members of the senior military are unlikely to work part time, although they, along with all Armed Forces' personnel, are permitted to apply for flexible service. They are often required to work away from home throughout their senior career where flexible working is likely not possible.
Career paths	Members of the senior military will have served for many years before reaching the senior level. Senior military officers are grown through the ranks and direct entry is not possible. Senior officers are identified by their service as talented individuals who are capable of reaching the higher ranks and are career managed appropriately, such as attendance at senior leadership training and rotation into specific jobs to promote their professional development.
Qualifications	There are no specific qualifications for senior military appointments. All will have significant knowledge, skills, and experience, which will have included education at the military academies and through-career development and training.
Job security and tenure	Senior tour lengths are usually two years, although extensions are possible if required. Following an individual tour, personnel are not guaranteed a second post and may leave the services if there is no post available to them. Appointments are made either by service chiefs or by the Senior Appointments Committee (chaired by the Chief of the Defence Staff) and are not generally subject to an individual's preference.
Leadership and management	All members of the senior military will have significant leadership and management knowledge, skills, and experience, with increased responsibility with each promotion. Members of the senior military can expect to be managing significant numbers of personnel and have direct line management responsibility for several military officers and civilian personnel.

Note: The information in this table has been checked by the Ministry of Defence.

Table C.4: **Judiciary remit group characteristics**

Characteristic	Judiciary
Size of remit group	2,148 (salaried judges) England and Wales: 1,854 Northern Ireland: 84 Scotland: 210
Employer(s)	Judges in England and Wales, in both the tribunals and the courts service, are employed and paid by HM Courts and Tribunals Service. There is a Scottish Courts and Tribunals Service and a Northern Ireland Courts and Tribunals Service for the devolved judiciaries.
Geography	Judges work across the UK, with a concentration in London. Around 32% of salaried judges in England and Wales were London based in 2019. There are similar geographical concentrations in Edinburgh and Belfast for the devolved jurisdictions.
Devolution	England and Wales, Scotland, and Northern Ireland make up three separate jurisdictions and there may be different pay, scopes of responsibility and terms and conditions across these jurisdictions. In many cases there are different job titles, sometimes for similar posts and sometimes denoting a unique role. This is largely a result of the fact that law differs across these three jurisdictions. Pay is mostly unified, through a UK-wide salary scale. Tribunal judges, in various stages of devolution, are sometimes paid differently across jurisdictions.
Hierarchy	Judicial structure is complex, being a mix of jurisdictional hierarchy (where higher courts make rulings affecting lower courts) and direct leadership. Jurisdictional hierarchy, but only some leadership roles, are reflected in the pay system.
Pay structure	There are 11 different pay groups into which the various types of salaried judge are classified, ranging from group 1 to 8. They are placed in these groups according to the scope and responsibility of the role. Pay ranges from £89,428 for group 8 to £262,264 for group 1 in 2019-20.
Pay progression	There is no pay progression.
Pension scheme(s)	There are two main judicial pension schemes, NJPS and JUPRA. There are 896 active office holders in JUPRA and 3,496 in NJPS. The latter figure includes fee-paid judges and the implied number of salaried judges in NJPS, assuming all are in a pension scheme, is 1,252. JUPRA: Unregistered scheme for tax purposes, final salary, 2.5% accrual rate with lump sum of 2.25 times annual pension. Contribution rates of 4.41% for members earning up to £150,000 and 4.83% for those earning more than £150,000. NJPS: Tax registered scheme, career average, 2.32% accrual rate. Contribution rates of 7.35% for members earning up to £150,000 and 8.05% for those earning more than £150,000.
Retirement age	NJPS may be claimed without actuarial reduction from the state pension age, currently 66, whilst JUPRA may be claimed from age 65. There is a statutory maximum retirement age of 70 for all judges.
How they are appointed	Judges are appointed by one of the three devolved judicial appointments bodies in regularly run open competitions. Appointments are made by the bodies with input from judges of the position to which appointments are being made.

Characteristic	Judiciary
Age profile	Including fee-paid judges (outside the SSRB remit) the age profile as of 2019 is: Under 40: 5% 40-49: 20% 50-59: 34% 60+: 42%
Diversity profile	Including fee-paid judges (outside the SSRB remit), the judiciary is: 37% female 9% ethnic minority The proportion of disabled and LGBT judges is not known, nor is the gender pay gap.
Work-life balance	Salaried judges can request to work part time, though requests are not always approved. In some cases, such as the High Court, there are statutory complements, making workforce planning more difficult with part-time working. Currently, 15% of salaried judges work part time. Reliable information on working hours of judges is not available. Fee-paid judges, outside the SSRB remit group, are generally part time with an agreed number of sitting days. Some, especially in tribunals, may combine different fee-paid roles, thereby in effect sitting full time.
Career paths	Most judges will have had legal careers prior to their judicial career. For legal roles, barristers, solicitors, legal academics, chartered legal executives, public sector lawyers and patent and trademark attorneys are eligible candidates. Sitting in the judiciary is typically a mid to end of career role, and most are expected to stay in the job until they retire. Many judges take significant pay cuts on appointment. There are some non-legal judicial roles on tribunals, requiring specialist knowledge on topics such as agriculture, mental health, or property. Those who fill these roles may not have had previous careers in law.
Qualifications	All judges in courts and those in legal posts on tribunals will have a qualification in law and, depending on the position, at least five to seven years (many will have more) of post-qualification experience. Many will have specialist knowledge about certain areas of law on which they may focus in their judicial role. Judges in non-legal judicial roles on tribunals have varying qualification requirements depending on the topic covered but do not require legal qualifications. For some salaried roles, candidates are expected to have previous experience as a judge, often gained by sitting as a fee-paid judge before joining the salaried judiciary.

