



Review Body on
Senior Salaries

Forty-Third Annual Report on Senior Salaries 2021

REPORT No. 93

Chair: Dr Martin Read, CBE

Executive Summary

Review Body on Senior Salaries

Terms of Reference

The Review Body on Senior Salaries (SSRB) (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, the judiciary and the senior military.

The Government wrote to us in October 2020 to confirm changes to the SSRB's terms of reference to reflect the addition of Very Senior Managers (VSMs) working in the NHS to SSRB's remit in 2020.¹

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 Social Care 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; all senior managers in the NHS; 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*

¹ The remit will now include all senior managers working across the NHS. Executive Senior Managers (ESMs) working in the Department of Health and Social Care's (DHSC) Arm's Length Bodies (ALBs) already fall within the SSRB remit.

- *the Government's inflation target.*

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

- *differences in terms and conditions of employment between the public and private sector and between the remit groups, taking account of relative job security and the value of benefits in kind;*
- *changes in national pay systems, including flexibility and the reward of success; and job weight in differentiating the remuneration of particular posts; 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*
Pippa Greenslade
Sir Adrian Johns KCB CBE DL
Pippa Lambert
Peter Maddison QPM²
Ian McCafferty CBE
David Sissling
Sharon Witherspoon MBE

The Secretariat is provided by the Office of Manpower Economics.

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

Chapter 1

Executive summary

Context

- 1.1 The COVID-19 pandemic, which started before our last Report was completed and which has continued since, has had far-reaching effects. The impact on many people in our remit groups, as in other sectors, has been profound and extraordinary efforts have been made in response to it.
- 1.2 The pandemic has had a severe effect on the economy. As well as loss of output, many sectors have seen disruption to employment and levels of pay, which for some may prove persistent. However, for most in our remit groups, the degree of direct economic and financial disruption has been much less than in other areas.
- 1.3 Recruitment and retention conditions following the pandemic may be affected for some time. In addition, step changes in digitisation and home-working have implications for the attractiveness of different sorts of jobs and how people are managed and rewarded.
- 1.4 The necessary Government economic support has dramatically worsened the Government's fiscal position and will continue to cast a shadow over it for years to come.
- 1.5 Economic forecasts currently have an unusually high degree of uncertainty associated with them. The size and composition of different sectors of the economy may alter significantly.
- 1.6 This year, the SSRB's remit groups are subject to the Government's public sector pay pause. Our Report is therefore largely focused on strategic priorities and recruitment and retention issues.
- 1.7 Aside from the judiciary and a small number of specialist areas, there are no significant recruitment and retention problems for our remit groups. The relative security of public sector jobs is likely to assist recruitment and retention in the short term.
- 1.8 However, we regard some of the strategic priorities facing our remit groups as pressing. In particular, we feel that a review of the purpose, size and composition of the senior civil service (SCS) and the implementation of a simple pay progression system are well overdue. We also think that there is a requirement to rethink senior military contracts and pay, especially in the context of the need for greater continuity and the different life aspirations of those in the feeder groups.
- 1.9 For all remit groups, we continue to emphasise the importance of focusing on cost-effective outcomes. For example, we remain concerned that the failure to pinpoint savings or find new money to implement pay progression in the SCS is creating significant costs and inefficiencies because of the relatively short periods of time that many individuals have been in their posts.
- 1.10 In this Report, we have responded to the request of the Secretary of State for Health and Social Care for observations on the pay of senior leaders in the health service in England and the development of a more coherent approach to their remuneration. We believe our work to date forms a solid basis for carrying out a full review and making detailed recommendations next year.

- 1.11 We also report on our consideration of the remuneration of senior leaders in the NHS in Wales.
- 1.12 We are engaged in the Review of Fees for Non-Legal Members of Tribunals which is expected to conclude in early 2022.
- 1.13 This is the fourth year that the Home Office has not asked the SSRB to consider chief police officer pay, even though it falls within the SSRB's remit by legislation. We feel that clarification of the position is well overdue. We also await confirmation from the Home Office of the timing of the next review of Police and Crime Commissioner pay.

Response to the 2020 Report

- 1.14 In our 2020 Report, our principal recommendations were:
- An award of 2 per cent for the SCS, with priorities for its allocation.
 - Implementation of a credible, robust and simple pay progression system for the SCS.
 - Awards of 2 per cent for senior military officers and for the judiciary.
 - Placing a number of judicial posts into new salary groups and providing allowances for certain leadership positions.
- 1.15 The Government accepted these pay awards and our job placement and leadership recommendations for the judiciary. It also accepted our recommendation to extend our remit to cover all senior health leaders and asked us to make observations on pay and reward for this group in this year's Report. However, the Government has yet to implement a pay progression system for the SCS.

