



Review Body on
Senior Salaries

Forty-Third Annual Report on Senior Salaries 2021

REPORT No. 93

Chair: Dr Martin Read, CBE



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

July 2021



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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.

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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	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 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.	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.	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.
	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 such as operations/ defence engagement.		
	Targeting: n/a Where evidence supports it, pay should be targeted according to factors such as the level of responsibility, job performance, skill shortages and location.	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.		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.
	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				
		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] 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] 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] 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] 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.

Chapter 2

Economic context

Summary⁶

- 2.1 We report at a time of rapid change in the economic climate. In 2020, the imposition and relaxation of economic restrictions led to the sharpest swings in gross domestic product (GDP) in over 300 years causing significant disruption in the labour market. While most forecasts point to a strong economic recovery this year and next, the outlook is not only highly uncertain but also subject to high levels of volatility. The long-term economic impact of EU Exit will also remain unknown for some time.
- 2.2 The UK economy saw its largest ever contraction in 2020, of 9.8 per cent, as a result of restrictions put in place in response to the coronavirus pandemic. The economy saw a strong bounce back in the second half of 2020, but further restrictions depressed activity through the winter, and the economy is not expected to regain its previous size until 2022. The economy has also been subject to significant disruption, with different sectors showing widely diverging growth rates. The path for 2021 is dependent on the recovery from the lockdown in the first half of the year and the success of measures taken to protect public health.
- 2.3 The Consumer Price Index (CPI) rate of inflation was 1.5 per cent in April 2021. This was a significant jump on the average 0.6 per cent seen over the previous 12 months. Price rises for petrol, energy and clothing, alongside some pandemic-related supply-chain pressures, will push up inflation for the rest of 2021. It is expected to remain close to 2 per cent over the medium term.
- 2.4 Almost 9 million workers were furloughed during the second quarter of 2020 and, by the end of March 2021, 4.2 million were still on the scheme. This means that the impact of the economic contraction on employment and unemployment has so far been muted, although unemployment is expected to rise once the support schemes are removed. The number of hours worked fell sharply in the second quarter of 2020, as did the number of job vacancies as employers cut back on hiring. Both have recovered but not to their pre-crisis levels. Redundancies increased to record levels in the second half of 2020.
- 2.5 Private sector average earnings fell between February and April 2020 as the first lockdown began. They have since recovered, growing by 3.7 per cent in the year to March 2021. Public sector average earnings growth was strong throughout 2020 and was 5.6 per cent in the year to March 2021. Earnings growth at the higher end of the distribution was at least as strong as at the median, with both affected by structural changes to the workforce.
- 2.6 Government measures to address the impact of the pandemic have pushed public sector borrowing to a post-war high, of an estimated £300 billion in 2020-21. Significant public expenditure on pandemic-related measures will continue into 2021-22. The implications for individual department spending will be announced in the 2021 Spending Review, expected this autumn.

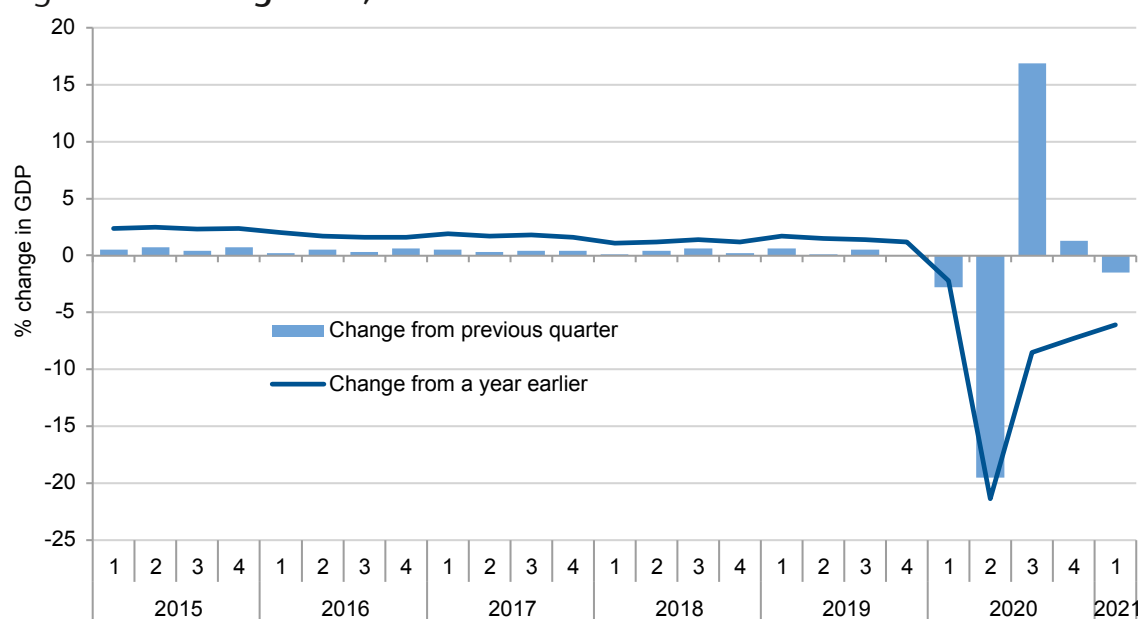
Economic growth

- 2.7 The UK economy saw its largest ever contraction in 2020, of 9.8 per cent, as a result of restrictions put in place in response to the coronavirus pandemic. There was a fall in GDP of 21.8 per cent in the first half of 2020, followed by growth of 18.5 per cent in the

⁶ This Chapter includes economic data available up to 31 May 2021.

second half of the year. The reimposition of restrictions led to a further contraction of an estimated 1.5 per cent in the first quarter of 2021. A strong recovery is expected through the rest of 2021.

Figure 2.1: GDP growth, 2015 to 2021

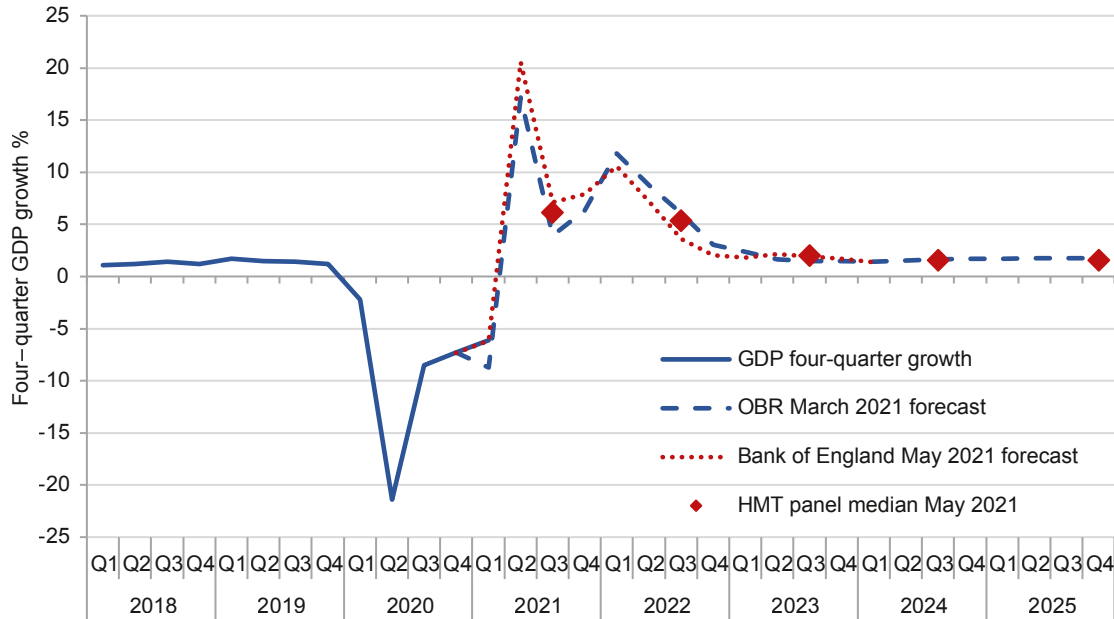


Source: ONS, gross domestic product, quarter-on-quarter growth (IHYQ); four-quarter growth (IHYR). Chained volume measure at market prices, seasonally adjusted.