Characteristic	Judiciary
Job security and tenure	Judges are expected to stay in post until they retire. Judges must retire by age 70 and may take their full pension from age 65/66. However, they may change role in that time, as it is possible for salaried judges to move to a more or less senior post within the judiciary, or to a fee-paid role. By convention, judges are unable to return to private practice before the courts after they leave the judiciary. Some categories of fee-paid judges, such as Deputy District Judges or Recorders, are traditionally 'recruitment pools' for salaried judicial posts. Some judges may also take on fee-paid judicial roles for a limited period after retirement. Recently it has become more common for some judges to move courts, for example, from District Judge to Circuit Judge. The average appointment age of salaried judges in 2019 was 51.9 in the Courts and 52.2 in the Tribunals. The average age of salaried judges leaving the judiciary was 66.6 in the Courts and 65.6 in the Tribunals. These ages and tenures vary between different types and levels of courts.
Leadership and management	Leadership and management (in the sense of personnel management) are not intrinsic to most judges' responsibilities, though many take on leadership and management roles to ensure the smooth running of courts. According to the Judicial Office, 156 judges have officially recognised leadership roles, and it is acknowledged that there are currently judges exercising leadership or management functions who are not recognised, predominantly at the Circuit Judge level. Many more judges will have non-official leadership roles, such as mentoring of new judges.

Note: The information in this table has been checked by the Ministry of Justice.

Table C.5: **Executive and Senior Managers remit group characteristics**

Characteristic	Executive and Senior Managers in the NHS
Size of remit group	467 It is not known what percentage of the employing bodies' headcount this represents.
Employer(s)	ESMs are employed by arms-length bodies attached to the Department of Health and Social Care (DHSC), such as NHS England.
Geography	Most of the arms-length bodies are based in London, including the main employer of ESMs, NHS England. NHS Digital, NHS Blood and Transplant and the NHS Business Services Authority are based elsewhere in England. Though headquartered in London, many arms-length bodies have regional and sub-regional offices across the country.
Devolution	This is an England only remit group.
Hierarchy	ESMs are generally in traditional managerial hierarchies. Some will be chief executives and executive directors. ESMs not on the board of directors will likely be head of a division and report to the Chief Executive or an Executive Director.
Pay structure	There is a non-overlapping grade system, which has a minimum, an operational maximum and an 'exception zone'. There are four grades, with pay that ranges from £90,900 to £222,200. The range between the operational maximum and exception zone may be used upon approval of a business case by the DHSC ALB Remuneration Committee. This is for when market data suggests a salary of up to the operational maximum will not attract suitable candidates. Roles with salary in excess of £150,000 must be approved by the Secretary of State and the DHSC Remuneration Committee. For ESM grades 2 and above, salaries that exceed the exception zone maximum additionally require HM Treasury approval.
Pay progression	ESMs do not currently have a common pay progression system. However, each arms-length body has their own remuneration committee which has the power to give pay progression on an individual basis subject to DHSC approval.
Pension scheme(s)	ESMs may join the NHS Pension Scheme. The benefits are: NHS Pension Scheme: career average, 1/54th accrual rate, revalued by Treasury Order plus 1.5%, with 13.5% contributions if salary is up to £111,377, and 14.5% if salary is over £111,377.
Retirement age	The pension age is in line with the state pension age, currently 66.
How they are appointed	ESMs are appointed by the bodies that employ them. Salaries of £150,000 and above, or appointments into the exception zone part of the pay range, should be approved by the Secretary of State in the first instance, and the DHSC Remuneration Committee in both instances.
Age profile	The age profile of ESMs is not known.
Diversity profile	The diversity profile of ESMs is not known.
Work-life balance	ESMs typically work full time in demanding roles. In some cases, working arrangements which mirror the NHS will be expected.
Career paths	ESMs have a range of backgrounds, including NHS management roles and specialised technical or professional experience. There is a mix of internal progression, movement from elsewhere in the NHS and external recruitment.
Qualifications	ESMs will tend to have degree level education supplemented, in certain cases, with specialist qualifications in medical or scientific areas.

Characteristic	Executive and Senior Managers in the NHS
Job security and tenure	ESMs will usually be on permanent contracts. ESMs are generally accountable to the board of directors in the body that employs them.
Leadership and management	Leadership and management is intrinsic to the ESM role and it can be expected that all ESMs will have direct line management and more general leadership responsibilities. ESMs could be general managers, for example, fulfilling the role of a chief executive, or highly specialised experts leading technical or medical work.

Note: The information in this table has been checked by the Department of Health and Social Care.

Table C.6: **Chief police officers remit group characteristics**

Characteristic	Chief police officers
Size of remit group	212 In 2019 the chief police officers represented 0.17% of the FTE police workforce.
Employer(s)	Chief police officers are all employed by their respective police force.
Geography	England, Wales, and Northern Ireland. Chief police officers are evenly distributed in police forces across the country.
Devolution	Funding and accountability for police forces in England and Wales originates in the Home Office. In Scotland, this role is performed by the Scottish Government Justice and Communities Directorate. In Northern Ireland, it is the Department of Justice (Northern Ireland).
Hierarchy	The police forces have a managerial hierarchy. Chief Constables are at the top of the internal hierarchy, whilst Deputy Chief Constables report and are accountable to Chief Constables and Assistant Chief Constables to Deputy Chief Constables. Externally, Chief Constables are accountable to the Police and Crime Commissioner. Metropolitan Police and City of London police have a similarly ordered hierarchy. Commissioners are accountable to the Home Office and the Mayoral Office for Policing and Crime rather than to a Police and Crime Commissioner.
Pay structure	Chief Constables and Deputy Chief Constables, and their equivalents in London, have a spot rate of pay between £119,637 and £285,792. There are 12 spot rates for each role, which vary by 'force weighting'. This is based on a number of factors, with higher weightings attracting higher pay. A Police and Crime Commissioner may, on appointing a Chief Constable, set the Chief Constable's salary at a rate of up to 10% above or below the rate for the post. Assistant Chief Constables and Commanders are on a pay spine system with three points, ranging from £103,023 to £116,313, with incremental progression up the spine each year.
Pay progression	Assistant Chief Constables and Commanders are on a three-point pay spine and may progress every year conditional on satisfactory performance. No other chief police officer has pay progression.
Pension scheme(s)	There are three police pension schemes, dated 1987, 2006 and 2015. 1987 pension scheme: final salary, 1/60th accrual rate, double accrual (2/60th) for every year after the 20th year of pensionable service, revalued by inflation after age 55, maximum pension of 2/3 of final salary, 15.05% employee contributions. 2006 pension scheme: final salary, 1/70th accrual rate, maximum pension of 1/2 of final salary, 12.75% employee contributions. 2015 pension scheme: career average, 1/55.3 accrual rate, revalued by CPI + 1.25%, no maximum pension, 13.78% employee contributions.
Retirement age	1987 pension scheme: either after 30 years of pensionable service, or age 50 with at least 25 years of pensionable service, with a compulsory retirement age of 65. 2006 pension scheme: age 55, with a compulsory retirement age of 65. 2015 pension scheme: age 60, with a minimum pension age of 55 with actuarial reduction.