General themes

- 1.16 In view of the Government's public sector pay pause, our Report this year is largely focused on reviewing strategic priorities and the recruitment and retention situation for each of our remit groups. Although we are generally encouraged by the Government's positive response to our emphasis on a more strategic approach, we believe that more tangible action is required.
- 1.17 Many of the themes in this Report, such as the need to focus on outcomes and on performance, obviously depend on clarity about what outcomes and performance are wanted. Unless the aims are clear, the workforce and pay strategies will inevitably be sub-optimal.
- 1.18 For most of our remit groups, we continue to have concerns about the strength of the talent pool in the feeder groups and the motivation of the most able members of the group to stay and seek promotion. We have heard of instances of feeder group members deciding that promotion is unattractive to them because the greater demands of the job, the longer hours and the increased accountability are not sufficiently recognised or rewarded. Of greater concern is the fact that many of the most able in the feeder groups may decide to develop their careers elsewhere. The economic impact of the COVID-19 pandemic may mean there are currently fewer opportunities outside the public sector but this situation may not persist.
- 1.19 We note that our remit groups are taking actions to support talent management. We encourage them to intensify these efforts.
- 1.20 We consider that the quality of senior leadership is increasingly important. The pandemic has affected our remit groups differently but has put new and increased pressures on all

of them. Resources will be constrained and the demands on leaders increased. Moreover, all our remit groups already have other challenges which pre-date the pandemic.

- 1.21 The approach of the devolved administrations to pay is also raising challenging questions, particularly for the SCS. We have heard the aspiration that there should be a single UK SCS which takes account of local context. However, we have not seen developed thinking about how this would work in practice.
- 1.22 We stress that pay is but one element of reward for our remit groups. In discussions with senior leaders, we repeatedly hear about the intrinsic fulfilment from interesting and demanding public service work. For most, there is a high level of job security and, generally, considerable flexibility. Furthermore, pensions are a substantial and valued part of the total reward package and a major benefit of senior public sector employment.
- 1.23 It is precisely because there is excellent pension provision that pension taxation can have a significant impact. Changes which came into effect in 2020-21 have mitigated the impacts of annual allowance charges. However, there can still be a hefty tax bill for those being promoted. It is understandable that individuals with a big and unexpected bill today are not always placated by the fact that they will have very good pension benefits in the future. We recommend advice is made available to those seeking promotion to help them understand and manage this situation. In the past, we have also recommended that there should be flexibility for employees to take some of their remuneration as non-pensionable pay, thus reducing their tax liabilities without having to leave their pension scheme. This could help lessen some of the adverse impacts of the pension tax regime on retention and the incentives for promotion.
- 1.24 The proposed changes to the judicial pension scheme are far reaching. It was not our recommended option for addressing shortfalls in judicial recruitment but we are pleased that our emphasis on the need for action on total remuneration has been accepted. We hope that the required legislation progresses without delay. We stress the importance of members and potential members of the judiciary receiving detailed and timely information about the reforms and of the recruitment and retention situation being monitored closely.
- 1.25 All of our remit groups stressed the importance of building a diverse and inclusive leadership cadre and culture. The data from the SCS showed consistent progress towards this objective and evidence of ongoing investment in targeted recruitment and development programmes. There has also been some improvement with the judiciary.
- 1.26 In the military, we have seen no tangible progress. We understand the individual Services have unpublished levels of ambition, rather than specific targets, in relation to diversity. These reflect the 'pull through' nature of their internal recruitment from within the Services. However, there is no evidence of the systematic measurement, planning and investment that will be required to meet these aspirations.

Conclusions on remit groups

- 1.27 We set out below the conclusions of our review this year for each of our remit groups. Each group is the subject of a Chapter later in this Report and the characteristics of the various remit groups are described in Appendix B.
- 1.28 We are grateful to all those who have worked with us and given written and oral evidence, without which we would not have been able to produce this Report. We particularly welcome the encouragement government departments and employing organisations have given us to help them to improve their senior workforce and remuneration strategies.

The senior civil service

1.29 The senior civil service (SCS) should be much more focused on cost-effective outcomes. We recommend a step change in urgency to:

- Develop and introduce *The 21st Century SCS* strategy, which should set out the future purpose, size and composition of the SCS.
- Make outcome-based performance requirements the leading success criterion for a reformed performance management system under which individuals can see clearly how their achievements will be rewarded and recognised.
- Launch a simple and clear pay progression system, grounded in a business case which sets out how investment will secure higher productivity through significantly improved outcomes and delivery.
- Make performance against outcome-focused objectives a precondition for pay progression, excluding the possibility of pay increases solely for remaining in post.
- Take vigorous action to control undesirable churn, which continues to act as a brake on productivity and performance.
- Respond to the factors that have driven differences of approach across the UK's nations, particularly in Scotland, to achieve greater clarity over where responsibilities lie.
- Clarify what is to be set from the centre and what is delegated to departments.
- Resolve how far and in what circumstances there need to be exceptions to a new pay system to attract and retain key specialists, so that recruitment and retention challenges can be met without undermining the single leadership cadre.