2.8 In its May *Monetary Policy Report*, the Bank of England said that it expected GDP to rise sharply in the second quarter of 2021. It anticipated demand growth to be boosted by a decline in health risks, a fall in uncertainty, fiscal and monetary stimulus and households running down their savings. It expected GDP to recover strongly to pre-pandemic levels over the remainder of this year in the absence of further restrictions on domestic economic activity. After growth of 7¼ per cent in 2021, it expected the pace of GDP growth to slow to 5¾ per cent in 2022.

2.9 In March, the Office for Budgetary Responsibility (OBR) forecast growth of 4.0 per cent overall in 2021 and 7.3 per cent in 2022. Over the longer term, the OBR expected the economy to be 3 per cent smaller than under its pre-pandemic path. HM Treasury's independent panel includes a range of city and other forecasters, which make a variety of judgements about the impact of both the pandemic and EU Exit. Its median independent forecast (as of May 2021) was 6.2 per cent GDP growth in 2021 and 5.4 per cent in 2022.

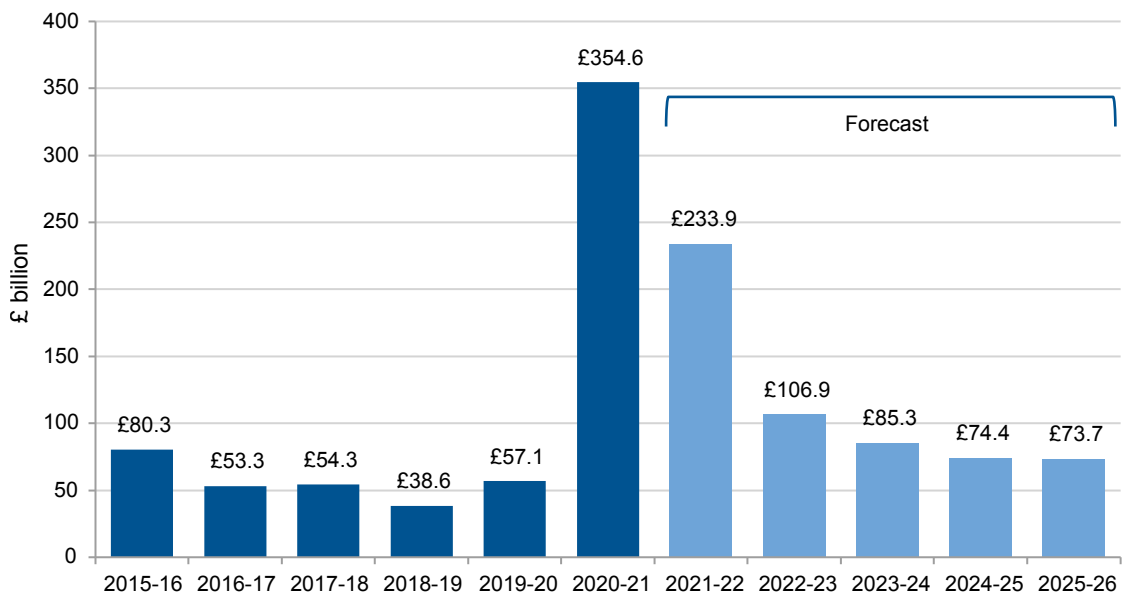
Figure 2.2: GDP growth forecasts, 2018 to 2025



Source: ONS, GDP four-quarter growth (IHYSR); OBR, *Economic and fiscal outlook*, March 2021; Bank of England, *Monetary Policy Report*, May 2021; HMT, *Forecasts for the UK economy*, May 2021.

2.10 The pandemic has pushed Government borrowing up to a post-war high with debt, as a proportion of GDP, at its highest level in 60 years. In March, the OBR expected public sector net borrowing to be £355 billion (16.9 per cent of GDP) in 2020-21,⁷ its highest level since 1944-45. It expected public sector net debt to have risen to 100.2 per cent of GDP in 2020-21, its highest level since 1960-61. Public borrowing of £234 billion (10.3 per cent of GDP) is expected in 2021-22 (see figure 2.3). Broad spending plans through until 2025-26 were set out in the 2021 Budget. However, the implications for individual departmental spending will only be announced in the 2021 Spending Review, expected this autumn.

Figure 2.3: Public sector net borrowing, 2015-16 to 2025-26



Source: ONS, public sector net borrowing; OBR, *Economic and fiscal outlook*, March 2021.

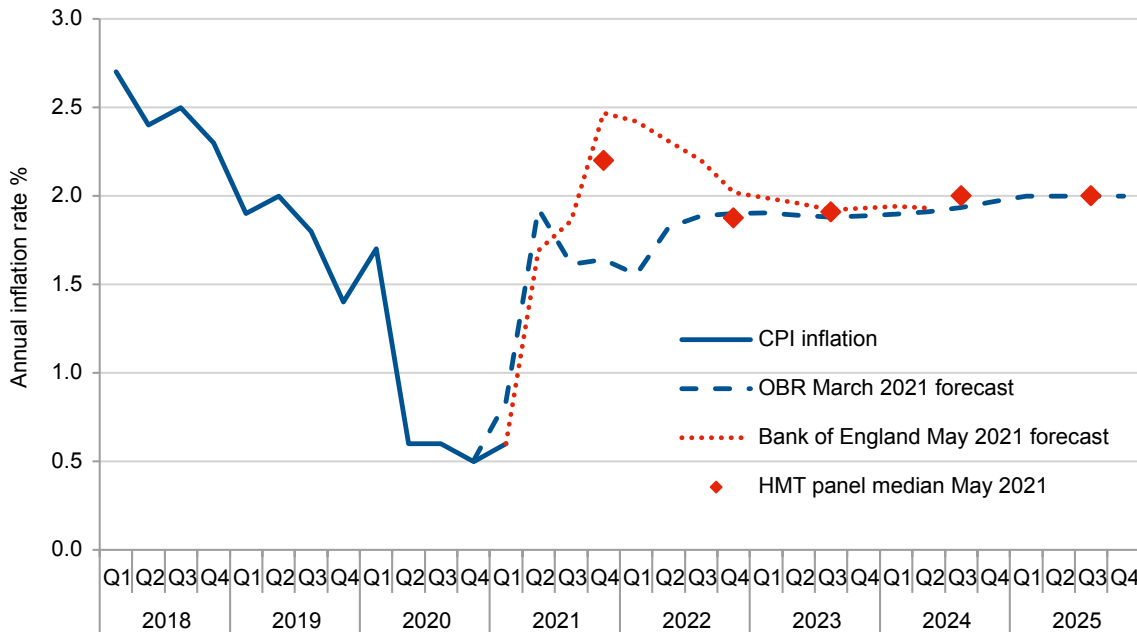
⁷ By May 2021, the OBR had revised this estimate down to £300 billion. https://obr.uk/docs/dlm_uploads/April-2021-PSF-commentary.pdf

Inflation

2.11 Inflation, as measured by the CPI, was 1.5 per cent in April 2021, having averaged 0.6 per cent over the previous 12 months. Over the same period, CPIH inflation was 1.6 per cent and the RPI rate was 2.9 per cent.⁸ The higher inflation in April 2021 was driven by rising prices for petrol, energy and clothing.