Characteristic	Chief police officers
How they are appointed	Chief Constables are appointed by the Police and Crime Commissioners. All less senior chief police officers are appointed by Chief Constables. The Metropolitan Police Commissioner and Deputy Commissioner are appointed by Royal Warrant, on the recommendation of the Home Secretary, in consultation with the Mayor's office and, in the case of the Deputy Commissioner, the Commissioner. The Commissioner of the City of London Police is appointed by the City of London Corporation and the City of London's Common Council, with the approval of the Queen.
Age profile	The age profile as of 2018 was: Under 26: 0% 26-40: 2% 41-55: 93% 55+: 5% The median age is not known.
Diversity profile	Chief police officers are: 27% female 3% ethnic minority The proportion of disabled and LGBT chief police officers is not known, nor is the gender pay gap.
Work-life balance	Very few chief police officers work part time.
Career paths	Most chief police officers will have had long careers within the police including training as a probationary officer, usually with at least 20 years of experience. It is a requirement of holding a Chief Constable position that applicants have held the rank of Assistant Chief Constable, Commander or a more senior rank, in a UK or approved overseas force, and that they have: i) at some point held the rank of Constable in a UK police force; or ii) have served at an approved rank in an approved overseas police force; or iii) where the functions of a fire and rescue authority are delegated to the chief constable, have relevant experience at senior level.
Qualifications	There are no degree requirements on being a chief police officer. However, it is expected that applicants will have completed extensive relevant police training and it is a requirement of appointment that they have completed the Police National Assessment Centre and the Strategic Command Course and associated assessment centre.
Job security and tenure	Chief police officers have fixed-term appointments. Initial appointments are made for up to five years and may be extended for three years. Beyond that, renewals are made on a year by year basis.
Leadership and management	Leadership and management within the operational environment are intrinsic to the role of chief police officer. They constitute the senior leadership of the forces to which they belong, and Chief Constables are responsible for the force, accountable only to the Police and Crime Commissioner. They will all have direct management responsibility for others.

Note: The information in this table has been checked by the Home Office.

Table C.7: **Police and Crime Commissioners remit group characteristics**

Characteristic	Police and Crime Commissioners
Size of remit group	40
Employer(s)	As elected officials the Police and Crime Commissioners do not have employers. Their pay, and that of any other staff in the Office of the Police and Crime Commissioner, is financed by a grant from the local police force.
Geography	PCCs are elected for each police force in England and Wales, except in London and Greater Manchester, where the Mayors both have PCC functions.
Devolution	PCCs are in England and Wales only.
Hierarchy	PCCs do not work with each other so the remit cannot be placed within an internal hierarchy. PCCs appoint and hold to account the Chief Constables, the heads of local police forces. They are accountable to their electorate.
Pay structure	PCCs are paid spot rate salaries which vary by police force (on the same basis as chief police officers). These range from £66,300 for Cumbria to £100,000 for West Yorkshire, with most PCCs in the three spot rates between those two. There is an additional £3,000 payment for taking on responsibilities for fire and rescue services, which is currently paid to five PCCs.
Pay progression	There is no pay progression.
Pension scheme(s)	PCCs are able to join the Local Government Pension Scheme (LGPS). The benefits are: LGPS: career average, 1/49th accrual rate, revalued according to Treasury Order, employee contribution rate of 9.9% for those earning up to £93,000 and 10.5% for those earning more than £93,000.
Retirement age	Retirement age is in line with the state pension age, currently 66.
How they are appointed	PCCs are elected on four-year terms using the Supplementary Vote System. The electorate is defined by the geographical region of the local police force. Most, but not all, PCCs are attached to a political party and are chosen to stand for election by political party organisations. Turnout was 16.7% in the 2012 election, and 27.4% in the 2016 election.
Age profile	As of the 2016 election, the age profile of the PCCs for whom information was available was: Under 30: 0% 30-39: 9% 40-49: 21% 50-59: 27% 60+: 42%
Diversity profile	PCCs are: 18% female 3% ethnic minority No other diversity statistics are available.
Work-life balance	There is limited evidence on work-life balance and the demands of the role. The role does not have defined working hours and, though a PCC could hypothetically work part time, this option is not used.

Characteristic	Police and Crime Commissioners
Career paths	PCCs tend to be from diverse working backgrounds, often with some policing experience. Most, if not all, PCCs have had some public sector experience. Current police employees are not eligible to stand for PCC. The trend between the first and second election was towards a greater proportion with political backgrounds and fewer with police experience.
Qualifications	There are no required qualifications to be a PCC. To be eligible to stand for election, candidates must not be police officers, members of the Armed Forces, civil servants, or judges. They must obtain 100 signatures from registered voters.
Job security and tenure	PCCs are subject to election every four years. They are thus dependent on their electorates for job security and tenure. The 2020 election has been postponed to 2021.
Leadership and management	PCCs hold managerial responsibility for appointing and holding to account the Chief Constable of their local force, and for setting priorities of the local police force. They will also lead and manage their own office and staff.

Note: The information in this table has been checked by the Home Office.