1.30 We stress the importance of minimising complexity throughout this work and creating an integrated and understandable approach to reward.

Senior officers in the Armed Forces

1.31 In response to the specific questions asked of us, we make the following recommendations:

Recommendation 1: We agree that there should be a change to the annual Incremental Progression date from 1 April to the anniversary of the date of promotion. We agree to the transition arrangements set out by the Ministry of Defence (MoD) in its evidence to us.

Recommendation 2: We recommend no change to the current pay arrangements for Medical and Dental Officers (MODOs):

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

1.32 We expect to be involved as a key stakeholder in the comprehensive review of pay and reward announced in the *Defence in a Competitive Age* Command Paper in March 2021. We look to the MoD to keep us updated and to consult with us at all stages of the review.

³ 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. It is recommended by the Armed Forces Pay Review Body.

- 1.33 Although the senior pay structure has served the military well for a number of years, some major alterations to the overall remuneration strategy are now needed. This is to enable the Armed Forces to attract and retain the next generation of senior officers. The future demands placed on these officers may be changing and their expectations of the overall military offer are likely to be different from the current cohort. Therefore, we welcome the opportunity to look at these issues further, in conjunction with evidence provided by the MoD in the next pay round.
- 1.34 We reiterate our previous recommendations about the need for a 10 per cent pay increase on promotion from 1-star to 2-star and our suggestion that this can be achieved through changes to the 2-star pay increments, rather than through the use of the specially determined rate of pay.
- 1.35 We observe that those being promoted from the top increment of the 2-star pay scale to 3-star are receiving a pay increase some way short of 10 per cent and that this is unlikely to reflect the significant increase in responsibility, accountability, challenge and workload that comes with the most senior roles.
- 1.36 We have not received any evidence to indicate that pay increments need to be adjusted to provide a more stable pay journey. However, it is our opinion that a more stable pay path is preferable. This could be addressed at the same time as ensuring increments provide sufficient incentive and recognition on promotion.
- 1.37 We do not consider it advisable to focus on take-home pay when looking at pay on promotion. While we understand that take-home pay may have the most impact on individuals, it is our practice to make recommendations on gross pay.
- 1.38 We continue to have concerns about the appropriateness of the X-Factor taper for senior officers. Therefore, we welcome the MoD's request for us to consider the X-Factor arrangements for members of the senior military. We will do this by working with the Armed Forces Pay Review Body and feeding into its forthcoming five-yearly review of the X-Factor.
- 1.39 We suggest that there are strong cases for examining whether recruitment must remain entirely internal, the appropriateness of the current system of fixed-term appointments and the guarantee of only one posting at the rank of 1-star and above.
- 1.40 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.
- 1.41 We believe it is a priority that the MoD puts in place mechanisms to provide better data on the number and quality of those remaining in and leaving the Armed Forces, both in the remit group and the feeder group. We welcome the fact that the MoD has committed to exploring ways of providing more granular data on its most talented individuals. We expect to be kept updated on this work. We also suggest that the number of appointable candidates for each senior post should be tracked over time to monitor the strength and quality of the feeder group. Exit interviews should also be carried out with members of the senior military and the feeder group.
- 1.42 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.
- 1.43 Given the lack of progress on diversity, it would be helpful to have a clearer articulation of the goals and ambitions for diversity within the senior military and, equally importantly, details of the key initiatives which are intended to deliver these aspirations, together with their timing and metrics.