2.12 In its May *Monetary Policy Report*, the Bank of England said it expected CPI inflation to rise to 2½ per cent during 2021, pushed up by energy prices, but to fall back to 2 per cent in the medium term. In March, the OBR expected CPI inflation to rise sharply to 1.9 per cent in the second quarter of 2021 but fall back to 1.6 per cent in the second half of the year. It forecast a slightly lower path for inflation than the Bank over the medium term, as it expected rising unemployment to dampen wage growth outweighing the effects of higher oil prices.

Figure 2.4: CPI inflation forecasts, 2018 to 2025



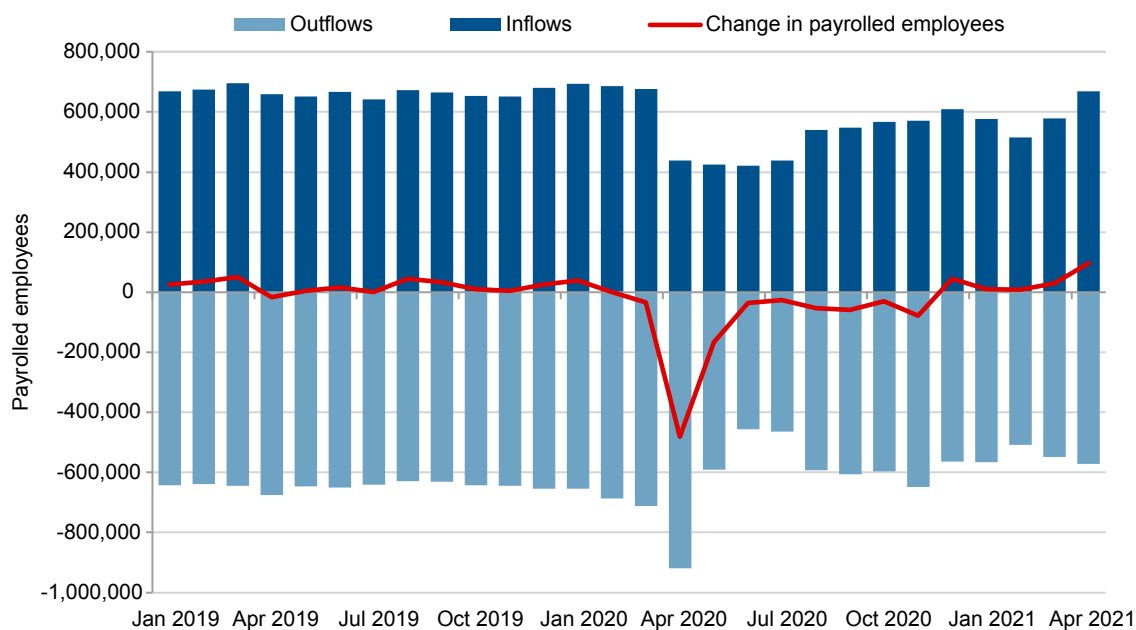
Source: ONS, CPI (D7G7); OBR, *Economic and fiscal outlook*, March 2021; Bank of England, *Monetary Policy Report*, May 2021; HMT, *Forecasts for the UK economy*, May 2021.

Employment

2.13 The number of employees on payrolls in April 2021 was 28.3 million, down 772,000 compared with the pre-pandemic peak in January 2020, according to Pay As You Earn (PAYE) real time information. Having dropped sharply, by 647,000 between March and May 2020, the number of payrolled employees fell by around 45,000 each month between June and November 2020. Employment levels have shown some recovery since November, in particular growing by 97,000 between March and April 2021.

⁸ CPIH is the Consumer Prices Index including owner occupiers' housing costs. The Retail Prices Index (RPI) includes mortgage interest payments and some other housing components. It has a different coverage of goods and services than CPI/CPIH and is calculated using a different formula.

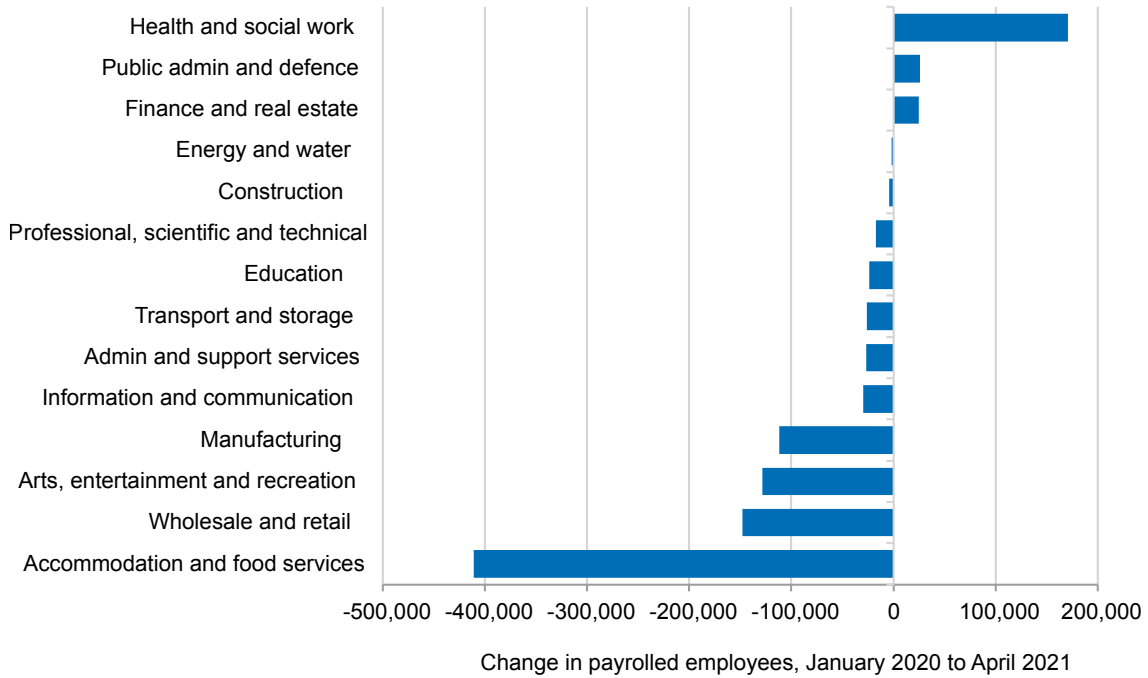
Figure 2.5: Inflows and outflows from payrolled employment, 2019 to 2021



Source: ONS, Pay As You Earn Real Time Information, seasonally adjusted.

- 2.14 Employers have made widescale use of the Government’s Coronavirus Job Retention Scheme which will have cushioned the impact of the pandemic on jobs. The number of employees furloughed under the scheme peaked at 8.9 million in May 2020 and was still 4.2 million at the end of March 2021.
- 2.15 The high number of furloughed employees has been strongly reflected in the number of overall hours worked in the economy. The total number of hours worked fell by 20.0 per cent between the three months to February 2020 and the three months to June 2020. Working hours have since recovered to an extent, by 13.6 per cent between June 2020 and March 2021. Average hours worked fell from 31.8 a week in the three months to February 2020 to 25.8 in the three months to June 2020 but picked up to 29.4 hours a week by the three months to March 2021.
- 2.16 The different employment experiences of different sectors of the economy are shown in figure 2.6. The accommodation and food services sector has been worst hit, with a fall in payrolled employment of 411,000 since January 2020. Retail, manufacturing, and arts and entertainment have also seen substantial falls in employment. Areas of the public sector, in particular health, have seen expanding employment.