Appendix D

List of those who gave evidence and information to the SSRB

The Senior Civil Service

The Minister of State for the Cabinet Office and HM Treasury

Chief Executive of the Civil Service and Permanent Secretary for the Cabinet Office

Government Chief People Officer

The Cabinet Office

The First Civil Service Commissioner

The Civil Service Commission

The FDA and Prospect

Permanent Secretary discussion group

Senior civil service discussion groups

Feeder group discussions

Senior Officers in the Armed Forces

The Minister for Defence Procurement

The Permanent Secretary for the Ministry of Defence

The Ministry of Defence

The Chief of the Defence Staff

The Chair of the Forces Pension Society

Senior military discussion groups

Feeder group discussions

The Judiciary

The Lord Chancellor and the Secretary of State for Justice

The Lord Chief Justice of England and Wales

The Chancellor of the High Court

The Senior President of Tribunals

The Lord President of the Court of Session

The Lord Chief Justice of Northern Ireland

The Association of Her Majesty’s District Judges

The Association of High Court Masters and Insolvency and County Court (ICC) Judges

The Association of Regional Medical Members

The Council of Appeal Tribunal Judges

The Council of Employment Judges

The Council of Her Majesty’s Circuit Judges

The Council of Upper Tribunal Judges

The Forum of Tribunal Organisations

The High Court Judges’ Association

The Judicial Appointments Board for Scotland

The Chair of the Judicial Appointments Commission

The Judicial Appointments Commission

The National Council of Her Majesty’s District Judges (Magistrates’ Court)

The Northern Ireland Judicial Appointments Commission
The Northern Ireland Courts and Tribunal Service
The Scottish Government
The Scottish Judicial Office
The Senior Masters and Registrars
The Sheriff's' Association
The Tribunal Chamber Presidents
The Upper Tribunal Chamber Presidents

Senior leaders in the NHS

The Department for Health and Social Care
NHS England and NHS Improvement

Appendix E

Website references for publications

This SSRB Report can be found at:
https://www.gov.uk/government/organisations/review-body-on-senior-salaries

Evidence submitted to the SSRB by the Cabinet Office:
https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/870608/Government_Evidence_to_the_Review_Body_on_Senior_Salaries_on_the_Pay_of_the_Senior_Civil_Service.pdf

Evidence submitted to the SSRB by the FDA and Prospect:
https://www.fda.org.uk/nmsruntime/saveasdialog.aspx?lID=109&fileName=FDA_PROSPECT_WRITTEN_EVIDENCE_TO_SSRB_Januay_2020.pdf

Evidence submitted to the SSRB by the Ministry of Justice:
https://www.gov.uk/government/publications/ministry-of-justices-evidence-to-the-senior-salaries-review-body-2020

Appendix F

Remit letter from the Minister for Implementation to the SSRB Chair on the senior civil service 2020-21 pay round: 28 October 2019

Simon Hart MP
Minister for Implementation
Cabinet Office 70 Whitehall London SW1A 2AS

Dr. Martin Read CBE
Senior Salaries Review Body
Fleetbank House
2-6 Salisbury Square
London
EC4Y 8JX

Our reference: MFI/00103

28th October 2019

Dear Dr Read,

Senior Salaries Review Body (SSRB) 2020/21 Remit (Senior Civil Service)

I would like to confirm the SSRB's remit in relation to the SCS during the upcoming pay round for 2020/21. I would like the SSRB to conduct its usual annual review process and make recommendations to the Government on the pay of the SCS remit group from April 2020.

I am grateful to the SSRB for so clearly setting out its focus and priorities through its annual report this year, and was pleased that these closely accord with the Government's plans for SCS reward in the short to medium term.

This year the Government evidence is planned to primarily focus on the following areas:

- Exploring options and making proposals for a credible capability based salary progression model which supports productivity;
- Reviewing again the SCS pay ranges, having implemented our previously agreed target for minima this year, and considering the appropriate level of pay for SCS at each grade;
- Continuing to review the SCS performance management system in order to make well evidenced changes for the performance year 2021/22;

We will also continue to keep under review the impact of the interaction between Civil Service pensions and the current tax rules on recruitment and retention.

This year I would ask that the following principles be considered when the SSRB makes its recommendations:

- Current and future affordability to the taxpayer;
- Targeting awards to ensure we can recruit and retain the best public servants;
- The approach taken for junior grades in the Civil Service; and
- That higher awards are conditional on proposals for workforce reform and productivity increases.

Public sector wages account for one quarter of total public spending and it is important that public services remain affordable and sustainable in the long term. The Government must balance the need to ensure fair pay for public sector workers with the need to deliver value for money for taxpayers. For those reasons, I expect affordability to be a critical part of your consideration when determining final awards and ask that you ensure that recommendations for pay awards are affordable for all departments. I also request that you describe in your final report what steps you have taken to ensure affordability has been given due consideration when reaching your recommendations.

As confirmed through last year's Government evidence to the SSRB, employees of the Government Commercial Organisation (GCO) who are members of the SCS or are SCS equivalents fall within the remit of the SSRB, and information about this group as well as proposals on their remuneration, subject to the recommendations of the GCO Remuneration Committee, will be shared with the SSRB this year. Any specific proposals for the Permanent Secretary group will also be shared with the SSRB.

I intend to submit written evidence by early December, with oral evidence to follow in January. I therefore ask you to provide us with your recommendations in the week commencing 6 April.

I place great value on the independent advice of the SSRB and look forward to receiving your recommendations for the SCS. In the interim, I know that, under the direction of the Cabinet Secretary and the Chief Executive of the Civil Service, officials will be working closely with the SSRB and officials within the Office for Manpower Economics to inform your deliberations.

It may be helpful for us to meet in person ahead of oral evidence and I will arrange for my office to be in touch.

Yours sincerely,

Simon Hart MP

Appendix G

Letter from the SSRB Chair to the Minister for Implementation in response to the remit letter: 13 November 2019

Office of Manpower Economics

SENIOR SALARIES REVIEW BODY
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FLEETBANK HOUSE
2-6 SALISBURY SQUARE
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E-mail Branwen.evans@beis.gov.uk
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Simon Hart MP
Minister for Implementation
Cabinet Office
70 Whitehall
London
SW1A 2AS

13 November 2019

Dear Minister

Thank you for your letter dated 28 October 2019 setting out the SSRB's remit in relation to the 2020-21 review of senior civil service (SCS) pay.