The Judiciary

- 1.44 While there remain vacancies at other levels, recruitment challenges are particularly pressing for the District Bench. These difficulties, which were flagged during the Major Review and documented in last year's Report, are still a concern, and leave the District Bench well under strength.
- 1.45 The proposed pension reforms have undoubtedly already had some effect on judicial recruitment, as they will have affected expectations about total remuneration. The extent to which this continues once the new scheme is in place is, however, an open question. We will be following the evidence closely.
- 1.46 Pension taxation is a source of concern and confusion for the judiciary, particularly at the District Judge level. It is important that the pension reform changes are communicated clearly to all categories of judges so that they are aware of the impact the changes will make to both total net remuneration and take-home pay.
- 1.47 As we noted in our Major Review, the condition of the court estate and the level of administrative support provided to judges are important factors in decisions about applying for judicial posts. We understand the fiscal pressures. However, we continue to believe these non-pay issues remain highly relevant.
- 1.48 Following a 2019 review of the judicial HR support, additional resources were provided by the Ministry of Justice (MoJ) to the Judicial Office which enabled the provision of enhanced HR support to all judges and more prospective planning of strategic issues. We hope the MoJ will continue to support strategic developments to enable the senior judiciary to exercise its leadership and management responsibilities effectively.
- 1.49 We welcome the efforts of the MoJ, the Judicial Office, the Judicial Appointments Commission (JAC), the Judicial Appointments Board for Scotland and the Northern Ireland Judicial Appointments Commission to take a more strategic approach towards workforce planning and we recognise the extensive effort that has been required. The forward programme of rolling recruitment has now been in place for three years and is beginning to yield results. This is essential to avoid the stop-start nature of previous recruitment exercises and to ensure there is a more continuous and proactive approach to filling vacancies.
- 1.50 The longer lead times now given to recruitment exercises are also welcome, as they help ensure potential candidates can plan their applications accordingly. We hope these efforts will continue, and, as more pressing current vacancies are addressed, increasing attention can be paid to 'prospective' vacancies that will arise as a result of predicted retirements.
- 1.51 We continue to be strongly of the view that all the judicial appointments bodies in the UK should consider collecting a wider range of data about applicants, including:
- The type of 'grading' assessments collected by the JAC in England and Wales.
 - The pre-application income data collected in Northern Ireland.
 - Data about areas of legal expertise (especially for posts requiring commercial or financial specialisms), as well as legal qualifications and experience.
- 1.52 We see no reason why the routine collection of such data, to be held and analysed centrally and confidentially, and stripped from the application material presented in the course of decisions about applications, would undermine efforts to improve judicial diversity.

Senior Leaders in the National Health Service in England

- 1.53 It is important that the approach to remuneration for health leaders recognises the total reward package including the significant non-financial aspects.
- 1.54 The evidence suggests that levels of pay are broadly appropriate.
- 1.55 We encourage the collection of data on the morale of senior health managers for our work next year, facilitated by the ability to identify the responses of Very Senior Managers (VSMs) and Executive Senior Managers (ESMs) as separate groups in staff survey data.
- 1.56 We would welcome more granular data on the roles most likely to be vacant and the factors which may have a bearing on such vacancies, such as supply, talent management, or relevant reward levels. This would enable us to develop recommendations in relation, for example, to the introduction of targeted pay.
- 1.57 We believe there is a need to explore further how leaders who are thinking of leaving their roles might be encouraged to stay and how senior roles can be configured to make the best use of leadership talent.
- 1.58 Further data on comparable VSM and ESM roles and on the movement between relevant organisations are necessary. This will enable better understanding of relevant leadership requirements and an appreciation of actual or potential career pathways between VSM and ESM led organisations.
- 1.59 We observe that entirely separate pay structures may make it more difficult to encourage talent management and movement between ESM and VSM positions. Consideration should be given to a single pay framework covering both or, at least, to formal coordination and 'bridging arrangements' to support easy movement between the two groups.
- 1.60 The data suggest the great majority of our remit group is paid above the top of the Agenda for Change (AfC) scale.⁴ However, it is possible that the relationship between the pay of AfC band 9s and the SSRB remit group may not sufficiently incentivise promotion if the pay rise is not felt to match the increase in the accountability and weight of the role.
- 1.61 We suggest that the relative salary levels of different executive director roles are subject to a process of quality assurance to ensure they are based on the current nature of the roles. This could be achieved by appropriate assessment and evaluation of roles in a sample of organisations to determine relative salary levels.
- 1.62 The VSM framework incentivises working in larger organisations rather than more complex or challenging ones, or those most needing to improve (although a 'challenged trust premium', allowing pay of 10 per cent above the median of the range or at the upper quartile, is available). We would encourage the Department of Health and Social Care and NHS England and NHS Improvement to examine the scope for a model which incorporates complexity, challenge and accountability as factors in determining pay. We offer our assistance in this work.
- 1.63 Optimising the balance between a central pay framework and local flexibilities requires clear principles, standardised operating arrangements and appropriate local capabilities. We see the emergence of system working and the role of Integrated Care Systems as being particularly relevant to this issue.

⁴ The Agenda for Change pay structure was introduced in 2004. It covers all staff directly employed by NHS organisations, except the most senior managers and staff within the remit of the Doctors' and Dentists' Review Body.