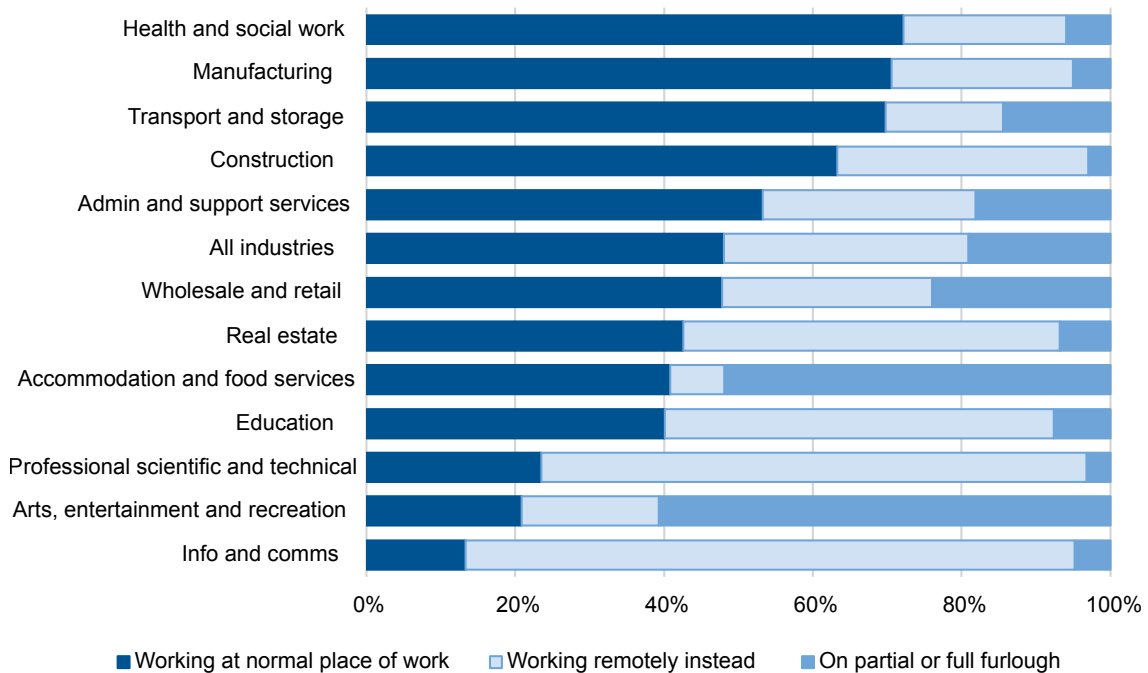
Figure 2.6: Change in payrolled employees January 2020 to April 2021



Source: ONS, Pay As You Earn Real Time Information, seasonally adjusted.

2.17 The impact of the pandemic on different sectors can also be shown by the range of different working patterns in place in March 2021 (see figure 2.7). The proportion of employees attending their normal place of work ranged from 70 per cent in the health and social work sector to 13 per cent in information and communication. The proportion working from home ranged from 81 per cent in information and communication to 7 per per cent in accommodation and food services. The proportion of employees furloughed ranged from 55 per cent in accommodation and food services to 2 per cent in energy and water.

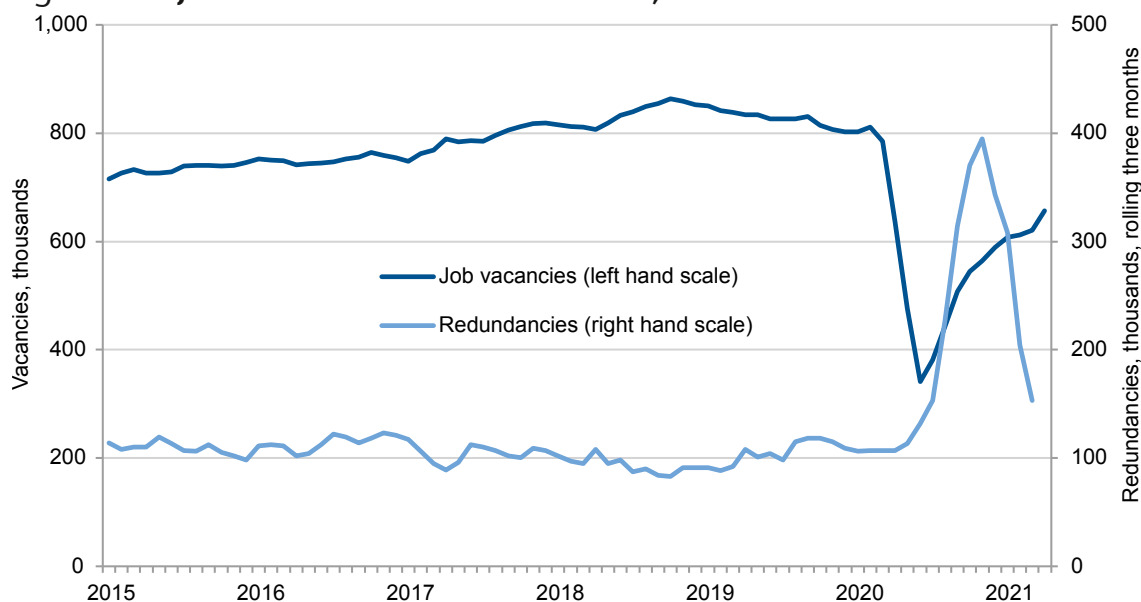
Figure 2.7: Working arrangements by industry, March 2021



Source: ONS, business insights and conditions survey, wave 26. Businesses not permanently stopped trading, weighted by employment, reference period 8 to 21 March 2021.

2.18 The number of job vacancies fell sharply in the first half of 2020, down by 58 per cent between February and June 2020. There was some recovery after June, but the number of vacancies in the three months to April 2021 was still 19 per cent lower than a year earlier (see figure 2.8). The number of redundancies increased in the autumn of 2020 to reach 395,000 in the three months to November, a record high, but fell back rapidly during the first part of 2021.

Figure 2.8: Job vacancies and redundancies, 2015 to 2021

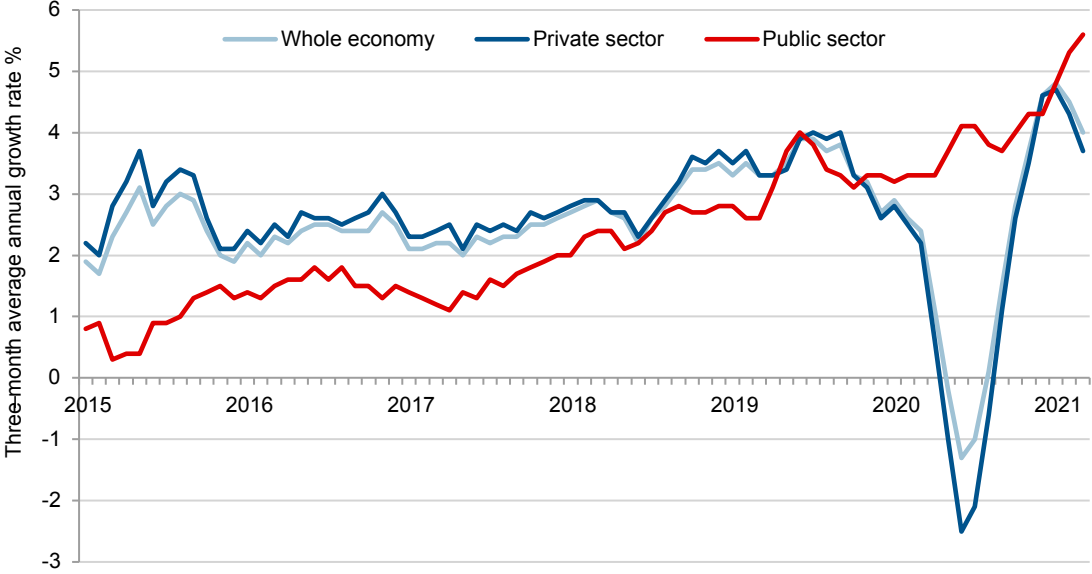


Source: ONS, vacancies (AP2Y); redundancy level (BEAO); seasonally adjusted.