It is helpful to see the government's areas of focus for the SCS for the forthcoming round set out in your letter. As you know, the SSRB considers the development and implementation of a credible, robust and simple pay progression system as a priority. We therefore look forward to seeing these proposals and welcome the opportunity to discuss them with your department as they are developed.

We are pleased to note that you are reviewing the impact on recruitment and retention of the interaction between Civil Service pensions and the current tax rules. As you know, the SSRB has raised pensions as a major issue in its last three reports and provided detailed analysis of the problems involved. We therefore look forward to seeing some tangible progress on this issue.

We are also pleased to note that specific proposals for Permanent Secretaries and members of the Government Commercial Organisation will be included in the government's submission this year. We look forward to receiving this evidence and considering pay proposals for these groups.

I note your request that the SSRB consider a number of principles when making its recommendations. I want to highlight two particular points in relation these.

Firstly, if you wish us to take account of affordability, we will need evidence based proposals setting out what increases the government believes to be affordable. The SSRB can then assess this evidence against the data we receive on recruitment, retention, motivation and morale. In the proposals we received last year, there was scant evidence on affordability and very little in the way of pay proposals.

Secondly, whilst we are mindful of awards in other parts of the public sector, including to the junior grades in the Civil Service, we do not believe that simply following pay awards given elsewhere can be consistent with our duty to consider all the evidence put before us about our remit groups. Our focus is therefore on what is required to recruit and retain enough senior leaders of suitable quality. In any event, we can only take account of the pay award for junior grades in the Civil Service if we receive that information in advance of our deliberations.

Finally, I need to flag now that your request to receive our recommendations in the week commencing 6 April 2020 will not be achievable unless we receive all the necessary evidence from the Cabinet Office by 5 December 2019. In addition, we are dependent on the input from the other remit groups before we can finalise our Report. I am sure you will appreciate that the SSRB has to plan its work programme around the existing commitments of its members. It is therefore difficult to arrange extra meetings at short notice to discuss evidence that arrives late. Our priority will always be to produce a high-quality report rather than to hit a particular submission deadline.

We look forward to working with your department during this round.

Yours

Martin Read

Dr Martin Read CBE
Chair
Senior Salaries Review Body

Appendix H

Remit letter from the Lord Chancellor to the SSRB Chair: 16 October 2019

Ministry of Justice

The Right Honourable
Robert Buckland QC MP
Lord Chancellor & Secretary of State for Justice

Dr Martin Read
Chair, Senior Salaries Review Body
Fleetbank House
2-6 Salisbury Square
London
EC4Y 8JX

16 October 2019

Dear Dr. Read,

JUDICIAL PAY REVIEW 2020-21

First, I would like to thank the Senior Salaries Review Body (SSRB) for its wide-ranging Major Review. The Government has accepted many of the SSRB's recommendations and its report has been crucial to informing the direction of travel on judicial remuneration. I can assure you that the robust and independent advice given by the SSRB to the Government is highly valued and that I attach considerable importance to the expert and independent judgement of the SSRB.

I am pleased to write to you to formally commission the SSRB to undertake the 20/21 pay review for all salaried judicial office holders for whom I set the rate of remuneration. This letter sets out the details of that commission.

Context for 2020/21

As you will be aware, my Department must balance the need to have a remuneration package which helps attract the best legal minds to take up, and remain in, judicial office, with the need to ensure value for money for taxpayers and meet increasing demands on the justice system. For these reasons, I expect affordability to be a key part of your consideration when determining your recommendations. I will set out more detail of my Department's affordability position in our written evidence.

In line with your observations in the Major Review the Government's response committed to implement a long-term pensions solution which addresses the causes of recruitment problems highlighted. The Government is also now considering the impact of the outcome of the *McCloud* litigation. In addition, the Government has also announced a review of the Annual Allowance taper. While this work continues, I would ask the SSRB to provide its pay award recommendation for the judiciary regardless of individual judges' pension scheme membership.

I am acutely aware that in the Government's response to the SSRB's Major Review we committed to seeking further advice from the SSRB on a few specific points. While I hope over time we will be able to respond to your recommendations to develop greater capacity for judicial HR, I believe that these questions must be resolved promptly to provide certainty to the relevant judicial offices holders, and that they cannot wait for another Major Review. I have set out my proposal for this year in the detailed remit section below.

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F 0870 761 7753
E https://contact-moj.dsd.io/
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102 Petty France
London
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As you will know, in response to the Major Review's worrying findings regarding recruitment and retention issues at key tiers of the judiciary, the Government announced recruitment and retention allowances (RRA) for certain judicial office holders where there was overwhelming evidence of recruitment problems. The Major Review found emerging evidence of a recruitment problem at the District bench. While the Government concluded that this did not justify the introduction of the RRA for District Judges, we made clear our commitment to closely monitor this situation. Since then, of course, the 2019/20 increase has had an impact on the pensions tax payable by this cohort. As I have already emphasised, the long-term pensions solution to which this government has committed will address the underlying issues here. However, I am aware that there continues to be evidence of recruitment problems at the District Bench. I would therefore ask the SSRB to consider carefully all of the latest available evidence on recruitment and retention within salary group 7, and in particular at the District Bench, when making, and within the limits of, its annual award recommendation.

Detailed remit

I would like the SSRB to make recommendations to Government on the annual judicial pay award for 2020/21 for all judicial office holders for whom I set the rate of remuneration. This should take account of evidence which will be provided by my Department on the affordability of any award as well as evidence on recruitment, retention and diversity of judges. I plan to submit written evidence to you in November 2019.

Following the Government's Response to the Major Review, I would also be grateful if the SSRB could consider the appropriate salary group placement of:

- Upper Tribunal Judges, and
- Senior Masters and Registrars, specifically the offices of Senior Master of the Queen's Bench Division, Chief Chancery Master, Senior Costs Judge, and Chief Insolvency and Company Court Judge.

In its Major Review response, the Government committed to asking the SSRB to look specifically at these roles because we were unable to accept the SSRB's proposal of a revised salary structure with incremental allowances to reflect leadership responsibilities, and therefore had to adopt an interim position for these two judicial offices. I would ask that recommendations in this area consider whether the two offices in scope are appropriately placed in their current salary grouping, whether they should instead be moved to a higher salary group, or whether a new group in between two existing groups (for example, between groups 6.1 and 5) should be created as the most appropriate place for one or both of these offices. Again, my Department, working with the Judicial Office, will provide evidence to inform the SSRB's recommendations.