- 1.64 The requirement for central approval of salaries over £150,000 which are compliant with the framework appears difficult to justify.
- 1.65 An element of pay progression, conditional on good performance, could beneficially recognise an individual's development as their experienced-based competencies improve.
- 1.66 While we understand the objective of the earn-back system, our wider experience would suggest poor performance is best addressed through appropriate performance management arrangements rather than pay adjustments.
- 1.67 We are not convinced that individual performance-related pay would have a beneficial impact. However, there may be scope to develop arrangements which incentivise team working and generate reward at a team or system level. These could be based on achievement of progress against a blend of national and local priorities.
- 1.68 We observed significant variability in the remuneration of medical directors and would like to receive evidence to enable us to explore this in more detail for our 2022 Report.
- 1.69 We hope that data on pay gaps by ethnicity can be collected and reported in future.
- 1.70 We believe there is scope to try to bring all remuneration committees up to the level of the best. Actions might include a development programme across the whole NHS.
- 1.71 We were not surprised to hear that pay increases routinely arriving months after they are due is interpreted as a failure to value people. We observe that paying senior leaders, like others, on time is a prerequisite for valuing them properly.
- 1.72 We are not sure that individuals can easily access clear and thorough advice about exposure to large pension taxation bills (particularly on promotion) and their mitigation options. Additional supportive advice might relate to alternatives to remaining in the pension scheme in ways that do not jeopardise important protections. There should be an exploration of options, including flexibilities for employees who would like to reduce their tax liabilities to take some of their remuneration as non-pensionable pay, without having to leave the pension scheme.
- 1.73 Strengthening talent management is important. We support the actions now being progressed. A systematic approach – with clarification of national, system and organisational roles – will grow the capabilities required to lead the NHS, make system working succeed, increase the diversity of leadership and help mitigate the risk that some current leaders may move on after the pandemic.
- 1.74 The reward framework for senior system leaders will need to reflect the leadership competencies associated with key roles and attract high-calibre individuals from a variety of backgrounds. We recognise the complexity of this work and would be keen to offer advice and reflection as proposals are developed.

Senior leaders in the National Health Service in Wales

- 1.75 It is important that the approach to reward for health leaders recognises the total reward package, including key non-financial aspects.
- 1.76 There does not appear to be a general problem in the recruitment and retention of senior leaders.
- 1.77 We share the view that the NHS in Wales needs to be able to recruit some leaders externally to introduce new thinking and to capture fresh talent. We believe Wales can

achieve this by adopting a targeted approach which requires broad competitiveness in salary levels but also takes account of the distinctive benefits of working in Wales.

- 1.78 It is important to have data which can show the views and morale of holders of executive or senior posts (ESPs) through a more detailed breakdown of staff survey results and, if need be, through specific surveys of ESPs.
- 1.79 We observe that there are merits in using targeted pay to recruit scarce skills, such as those of finance directors, especially where there is often a need to secure case-by-case agreement to these salaries. The approach to address difficulties in attracting medical directors will be different. The emphasis should be on effective, pro-active talent management and leadership development.
- 1.80 In any further work, we would like to understand better how many instances there are of ESPs receiving less, or little more, than the top of the AfC range, and to what extent, if any, AfC band 9s are deterred from seeking ESP roles by a perception that any salary increase does not match the increase in size and accountability of role.
- 1.81 The key leadership attributes of senior NHS managers and of the senior civil servants for whom JESP⁵ was devised have only limited commonality. We believe it may be time to look again at the basis for determining ESP salaries. We believe a review of alternative pay determination options would be justified to assess whether separate arrangements for NHS leaders would be beneficial.
- 1.82 An element of pay progression where experienced-based competence is rewarded, conditional on good performance, could support development and enhance individual and organisational effectiveness.
- 1.83 In any future review, we would welcome evidence to help us understand how far remuneration committees are fully equipped to perform their role effectively.
- 1.84 Individuals should have access to clear and thorough advice about their exposure to large pension taxation bills and their mitigation options. This might include alternatives to remaining in the pension scheme in ways that do not jeopardise important protections. There could also be flexibility for employees who would like to reduce their tax liabilities to take some of their remuneration as non-pensionable pay, without having to leave the pension scheme. This can help reduce some of the detrimental impacts of the pension tax regime.
- 1.85 We support the emphasis on strengthening talent management. In any future review, we would like to understand how the ongoing work will develop more diversity in the pipeline of future leaders.

The SSRB's strategic priorities

- 1.86 Over the last four years, we have assessed our remit groups against a number of strategic priorities. These are listed in box 1.1. 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.

⁵ JESP is a job evaluation system, applied within a framework which has been in place since 2011. JESP takes account of several dimensions to roles, such as the number of people managed and the level of accountability. It is based on the former job evaluation model for the senior civil service.