Earnings growth

2.19 According to the average weekly earnings series, the level of private sector average earnings dropped sharply between February and April 2020 before recovering. Whole economy average earnings grew by 4.0 per cent over the year to March 2021. Over the same period, private sector average earnings grew by 3.7 per cent and public sector average earnings grew by 5.6 per cent (see figure 2.9).

Figure 2.9: Average weekly earnings growth (total pay), 2015 to 2021



Source: ONS, average weekly earnings annual three-month average change in total pay for the whole economy (KAC3); private sector (KAC6); public sector (KAC9); seasonally adjusted, GB.

2.20 The total amount paid through PAYE fell from £73.2 billion in January 2020 to £70.0 billion in May 2020, a fall of 4.4 per cent. This had completely recovered to a record high of £74.7 billion in March 2021, up 2.2 per cent over the year. Much of this can be accounted for by the increase in the paybill in health and social work (which saw paybill growth of 8.4 per cent over the year).

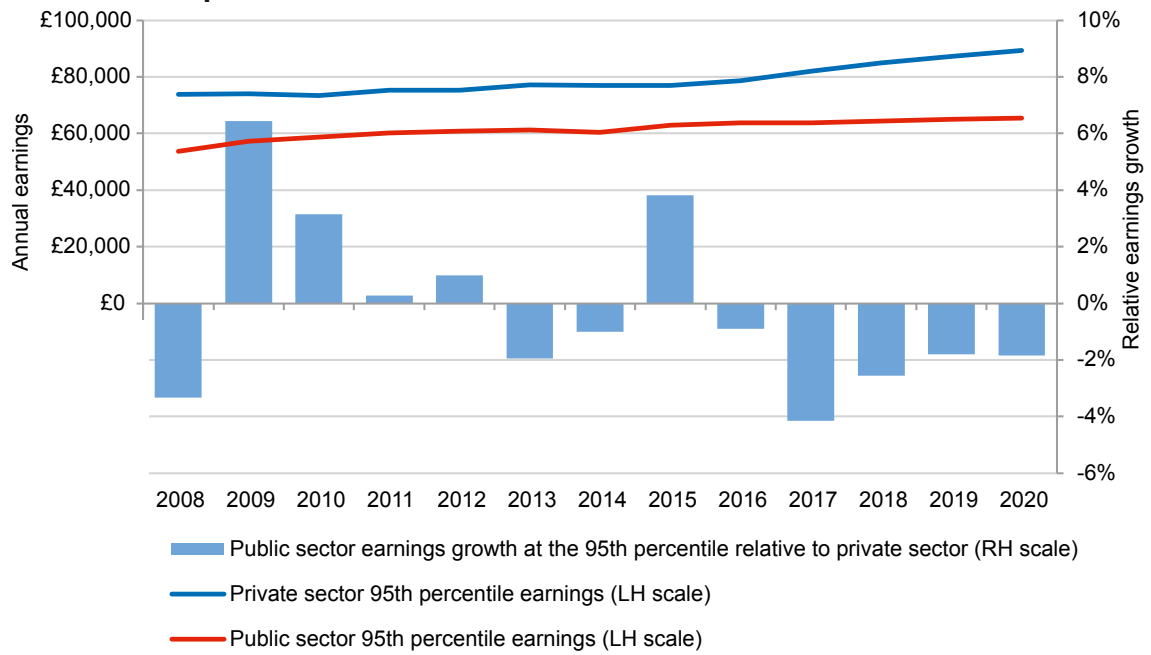
2.21 PAYE data for March 2021 indicate that median monthly pay increased by 5.6 per cent over the year to £1,950. Mean monthly pay increased by 5.2 per cent over the year to £2,652. The lower rate of inflows to employment over the year will have had the effect of increasing average pay, as new recruits typically receive below average earnings. The median pay growth experienced by employees staying in employment was 2.5 per cent in March 2021.

2.22 Most employers have continued to give pay increases over the last year. According to data from XpertHR, the median pay settlement for 2021 pay reviews was 1.5 per cent by April. An estimated 28 per cent of 2021 reviews had resulted in pay freezes. In 2020, the median pay review recorded by XpertHR was 2.0 per cent and 26 per cent of pay reviews were freezes.

2.23 The changing composition of the workforce, with fewer low-paying jobs, also affects earnings growth at different points in the distribution. PAYE data indicate that earnings growth in the year to March 2021 was 4.2 per cent at the 75th percentile (earning £3,056 a month), 4.4 per cent at the 90th percentile (earning £4,629 a month), 4.6 per cent at the 95th percentile (earning £6,274 a month) and 4.1 per cent at the 99th percentile (earning £12,966 a month).

2.24 Data from the Annual Survey of Hours and Earnings give some indication of public and private sector earnings growth at the top end of the earnings distribution for the year to April 2020. For the fifth year running, private sector earnings growth was ahead of the public sector at the 95th percentile (see figure 2.10). In the decade from April 2010 to April 2020, private sector earnings at the 95th percentile grew by 21.9 per cent, while public sector earnings at the 95th percentile grew by 11.5 per cent.

Figure 2.10: Earnings levels and growth at the 95th percentile, public and private sectors, 2008 to 2020



Source: Annual Survey of Hours and Earnings (ASHE), public and private sectors.

Chapter 3

The Senior Civil Service

Summary

- 3.1 We welcomed the implementation of our recommended pay award last year in accordance with the specific priorities we proposed. We are encouraged that the principle of targeting the award where it is most needed is firmly accepted.
- 3.2 We have not been asked to recommend a pay award for the senior civil service (SCS) this year due to the implementation of the Government's public sector pay pause. Our Report therefore focuses on the strategic issues facing the Cabinet Office in respect of SCS pay and reward.
- 3.3 While there continue to be no immediate recruitment and retention issues in the SCS, there remain unresolved strategic questions which have been highlighted in our previous reports and which still need to be addressed. These are:
- Setting a strategic vision for the future purpose, size and composition of the SCS.
 - Focusing on the delivery of cost-effective outcomes.
 - Implementing a pay progression system.
 - Rolling out an effective approach to performance management.
 - Defining unambiguously which issues lie with the centre of government and which fall to devolved governments or departments.
 - Ensuring there is clarity about how pay decisions are applied.
- 3.4 We have greatly appreciated the positive engagement of the Cabinet Office during the development of this Report. The Parliamentary Secretary at the Cabinet Office, senior officials and working level contacts have all taken time to share their thinking and respond to our requests for evidence.
- 3.5 However, in the last 12 months we feel there has been insufficient progress on improving the SCS pay framework. This means that, for many members of the SCS, reward for increased effectiveness is not possible and this has contributed to excessive internal churn.⁹ Excessive churn results in many SCS members moving roles before they have completed their longer-term objectives. This causes a drag on effectiveness and productivity and undermines accountability. At present, half the SCS are in their first two years in post.¹⁰ They may therefore lack the experience, expertise and established relationships with stakeholders to be fully effective in their jobs.
- 3.6 For some years we have therefore recommended that, as a priority, the Government should invest in and implement a credible, robust and simple pay progression system to help incentivise individuals to remain longer in post so that they may build expertise and be responsible for outcomes. We are confident that this investment would pay back quickly. Our recommendation has yet to be enacted.