I thank you again for your Major Review and look forward to considering your recommendations for judicial pay, which I expect to receive by March 2020. I would be happy to discuss the contents of this letter and my office will be in touch to arrange a convenient time.

Yours sincerely,

Robert Buckland

RT HON ROBERT BUCKLAND QC MP

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Appendix I

Letter from the SSRB Chair to the Lord Chancellor in response to the remit letter: 24 October 2019

Office of Manpower Economics

SENIOR SALARIES REVIEW BODY
8TH FLOOR
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LONDON
EC4Y 8JX

Direct Telephone Line 020 7211 8187
E-mail Bronwen.evans@beis.gov.uk
Website www.gov.uk/OME

The Right Honourable Robert Buckland QC MP
Lord Chancellor & Secretary of State for Justice
Ministry of Justice
102 Petty France
London
SW1H 9AJ

24 October 2019

Dear Lord Chancellor,

Thank you for your letter dated 16 October 2019 setting out the SSRB's remit in relation to 2020-21 annual review of judicial pay.

I am pleased that we are meeting on 29 October to discuss the SSRB's remit in the next round. In advance of that meeting, it may be helpful if I comment on three particular points in your letter.

Firstly, we note that you have asked us this year to review the salary group placements of some specific posts exercising leadership responsibilities. In our Major Review, we identified that the absence of flexible and appropriate recognition for leadership was a significant weakness in the current judicial salary structure. While the government did not accept our recommendations to remedy this, it did agree that there was a real problem and we understand that further proposals on judicial leadership recognition will be put to us in the next 12 to 18 months. We will therefore want to be sure that any recommendations we make in the short term for particular posts do not compromise more general proposals for a coherent structure of judicial leadership recognition that may be put forward in future. We therefore hope that the evidence we receive will outline the planned future strategy.

Secondly, the Major Review highlighted the importance of a properly-resourced judicial human resources management function, with improvements to the underpinning workforce data. This is critical to enable the senior judiciary to fulfil its management responsibilities. I appreciate this will take time to put in place. However, we are keen to receive evidence on the progress made so far.

Thirdly, I understand that the date by which you are expecting our recommendations is April 2020, not March 2020 as set out in your letter. I need to flag now that April 2020 will not be achievable unless we receive all the necessary evidence from MoJ and the relevant judicial bodies by 29 November 2019. In addition, we are dependent on the input from the other remit groups before we can finalise our Report. I am sure you will appreciate that the SSRB has to plan its work programme around the existing commitments of its members. It is therefore difficult to arrange extra meetings at short notice to discuss evidence that arrives late. Our priority will always be to produce a high-quality report rather than to hit a particular submission deadline.

I look forward to meeting you on 29 October and to working with you and your Department to deliver this annual review.

I am copying this letter to the Lord Chief Justice of England and Wales, the Lord Chief Justice of Northern Ireland and Lord President of the Court of Session.

Yours

Martin Read

Dr Martin Read CBE

Chair

Senior Salaries Review Body

Appendix J

Letter from the Minister of Health and Social Care to the SSRB Chair on Senior Managers in the NHS: 29 July 2019

Department of Health & Social Care

From the Rt Hon Matt Hancock MP
Secretary of State for Health and Social Care

39 Victoria Street
London
SW1H 0EU

020 7210 4850

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

Email: Nicola.Massally@beis.gov.uk

29 July 2019

Dear Dr Read,

I am writing firstly to thank you for the valuable work the Senior Salaries Review Body provide and for highlighting the issues with the composition of your remit regarding senior managers in the health and care sector in your 2017 report.

Within this report you set out that the government should develop a coherent position on how best to set pay for executive senior managers (ESMs) working in the Department of Health and Social Care's arms-length bodies as to continue to consider pay awards for ESMs in silo was not sensible. You recommended that either alternative pay setting arrangements are developed or the SSRB's remit be expanded to also include very senior managers (VSMs) working in NHS trusts and foundation trusts.

Since 2017, my officials have undertaken a scoping exercise in consultation with other stakeholders to understand how pay for this larger remit group consisting of both ESMs and VSMs might best be set. This exercise found that expanding the remit of the SSRB to include both ESMs and VSMs would be worthwhile but that the practicalities of doing so may present challenges.

It is as a result of this scoping exercise that I am writing to you to set out what I believe to be the best way forward. Whilst I am not committing to propose an expansion to your remit group at this stage, I would like to propose that my Department submit an interim report to you in Autumn 2019. This report would allow both parties to look at the practicalities involved and allow officials and SSRB members the opportunity to engage in conversations about the next steps and any further work required to proceed with a full pay round for an expanded remit group the following year. I then propose to re-evaluate the position of ESMs and VSMs and their relationship with the SSRB following the conclusion of this work.

It is important to state that although I would not be seeking a pay recommendation for the year 2020/21, this work will play a key role in determining the position of senior health managers in future years.

I understand that my officials have had informal conversations with the SSRB secretariat at the Office for Manpower Economics who are content with the proposed schedule.

I do believe that an independent pay setting process would be particularly valuable for this group of staff as pay for the highest paid in the NHS is under constant scrutiny. I hope that the proposition I have outlined above provides you with clarity on our position in the coming year and trust it will go some way towards answering the recommendation included within your 2017 report.

Yours ever,

Matt

MATT HANCOCK

Appendix K

Letter from the Home Secretary to the SSRB Chair on chief police officer remuneration remit in 2020-21 and the timing of the next review of Police and Crime Commissioner remuneration: 11 June 2019

Home Office

Home Secretary

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

Dr Martin Read
Office of Manpower Economics
8th Floor, Fleetbank House
2-6 Salisbury Square
London, EC4Y 8JX

11 June 2019

Dear Dr Read

Chief police officer remuneration remit in 2020/21 and timing of the next review of Police and Crime Commissioner remuneration

You will be aware that the pay and conditions of chief police officers have been considered by the Police Remuneration Review Body (PRRB) in the last two rounds, to promote consistency at a time when new pay and reward structures are being developed by the National Police Chiefs' Council (NPCC).