Box 1.1: 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 need 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.

Annex: Strategic assessment

1.87 A summary of each remit group's position against our strategic priorities is provided in the following tables.

Table 1.1: Assessment of the position of the SCS against the SSRB's strategic priorities

Senior Civil Service				
		Current position	Objectives	
			2021-22 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 Cabinet Office has outlined plans to develop a longer-term workforce strategy for the SCS (<i>The 21st Century SCS</i>) due to be launched in the autumn. However, there are still concerns that the pace of reform remains slow and not enough progress has been made on improving the pay framework. It remains important to move quickly to an implementation phase, particularly with pay progression.	Implementation plan (including a cost-benefit analysis) for pay progression in 2022 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 size of the SCS continues to grow and to contribute to increases in the paybill. The Cabinet Office has confirmed delivery of outcomes will be a prerequisite for receipt of capability-based pay uplifts.	Analysis of the purpose, size and composition of the SCS cadre. A more detailed cost-benefit analysis is needed for capability-based pay.	
	Targeting: [↔] Where evidence supports it, pay should be targeted according to factors such as the level of responsibility, job performance, skill shortages and location.	No proposals to target pay rises, as SCS pay is paused this year. 2020 pay award implemented in line with the SSRB's recommendations.	Continued targeting of pay awards to relieve compression of numbers at lower end of pay range.	Review of targeting is needed once pay progression is implemented.

Senior Civil Service				
		Current position	Objectives	
			2021-22 evidence	Medium term
Strategic approach	<p>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.</p>	<p>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.</p>	<p>A statement on where responsibility for reward for the SCS sits between the different governments in the UK, and evidence on how pay is implemented and managed across the different parts of it. Evidence on how recruitment and retention issues vary by location, in connection with the plans to move roles out of London and the South East, and on the differential impacts of pay systems in the devolved administrations.</p>	
	<p>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.</p>	<p>Changes proposed to the SCS performance management system for 2021-22 performance year. These are intended to provide increased flexibility to departments and reduce rigidity of the system, encourage more frequent performance conversations and address poor performance.</p>	<p>Feedback on how the new performance management system is working.</p>	<p>Implementation of a new outcome-focused performance management system which is understood by those operating it and commands the respect of SCS members.</p>
Performance	<p>Action on poor performance: [↑] Greater analysis is required of where value is being added and action taken where it is not.</p>	<p>The new performance management system being introduced for 2021-22 has a focus on addressing poor performance.</p>	<p>Evidence of how the new performance management system is helping address poor performance, including the impact of the removal of forced rankings.</p>	

Senior Civil Service				
		Current position	Objectives	
			2021-22 evidence	Medium term
Data	<p>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.</p>	Overall, high-quality data continues to be provided.	Further data on churn <i>within</i> departments to enable a full picture on internal churn to be monitored and assessed. Enhanced data on the relationship between pay and the protected characteristics.	
	<p>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 need careful scrutiny for early warning signs of impending problems.</p>	The SSRB would like to see more data on tracking the careers of the feeder group, particularly at what point they enter the SCS.		Monitoring of fast streamers' career paths to assess at what point those who do so are leaving the civil service.
	<p>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.</p>	There has been an improved picture on gender, disability and ethnic minority numbers. However, the SCS still 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 data.	Improved ethnic diversity, especially at Permanent Secretary and Director General level.

Table 1.2: 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				
		Current position	Objectives	
			2021-22 evidence	Medium term
Strategic approach	<p>Pay and workforce strategy: [↔]</p> <p>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.</p>	<p>The MoD said that it is building on the <i>Defence People Strategy</i> to establish a more flexible, agile, diverse, inclusive and efficient workforce. However, it is not clear how this will link to the overall approach to pay or specific pay decisions. The MoD stated in the report <i>Defence in a Competitive Age</i> published in March 2021 that it will carry out a full review of how it pays and rewards military personnel within the next two years. In its evidence, the MoD has also stated that it is considering structural changes to the senior officer pay structure for pay round 2022.</p>	<p>Evidence of how the pay and reward strategies reflect the balance of senior military roles with the civilian cohort while developing and retaining specialist skills and talent. The strategy should also demonstrate how pay works alongside other factors such as security of tenure, personal development and career planning.</p>	<p>We expect engagement with the Independent Review of Remuneration over the next two years. This is to ensure the pay and workforce strategy as recommended by the SSRB contributes to the outcomes of the Review.</p>
	<p>Focus on outcomes: [↔]</p> <p>There should be more focus on maximising outcomes for lowest cost and less fixation on limiting basic pay increases across the board.</p>	<p>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 such as operations/ defence engagement.</p>		
	<p>Targeting: n/a</p> <p>Where evidence supports it, pay should be targeted according to factors such as the level of responsibility, job performance, skill shortages and location.</p>	<p>It is argued that targeting is inappropriate for this group. However, targeting pay awards to retain specialist skills may need to be considered in the future.</p>		<p>The Independent Review offers an opportunity to test the feasibility of targeted pay to support the MoD’s strategic intention of focusing on growing and retaining specialist skills.</p>
	<p>Central versus devolved tensions: [↔]</p> <p>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.</p>	<p>No evidence that such tensions exist.</p>		