⁹ By internal churn we mean all moves to a different civil service post, in the same department or another one, apart from promotions.

¹⁰ Includes all SCS whether in current post through a lateral move, promotion or external recruitment.

Strategy for the SCS

- 3.7 In its written evidence, the Cabinet Office outlined plans to develop a strategy, called *The 21st Century SCS*, to achieve a coherent SCS vision. In oral evidence, the Minister said that the forthcoming Spending Review would provide a unique opportunity to address some of the long-standing issues and to look at the size of the SCS. If *The 21st Century SCS* does bring the intended coherence and articulates the future purpose, size and composition of the SCS, then it will be a very valuable advance.
- 3.8 The SCS has increased in size by 51 per cent since 2012 and is now the largest it has ever been, with a paybill 78 per cent or £302 million greater than in 2012. We recognise that some of this increase is a response to challenges such as EU Exit and the pandemic but this cannot be the whole reason.
- 3.9 We hope that *The 21st Century SCS* will provide the means to determine the skills and competencies needed to deliver outcomes and to lead the wider civil service successfully. It should also supply the basis for an approach to talent management that attracts and develops the required leadership skills.
- 3.10 We welcome the emphasis being placed on diversity in its widest sense in this work and we are pleased to see a steady improvement in diversity indicators this year. We fully support the principle that this will lead to better decisions and ultimately deliver better services.

Focus on outcomes

- 3.11 We continue to be closely interested in action to reform the pay system to support a sharper focus on outcomes and to reward increasing effectiveness, capability and expertise over time. We particularly note the recent pay reforms for grades below the SCS at HM Revenue and Customs (HMRC), where upfront investment in base pay will be returned in cost savings through more efficient service delivery. Decisive action to improve outputs and outcomes is needed if reform is to be fully successful in managing the cost and productivity of the SCS.

Pay progression and performance management

- 3.12 In its evidence, the Cabinet Office said that capability-based pay progression remains the Government's priority for the transformation of the SCS pay system. However, implementation is on hold until there is clarity on future funding for the pay year 2022-23. The Government is exploring a pilot of the capability measurement aspect of the new system from September of this year.
- 3.13 In relation to internal churn, we recognise that pay progression will not be sufficient on its own to reduce excessive churn, although we expect it to help considerably. However, we are concerned that the key skills which may be rewarded by capability-based pay progression are those which are likely to be transferable in a generic or professional context. We do not see how this gives individuals an incentive to remain longer in their posts and increase their expertise, efficiency and accountability for outcomes.
- 3.14 We would like to see a better statement of the business case for capability-based pay. We note the Institute for Government's estimate in 2019 that excessive staff turnover in the civil service as a whole was costing the Government up to £74 million a year in

recruitment, training and lost productivity, of which £41.7 million related to the SCS.¹¹ The Cabinet Office has estimated that the initial £45 million cost of pay progression (around 7 per cent of the SCS paybill) will save £7.1 million a year. This is hardly persuasive and we believe it could be substantially misleading because it omits the savings arising from improved outcomes.

- 3.15 We welcome many of the features of the longer-term vision for performance management, including reducing the rigidity of the system, encouraging more frequent performance conversations and addressing poor performance. There is, however, more to do to focus SCS performance and its management on outcomes. This is critically important as success in any role is contingent on clear and outcome-focused objectives.
- 3.16 We are not yet persuaded by the Government's approach to rewarding performance. Its evidence explained that performance and building capability are to be rewarded separately; non-consolidated performance payments will not be linked to capability-based pay progression. While we acknowledge the intention that achievement of outcome-focused objectives should be a precondition for pay progression, we are not clear how this will work or whether it will be easily understood by SCS members and their managers. Capability and performance may be easier to distinguish in principle than in practice.
- 3.17 We remain of the view that implementing a simple pay progression system quickly is likely to deliver a better outcome than a more complex system achieved slowly. This will require proper funding, either new money or committed savings from elsewhere. Without this funding, any new system risks undermining SCS confidence, morale and performance.

Central and departmental roles

- 3.18 Our previous reports have stated that the Government needs to be clearer about what is delegated to departments versus what is controlled from the centre and the mechanisms which will secure departmental adherence to what is centrally determined. Greater clarity is required to ensure a coherent set of principles and practices. This includes the extent of departmental responsibility to self-fund changes to the pay system and to use non-consolidated performance awards. We believe this should be addressed in *The 21st Century SCS*.

Devolution

- 3.19 The different approaches taken by the devolved governments to SCS pay raise questions which need to be confronted about the extent to which there is a single, coherent UK SCS. We noted last year the clear divergence between the centralised SCS pay framework and its application in Scotland. The Cabinet Office described the overall approach as a single UK SCS which takes account of local contexts. This may be an aspiration but it has not prevented significant differences of approach. For example, Scotland does not currently use performance awards and it has already implemented a simple pay progression system.
- 3.20 The Minister told us that she expects the introduction of capability-based pay and the review of the SCS performance management system to eradicate some of the current

¹¹ The Institute for Government (IfG) estimated that excessive SCS turnover was costing £20.8 million to £41.7 million a year (and £36.5 million to £74.4 million across the whole civil service). The £7.1 million estimate from the Cabinet Office is below the £20.8 lower-end IfG estimate because of lower reported turnover rates in the last three years. The indirect costs of turnover were even higher, including disruptive leadership changes contributing to major projects going awry and weakened institutional memory damaging policy development in key areas. <https://www.instituteforgovernment.org.uk/publications/moving-on-staff-turnover-civil-service>

differences. However, in our view the situation today is confusing and it is important to be clear about who is responsible for what.

Clarity

3.21 A continuing thread that runs through all our concerns is excessive complexity rather than a determined drive to implementation. The solutions proposed are often elaborate and complicated. The success of the changes the Government wants to make, and which we support, depends on a hard-pressed SCS finding change practicable to implement. If it is too complex, it will be very difficult to communicate and so will not be applied in the way intended. Clear answers are needed to questions such as how best to recruit and retain key specialists within the general pay model without eroding the single leadership cadre.

Structure of the chapter

3.22 Our key findings and updates are set out below. Further detail, including the bulk of the evidence, is provided in the annexes. The Government's responses to our detailed observations in our 2020 Report are in the table in Annex 2 to the Chapter.

The Government's response to the SSRB's 2020 recommendations

3.23 The Government accepted the SSRB's recommendation for a targeted 2 per cent pay award for the SCS allocated in the following priority order:

- To mitigate anomalies arising from the lack of pay progression and to alleviate other pay anomalies (1 per cent).
- To increase the pay band minima (0.1 per cent).
- To provide an increase of 1 per cent to those not benefiting from an increase to the minima or those benefiting by less than 1 per cent (0.9 per cent).