The Government has stressed that it expects rapid progress to be made on police pay reform so that the new framework can begin to be implemented from 2020. In the 2020/21 pay round, I expect the NPCC to submit fully developed proposals and costings for the new police pay and reward framework. These proposals will affect all ranks. I consider that it is preferable for the PRRB to continue to review chief police officer remuneration at this critical stage of pay reform so that the effect of measures taken at lower ranks can be properly considered in terms of the impact on the pipeline of future chief officers. My intention is to consider this again ahead of the 2021/22 pay round. I have written to the Chair of the PRRB to inform her of my decision.

Regarding the timing of the next review of Police and Crime Commissioner (PCC) remuneration, you will be aware that the Government accepted your recommendation that this should be reviewed again in 2020/21. In their written evidence to you in the last pay round, PCCs indicated that as elected officials, it was difficult for them to engage in the evidence process around their own pay. It is likely that this will continue to be the case in the run up to the elections which will take place in May 2020. I am of the view that it would be more constructive to begin the next review once the elections have concluded. My officials will continue to liaise with your secretariat to determine the timing of this review.

SJ.

Rt Hon Sajid Javid MP

Appendix L

Existing salaries for the SSRB remit groups

Salary bandings of Permanent Secretary posts at September 2019

Pay band	Role	Pay range £
Tier 3 roles £150,000 – £160,000	Chair of Joint Intelligence Committee	150,000-154,999
	Home Office Second Permanent Secretary	150,000-154,999
	HM Revenue and Customs Second Permanent Secretary	155,000-159,999
	HM Treasury Second Permanent Secretary	160,000-164,999
	Northern Ireland Office	160,000-164,999
	UK Statistics Authority	160,000-164,999
Tier 2 roles £162,500 – £180,000	Department for Culture, Media and Sport	160,000-164,999
	Department for the Environment, Food and Rural Affairs	160,000-164,999
	Welsh Government	160,000-164,999
	Department for Education	165,000-169,999
	Department for International Development	165,000-169,999
	Department for International Trade	165,000-169,999
	Department for Transport	165,000-169,999
	Scottish Government	165,000-169,999
	Secret Intelligence Service	165,000-169,999
	Department of Health and Social Care	170,000-174,999
	Government Communications Headquarters	170,000-174,999
	Government Legal Department – Treasury Solicitor	170,000-174,999
	Ministry of Housing, Communities & Local Government	170,000-174,999
	Security Service	170,000-174,999
	Business, Energy and Industrial Strategy	180,000-184,999
Tier 1 roles £180,000 – £200,000	Department for Exiting the European Union	180,000-184,999
	Department for Work and Pensions	180,000-184,999
	Ministry of Defence	185,000-189,999
	HM Treasury	190,000-194,999
	Home Office	190,000-194,999
	Ministry of Justice	190,000-194,999
	Foreign and Commonwealth Office	195,000-199,999
	HM Revenue and Customs Chief Executive	195,000-199,999
Outside tiers	Chief Executive of the Civil Service	210,000-214,999
£200,000 – £240,000	Cabinet Secretary and Head of the Civil Service	235,000-239,999

Pay band	Role	Pay range £
Specialist roles (may attract skills or market premium)	First Parliamentary Counsel	175,000-179,999
	Government Chief Scientific Adviser	180,000-184,999
	Chief Medical Officer	210,000-214,999
	Director of Public Prosecutions	215,000-219,999
	National Crime Agency	220,000-224,999
	Chief Trade Negotiation Advisor	265,000-269,999
	Chief Executive, Defence Equipment and Support	280,000-284,999

Source: Cabinet Office senior officials 'high earners' salaries, available at: https://www.gov.uk/government/publications/senior-officials-high-earners-salaries

Senior civil servants pay ranges, 1 April 2019

Pay band	Pay range £	Number in band
1	70,000-117,800	3,861
1A	70,000-128,900	48
2	92,000-162,500	920
3	115,000-208,100	167
Permanent Secretary	150,000-200,000	37
Total		5,033

Source: Cabinet Office.

Note: This figure is lower than the total of SCS members in paragraph 5.21 because it excludes three members who are not recorded as assigned to pay bands.

Pay of senior officers in the Armed Forces, 1 April 2019

		Increment level					
Rank	Number in post	1 £	2 £	3 £	4 £	5 £	6 £
2-star	86	118,431	120,745	123,106	125,514	127,970	130,474
3-star	31	137,794	144,547	151,638	157,594	162,240	167,027
4-star	8	180,733	185,251	189,884	194,630	198,523	202,493
CDS	1	260,381	265,588	270,900	276,318		

Source: Ministry of Defence.

Notes: Numbers in post supplied by the MoD and relate to numbers in post at 1 July 2019. Salaries include X-Factor which is applied at the rate of £2,723, this sum being equivalent to 25 per cent of the cash value of X-Factor at the top of the OF4 pay scale from 1 April 2019.

Pay of members of the judiciary, 1 April 2019

Salary group	Salaries with effect from 1 April 2019 £
1	262,264
1.1	234,184
2	226,193
3	215,094
4	188,901
5+	160,377
5	151,497
6.1	140,289
6.2	132,075
7	112,542
8	89,428

Source: Ministry of Justice.

Note: These salary totals do not include recruitment and retention allowances.

Pay of Police and Crime Commissioners, 1 May 2018

Force	PCC £	PFCC £
West Midlands, West Yorkshire	100,000	103,000
Avon & Somerset, Devon & Cornwall, Essex, Hampshire, Kent, Lancashire, Merseyside, Northumbria, South Wales, South Yorkshire, Sussex, Thames Valley	86,700	89,700
Cheshire, Derbyshire, Hertfordshire, Humberside, Leicestershire, Nottinghamshire, Staffordshire, West Mercia	76,500	79,500
Bedfordshire, Cambridgeshire, Cleveland, Dorset, Durham, Gwent, Norfolk, Northamptonshire, North Wales, North Yorkshire, Suffolk, Surrey, Wiltshire	71,400	74,400
Cumbria, Dyfed-Powys, Gloucestershire, Lincolnshire, Warwickshire	66,300	69,300

Source: Home Office.