Senior military				
		Current position	Objectives	
			2021-22 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. A pilot of a new appraisal system has concluded that it is fit for purpose. It is due to be implemented for reporting in 2022.		
	Action on poor performance: [↔] Greater analysis is required of where value is being added and action taken where it is not.	No evidence that this is an issue. Poor performance is tackled appropriately either by informal appraisal or disciplinary action. There have been instances where individuals have been required to resign due to poor performance. Poor 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 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 those leaving both the remit and feeder groups is progressing and details of 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.
	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 need careful scrutiny for early warning signs of impending problems.	We have heard that there is considerable dependence on the public service ethos and loyalty of the senior military. However, it was pointed out that the next generation of senior leaders 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 Independent Review offers the opportunity for the MoD to put in place a mechanism to understand the different generational attitudes to senior pay, conditions of service and work-life balance and reflect this in the development of their senior pay strategy.
	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.	The diversity profile is poor. The number and percentage of officers from ethnic minorities in the feeder group has fallen this year. However, the number and percentage of female officers has increased.	We request that the MoD provide us with data on specific strategies designed to broaden the talent pool and improve diversity and inclusivity in the Armed Forces.	Evidence of how the <i>People Transformation Programme</i> is achieving its aim of ensuring that Defence is a diverse and inclusive organisation.

Table 1.3: Assessment of the position of the judiciary 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

The judiciary				
		Current position	Objectives	
			2021-22 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 Government has announced that legislation will be put before Parliament to reform the judicial pension scheme. If enacted, reforms will be implemented in April 2022. It also intends that the judicial mandatory retirement age will be increased from 70 to 75.	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.	We continue to hear concerns from judges about poor working conditions and the lack of administrative support and how this impedes efficiency in the use of judicial time. This affects recruitment/attractiveness of the role.		
	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 SSRB did not receive a pay remit for the judiciary this year so is not making any pay recommendations. However, we have continued to review the situation with recruitment, including for District Judges.	Consideration of how replenishment of the feeder pools at Circuit and District Benches is affecting applications and recruitment for salaried judicial posts, and whether further changes to pay and non-pay factors will need to be considered.	
	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 initial application of the new Recruitment and Retention Allowances to England only was contrary to the principle of pay parity that underpins the notion of a UK-wide judiciary. There is now greater awareness that a UK-wide judiciary requires attention to pay and pensions in the devolved jurisdictions.		

The judiciary				
		Current position	Objectives	
			2021-22 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 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. These should ensure that judges are clear about the standards expected, receive support for future development and have an opportunity to discuss their well-being.	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.	No evidence that this is an issue. All issues of misconduct are dealt with by the Judicial Conduct and Investigations Office.		
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.	Good quality workforce data provided. However, we believe that more data on the characteristics of those applying for judicial posts are essential.	Better and more consistent evidence from all judicial appointment bodies about the characteristics of those applying for judicial posts.	Evidence on the pre-appointment earnings of judicial applicants and appointments at all levels and 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 need careful scrutiny for early warning signs of impending problems.	Continued 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 recruitment to fee-paid judicial roles and evidence about how this may be affecting recruitment to salaried judicial posts.	
	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.	Relatively good and improving data. The MoJ, JAC and Judicial Office have collaborated on a report that brings together judicial diversity statistics with JAC statistics on those recommended for appointment. We expect a diversity report to be published on an annual basis in future.	Further evidence on diversity from the project to bring together judicial and professional diversity data.	