3.24 Departments implemented the pay awards broadly in accordance with the priorities recommended by the SSRB and approved by the Cabinet Office. Further details are given in Annex 1 to this Chapter.

3.25 The SSRB also recommended incremental steps to reduce the pay band maxima and commented on priority work to be undertaken for the 2021-22 pay award. The Government accepted the SSRB's recommendations in full but has delayed reducing the maxima until the capability-based pay progression system is in place.

3.26 We recommended as a priority the adoption of a credible, robust and simple pay progression system. We are disappointed that this has not yet happened, except in Scotland.¹² We recognise that the COVID-19 pandemic and EU Exit have had far-reaching impacts on priorities and workloads. However, these pressures strengthen, rather than lessen, the imperative to make changes which will reduce the cost of churn and improve performance, accountability and productivity.

Context to the 2021 review

3.27 In her foreword to the Government's evidence, the Minister outlined the changes the civil service needs to make, namely:

- The relocation of a number of SCS roles from London to other parts of the UK.
- The need to draw on a broader talent pool and reward a diversity of skills.

¹² In Scotland, savings generated by not distributing the non-consolidated performance bonus pot in 2019 were used to introduce a pay progression model with five levels of target pay.

- An overhaul of learning and development for civil servants, to enable deep and domain-specific knowledge.
- Tackling internal churn.
- Creating room for innovation.

The Minister highlighted capability-based pay as a key step on this road to reform.

Key points from the evidence

3.28 The Cabinet Office continues to give us extensive and high-quality data on the SCS workforce. Details are provided in Annex 1 to this Chapter.

3.29 Our key observations from this year's evidence are as follows:

- The SCS is the largest it has ever been. Since 2012, it has grown in size by 51 per cent and increased in cost by 78 per cent. The paybill has risen more than the workforce because of increases in employer pension costs and national insurance contributions. The salary bill per head has grown by 5.5 per cent since 2012.
- Recruitment to the SCS has been sustained at high levels, with no indication of systemic problems in attracting applicants.
- There is no evidence of worsening retention issues, with a small fall in the resignation rate, to 4.0 per cent in 2019-20, a figure which is much lower than in most organisations.
- There has been a steady improvement in diversity indicators, helped by the high levels of focused recruitment and targeted development programmes.
- Pay awards in 2020 were implemented in line with our recommendations and priorities.
- Despite increases to the pay band minimum, there is an increasing number of civil servants at the top of the delegated grades who are paid above the SCS pay band 1 minimum salary.
- There continues to be a lack of clarity, leading to tension between the delegation and the centralisation of SCS pay.
- More SCS received performance bonuses last year, from the same size pot as the previous year.
- There are no concerns about overall retention within the SCS (with 11.2 per cent leaving in 2019-20 including retirements). However, when internal job moves between departments are included, the overall turnover rate increases to 18.0 per cent. This figure rises further if moves within departments, which are commonplace, are also added, although accurate data for these moves are not available.
- Three departments had close to 30 per cent of their SCS leaving in a year.
- Limited use is being made of pivotal role allowances (PRAs) to address retention issues. However, there was more use of retention payments for those working on EU Exit, using an adapted form of the PRA.
- The staff survey reports a small fall in employee engagement between 2019 and 2020.¹³ Discussion group members indicated a broad range of motivations beyond pay, including interesting work and public service as well as recognition of their relative job security. Many had experienced high workloads and long working hours because of the COVID-19 pandemic.

¹³ 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.

- Good use is being made of development schemes to ensure a talent pipeline and increase diversity in the most senior grades.

2021 Government proposals

3.30 Given the public sector pay pause, there are no proposals from the Government for a pay award or for changes to pay ranges. The SSRB is asked to comment on two main areas, which we observe are linked:

- The Government's current proposals for a new capability-based pay progression system.
- The proposed long-term vision for the SCS performance management policy and use of the non-consolidated pay pot.

Trade union proposals

3.31 In their evidence, the FDA and Prospect (whose membership includes around 35 to 40 per cent of the SCS) offered proposals of their own:

- A pay increase for 2021, despite the Government's public sector pay pause.
- Funded and urgent implementation of pay progression with an updated SCS pay framework.
- Urgent changes to performance management processes and outcomes.
- Tackling excessive uncompensated working hours and workload.

Capability-based pay progression

Aims and objectives of a capability-based pay progression system

3.32 The Government's written evidence said that any new pay progression system will need to:

- Enable greater diversity in the SCS.
- Reward the development of professional skills and competence.
- Reward experience and high performance.
- Enable and reward the development of leaders of whole systems.¹⁴

3.33 This year, the Government's main priority for reform of the SCS pay system is: "incentivising and rewarding the development of capability and depth of expertise whilst remaining in post, as well as addressing the current high levels of internal churn and the resulting loss of experience and institutional knowledge".

3.34 The Government has said that it is aware that pay is only one of the levers for addressing high levels of churn within the SCS and that a number of other interventions will also be required to tackle this issue fully. It mentions the setting of clear requirements for minimum tenure for certain roles, addressing cultural expectations that movement is a necessity for progression and reviewing talent and promotion processes to ensure depth of experience in role is being properly valued.

How a capability-based pay progression system will work

3.35 The Government proposes that capability will be measured through both professional and leadership frameworks. Each profession (or function where appropriate) will develop its own capability framework. A single framework for leadership is also under

¹⁴ Leaders who are successful in leading across departmental and organisational boundaries.

development to measure capability across the whole SCS. For Deputy Directors, equal weighting will be placed on professional and leadership capability, whereas for Directors there will be a greater emphasis on leadership. It is intended that experience will be built into these frameworks through the demonstration of a track record of delivery.

- 3.36 The frameworks will differentiate SCS into three levels (developing, competent and expert). An increase in capability will result in a corresponding increase within the pay band. Once the initial assessment of baseline capability is completed, the Government proposes that the review cycle should be 24 months rather than annual. This is to allow sufficient time for meaningful increases in capability to be achieved, to embed the expectation of individuals remaining in role for longer and to reduce the burden on managers and departmental HR teams.

The relationship between capability-based pay progression and performance pay

- 3.37 It is intended that non-consolidated performance payments are not linked to capability-based pay progression, with performance assessed and rewarded separately from capability. The distinctions between capability and performance are set out in table 3.1.

Table 3.1: Proposed approaches to performance and capability

	Performance	Capability
Definition	An indication of the quality of outputs in a given time frame. The performance of the individual is assessed against the objectives for a particular role. A retrospective review.	A longer-term assessment tied to an individual rather than a role. It rewards the development of skills which are likely to be transferable in a generic or professional context. Forward looking.
Objective setting	Linked to role.	To reflect an individual's professional and leadership capability goals for the year.
Rewarded through	Non-consolidated payments (both in-year and end-of-year).	Increases in consolidated pay.
Reward cycle	12 months with quarterly conversations.	24 months with biannual conversations (to be merged with performance discussions).

Costs and benefits of the proposed system

- 3.38 Initial modelling has been carried out and the Cabinet Office estimates the cost to move those in pay bands 1 and 2 to the target rate is just under £45 million, representing around a 7 per cent increase in the SCS paybill. The Cabinet Office said that there needs to be clarity on the future funding position before the system can be launched. The implementation of the full system will, therefore, remain on hold until funding decisions are made for the pay year 2022-23 onwards. We infer from this that the system would be rolled out from April 2022 at the earliest and the first pay awards under the system will not be before April 2023.
- 3.39 The new system is expected to deliver long-term efficiency savings from reduced costs of recruitment and on-boarding (such as the integration of newcomers to their posts), saved consultancy spend, and a reduction in SCS numbers due to increased productivity associated with staff remaining in post and developing expertise. The Cabinet Office estimates that up to £7.1 million in savings per year could be made by reducing departmental turnover. This figure has an estimated split of £1.1 million due

to recruitment costs (approximately £20,000 per hire) and £5.9 million due to efficiency savings (corresponding to an approximate reduction of 50 full-time equivalent SCS).