Note: Police, Fire and Crime Commissioner (PFCCs) taking on responsibility for the governance of fire and rescue services receive an additional consolidated award of £3,000.

Executive and Senior Managers, 2016 pay framework

Pay range	Minimum salary £	Operational maximum salary £	Exception zone £
1	90,900	113,625	131,300
2	131,301	146,450	161,600
3	161,601	176,750	191,900
4	191,901	207,050	222,200

Source: Department of Health and Social Care.

Note: Salary ranges remain unchanged from 2016.

Appendix M

NATO rank codes and UK service ranks – officers

NATO rank codes and UK service ranks – officers

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

[1] These officers belong to our remit group.
Source: Ministry of Defence.

Appendix N

Glossary of terms and abbreviations

General	
AA	Annual Allowance
Accrual rate	In a defined benefit scheme, the proportion of current salary which is accumulated as annual pension.
ASHE	Annual Survey of Hours and Earnings
BAME	Black, Asian and Minority Ethnic
Base pay	Basic salary, excluding non-consolidated bonuses, allowances, value of pensions, etc.
CPI	Consumer Prices Index
CPIH	Consumer Prices Index including owner-occupiers' housing costs
EU	European Union
FTE	Full-time equivalent
GDP	Gross Domestic Product
HMRC	Her Majesty's Revenue and Customs
HMT	Her Majesty's Treasury
IMF	International Monetary Fund
LGBO	Lesbian Gay Bisexual Other
LGBT	Lesbian Gay Bisexual Transgender
OBR	Office of Budget Responsibility
OME	Office of Manpower Economics
ONS	Office for National Statistics
Pay band	A salary range with a minimum and maximum within which posts are allocated.
RPI	Retail Prices Index
Scheme Pays	A policy that allows an individual to request that their pension scheme pays their annual allowance charge. The scheme pays the annual allowance charge direct to HMRC on the individual's behalf, and the tax charge is taken out of their pension fund.
SSRB	Senior Salaries Review Body
Take-home pay	Basic salary and any allowances or performance-related pay less income tax, national insurance and pension contributions.
Total net remuneration	Take-home pay plus the value of any pension accrual.
Senior civil service	
AGDs	Attorney General's Departments
BEIS	Department for Business, Energy and Industrial Strategy

CMA	Competition and Markets Authority
CO	Cabinet Office
CSC	Civil Service Commission (Oversees appointments to senior positions within the SCS to ensure fair and open competition for jobs.)
DCMS	Department for Culture, Media and Sport
DEFRA	Department for Environment, Food and Rural Affairs
DExEU	Department for Exiting the European Union
DfE	Department for Education
DfID	Department for International Development
DfT	Department for Transport
DHSC	Department of Health and Social Care
DIT	Department for International Trade
DWP	Department for Work and Pensions
FCO	Foreign and Commonwealth Office
FDA	The union for managers and professionals in public service.
FLS	Future Leaders Scheme
GCO	Government Commercial Organisation
HMRC	Her Majesty's Revenue and Customs
HMT	Her Majesty's Treasury
HO	Home Office
MHCLG	Ministry of Housing, Communities and Local Government
MoD	Ministry of Defence
MoJ	Ministry of Justice
NCA	National Crime Agency
NAO	National Audit Office
OFGEM	Office of Gas and Electricity Markets
OFSTED	Office for Standards in Education, Children's Services and Skills
ONS	Office for National Statistics
PRA	Pivotal Role Allowance
SCS	Senior civil service/servants
SG	Scottish Government
SRO	Senior Responsible Officer
UKSA	UK Space Agency
WG	Welsh Government

Senior officers in the Armed Forces

AFCAS	Armed Forces Continuous Attitude Survey
AFPRB	Armed Forces' Pay Review Body
AFPS	Armed Forces Pension Scheme
AFPS05	Armed Forces Pension Scheme 2005
AFPS15	Armed Forces Pension Scheme 2015
AFPS75	Armed Forces Pension Scheme 1975
CDS	Chief of the Defence Staff
CEA	Continuity of Education Allowance
CWP	Continuous Working Patterns
DE&S	Defence Equipment and Services
HCSC	Higher Command and Staff Course
MoD	Ministry of Defence
MODOs	Medical and dental officers
NATO	North Atlantic Treaty Organization
OF	Officer
RAF	Royal Air Force
SDRP	Specially Determined Rate of Pay
X-Factor	The X-Factor is an addition to military pay that recognises the special conditions of service experienced by members of the Armed Forces compared with civilian employment.

Judiciary

CILEx	CILEx is the professional body for Chartered Legal Executives, legal practitioner, paralegals and apprentices.
DDJ	Deputy District Judge
EAT	Employment Appeal Tribunal
HMCTS	HM Courts & Tribunals Service
JABS	Judicial Appointments Board for Scotland
JAC	Judicial Appointments Commission
JUPRA/JUPRA93	Judicial Pension Scheme 1993 (established under the Judicial Pensions and Retirement Act 1993.)
LCJ	Lord Chief Justice of England and Wales
LCJ-NI	Lord Chief Justice of Northern Ireland
MoJ	Ministry of Justice
NIJAC	Northern Ireland Judicial Appointments Commission
NJPS/NJPS15	New Judicial Pension Scheme 2015
QC	Queen's Counsel
RRA	Recruitment and Retention Allowance
SPT	Senior President of Tribunals

Police and Crime Commissioners

APCC	Association of Police and Crime Commissioners
LGPS	Local Government Pension Scheme
PCC	Police and Crime Commissioner
PFCC	Police, Fire and Crime Commissioner

Senior leaders in the National Health Service

ALBs	Arm's Length Bodies
CCGs	Clinical Commissioning Groups
DHSC	Department of Health and Social Care
ESM	Executive and Senior Manager
NHS	National Health Service
NHSE/I	NHS England and NHS Improvement
VSM	Very Senior Manager

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