Table 1.4: Assessment of the position of the senior leaders in the English National Health Service against the SSRB’s strategic priorities

Key	<p>Green: Area of little concern</p> <p>Amber: Area of some concern</p> <p>Red: Area of significant concern</p>	As this is the first assessment, we have not included trajectory arrows.
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Senior leaders in the English National Health Service				
		Current position	Objectives	
			2021-22 evidence	Medium term
Strategic approach	<p>Pay and workforce strategy: [AMBER]</p> <p>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.</p>	<p>The <i>NHS Long-Term Plan</i> and the February 2021 White Paper define the future direction and set out the key priorities for the NHS. They highlight a number of implications for NHS leadership, as does the <i>NHS People Plan for 2020/21</i>. Work has commenced to develop a detailed leadership and talent management strategy.</p>	<p>Evidence which sets out the leadership strategy to deliver the NHS’s long-term objectives. Details of the immediate action being taken to support and enable effective leadership at a time of significant change in the leadership of the NHS.</p>	<p>Detailed clarification of how the pay and reward frameworks are coherently aligned with each other in support of the delivery of strategic objectives. Evidence of the programmes which will nurture talent and develop future leaders.</p>
	<p>Focus on outcomes: [AMBER]</p> <p>There should be more focus on maximising outcomes for lowest cost and less fixation on limiting basic pay increases across the board.</p>	<p>The NHS has a relatively well-developed focus on a range of outcomes. They cover clinical, quality and safety and financial aspects. Relevant indicators and targets are widely applied.</p>	<p>Evidence on new outcome measures and associated indicators relevant to the progression to integrated working. Specific information about the detailed leadership contributions and the quantifiable evidence of impact.</p>	
	<p>Targeting: [AMBER]</p> <p>Where evidence supports it, pay should be targeted according to factors such as the level of responsibility, job performance, skill shortages and location.</p>	<p>Variable application of targeted pay to address recruitment difficulties in certain areas including finance and digital, data and technology, or in geographical areas where there may be distinctive challenges. The current pay frameworks do not recognise complexity or challenge to a sufficient extent.</p>	<p>Information which might be expressed through a new VSM pay framework (but applicable also to ESM roles) regarding the coherent use of targeted pay to support recruitment to defined roles.</p>	
	<p>Central versus devolved tensions: [AMBER]</p> <p>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.</p>	<p>Decisions regarding the pay of individuals are taken at an organisational level within national frameworks. Some are subject to national approval. Local decisions are taken by remuneration committees.</p>	<p>Evidence relating to proposed arrangements for the determination of individual pay which describe an appropriate balance between national, regional and local contributions.</p>	

Senior leaders in the English National Health Service				
		Current position	Objectives	
			2021-22 evidence	Medium term
Performance	Performance management and pay: [AMBER] 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.	Performance-related reward has a mixed history in the NHS. Current arrangements allow for some positive recognition of strong performance for VSMS but also provide, through earn-back, for a portion of salary to be withheld. ESM arrangements allow for annual performance pay bonuses.	Evidence and information describing intentions regarding performance-related pay for VSMS and ESMs. We would anticipate significant engagement to ensure proposed arrangements reflect relevant values and motivational considerations.	
	Action on poor performance: [GREEN] Greater analysis is required of where value is being added and action taken where it is not.	No evidence that this is an issue. We heard reports that poor performance is managed effectively. This was seen as being dependent on an appropriate management culture and environment.	Further evidence regarding the approach to management of poor leadership performance.	
Data	Better data: [AMBER] 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.	Relatively good quality of workforce data provided.	Further data should be provided on: <ul style="list-style-type: none"> • Morale of senior health managers. • Whether there are local differences in being able to attract appointable candidates. • Roles most likely to be vacant, and factors affecting this. • Remuneration of medical directors. • Comparable VSM and ESM roles and movement between their organisations. • Pension schemes, and action to communicate pension tax implications to individuals. • Pay gaps by ethnicity. 	

Senior leaders in the English National Health Service				
		Current position	Objectives	
			2021-22 evidence	Medium term
Data	Feeder groups: [AMBER] The feeder groups that will supply the next generation of senior public sector leaders must be closely monitored. The data relating to them need careful scrutiny for early warning signs of impending problems.	Some perceptions from feeder groups (AfC) that the improvement in pay and reward on promotion to senior roles is not commensurate with the additional levels of challenge, accountability and workload. Talent management arrangements are at a relatively early stage of development but receiving significant attention.	Further evidence on to what extent, if any, there is reluctance among feeder group members to apply for senior leadership roles, the causes of any such reluctance and actions to deal with this. Evidence on how well talent management and development activity is equipping feeder group members to apply for senior roles.	Reward strategy to include appropriate pay uplift on promotion to reflect increase in job weight, and for talent management effectively supporting development of candidates who are ready for leadership roles.
	Diversity: [AMBER] 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 reasonably balanced position in NHS leadership regarding gender. Lack of detailed information prevents comment on the position in relation to ethnicity.	Further data on diversity and information on talent management action to help increase diversity in the workforce.	

1.88 We have not considered reward for senior leaders in the Welsh NHS before this year. If we are asked to advise on their remuneration in future, we may include an assessment against our strategic priorities in subsequent reports.