3.40 Given the lack of clarity over future funding, the Government is exploring a pilot of the capability measurement aspect of the new system from September 2021.

Pay levels and pay ranges

3.41 The proposed target rates for pay bands 1 and 2 are set out in table 3.2. The expectation is that the majority of the SCS would be able to show that they are competent in role and move to the appropriate target rate within three to five years. Moving from developing to competent represents a pay increase of around 20 per cent.

Table 3.2: SCS pay bands 1 and 2 proposed target rates

Pay band	Developing rate	Competent target rate	Expert target rate
Pay band 1	£71,000	£85,000	£98,000
Pay band 2	£93,000	£112,000	£128,000

3.42 It will continue to be the case that a single set of pay ranges will cover all professions and there is a commitment to review them over time to ensure they remain appropriate. The Cabinet Office has said that a slightly different approach may be needed in future for a small number of specialist roles.

Comments on the proposals on capability-based pay progression

3.43 Our comments are:

- We were pleased to see the Minister’s confirmation in her letter to us of March 2021 that delivery of outcomes will be a requirement for the receipt of capability-based pay uplifts. This is an indispensable feature. Simply staying in post should not be enough to access additional reward. However, although careful thought has clearly been given to how capability and performance should be determined, we have yet to see this expressed in a simple and cogent way. This is essential if any new system is to have any chance of success.
- The relationship between a non-consolidated reward for high performance and a consolidated pay rise for increased capability needs to be clear. This is likely to be a complex message to understand and implement.
- The opportunity for pay progression occurring only every two years is too infrequent to have a motivational impact.
- It is important that the plans for capability-based pay are carefully designed to increase the incentives for individuals to stay in their posts. We do not see how rewarding the development of transferable skills encourages individuals to develop expertise in the subject matter of their jobs.
- There should be a step change in urgency and sense of purpose in addressing churn, not only through pay progression but also through the other measures the Government says it has under consideration such as minimum tenure requirements, promotion criteria and central career management.
- We would like to see the benefits in significantly improved outcomes and delivery included in the business case for capability-based pay, as well as the input costs and savings. Increasing the paybill by £45 million (around 7 per cent) to save up £7.1 million a year is hardly persuasive and we believe it could be substantially misleading

because it omits the savings arising from improved outcomes. In 2019, the Institute for Government estimated that excessive staff turnover in the civil service as a whole was costing the Government up to £74 million a year in recruitment, training and lost productivity, of which £41.7 million related to the SCS.

- We recognise that any near-future change must take place in the context of the public sector pay pause. However, the challenge is to progress necessary change within these constraints, rather than allow it to be placed in the too difficult to handle category. Questions to explore include how far some of the non-consolidated pot can be used to fund the investment needed and whether clarifying the task and purpose of the SCS may suggest a smaller cadre, which could fund the paybill investment.
- There should be transparency on what individuals can expect in terms of pay progression and increases, or what their pay trajectory might look like (in terms of incremental steps), including clarity for those already above the target rates.

Performance management

3.44 The Government is undertaking a review of SCS performance management. This includes an examination of:

- Whether the current non-consolidated reward offer is appropriate for the SCS cadre.
- Whether the funding could be used elsewhere within the SCS pay system.
- The value and application of, and parameters for, non-consolidated payments.
- The role of collaboration.
- The interaction with processes for delegated grades.

3.45 The Government proposes the following changes to the SCS performance management system for the 2021-22 performance year:

- Making the current SCS objective-setting form optional. This is to allow departments to extend objective-setting processes (including their local forms) for the delegated grades to the SCS.
- The introduction of quarterly performance conversations. This is a step towards a continuous performance management system.
- Removing the cap on the number of SCS who can receive in-year awards.

3.46 In written evidence, the Cabinet Office described the Department for Education's (DfE's) pilot of performance management for its SCS using the department's 'ABLE' system already in use for its delegated grades. Features include monthly performance check-ins accompanied by formal quarterly conversations and regular collection of performance information.

3.47 The FDA and Prospect said in evidence that the current performance management system is discredited and urgently needs reform. Results of their member survey showed that 83 per cent of respondents did not see a clear link between their performance and their pay outcomes.

3.48 The FDA and Prospect continued to be concerned that anecdotal evidence suggested the current system was disadvantageous to those working part time, older members of the SCS and those with a disability, and noted that there were limited data to evaluate these claims. Comments from the FDA and Prospect survey also suggested that having different performance management policies for the SCS and the delegated grades was a problem.

3.49 We heard similar concerns in discussion groups with members of the SCS in the autumn. The performance management system was variously described as inflexible, poor at securing fairness in the allocation of non-consolidated performance payments and not conducive to the tackling of poor performance.

Comments on the proposals on performance management

3.50 We have these comments on the proposals:

- We welcome the review of SCS performance management, which we have recommended for a number of years. The current system is widely discredited among the remit group.
- We are supportive of many of the priorities identified – features such as more frequent performance conversations as part of a culture of continuous consideration of performance, best use of and value from 360-degree feedback and adopting best practice from the system in place for delegated grades. However, we do not understand the delay in implementing such measures.
- We would like to see the management of poor performance added as a focus. The challenges of the last 12 months have highlighted the quality and commitment of the great majority of the SCS. However, in our discussion groups, we continue to hear about the difficulties in addressing poor performance – more so in the SCS than in our other remit groups. This is partly a question of leadership and culture and partly an outcome of the short tenure in post which prevents the proper assessment of longer-term objectives and outcomes.
- Our most important comment is that a really material improvement in the management of SCS performance depends on individuals having appropriate outcome-focused objectives. Good performance management presupposes clarity about what good performance looks like, which in turn presupposes personal objectives that advance the objectives of the organisation and which reflect a clear and shared understanding of the role a leader will play. For these reasons, the development of the future approach to SCS performance management should be firmly rooted in the work on *The 21st Century SCS*.
- For the same reasons, we are glad that the review of the size of the pot for non-consolidated performance-related pay, which we welcome, is taking place as part of the wider strategic approach.
- We are very interested in the DfE pilot of performance management of the SCS using the system already in place for delegated grades. Where there are strengths in departments' systems for other grades, we favour incorporating these into the performance management of the SCS, within parameters set by the Cabinet Office.

Conclusions and observations

3.51 **The 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.**

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

Looking ahead

- 3.53 Our prime concerns are to see a developed strategy for the SCS, an outcome-focused approach to performance and a simple pay progression system finalised and implemented.
- 3.54 The provision of data on inter-departmental job moves has been a useful addition to our evidence base in the last two years. We look forward to working with the Cabinet Office on increasing the evidence base on intra-departmental job moves, as this will be a key part of monitoring the effectiveness of a pay progression system.
- 3.55 We remain keen to see evidence on how recruitment and retention issues vary by location, particularly in the light of plans to move roles out of London and the South East, and on the differential effect of pay systems in the devolved administrations. We also hope to see evidence on how SCS members are adopting new ways of working in the post-pandemic environment.
- 3.56 We very much appreciate the Cabinet Office's help in facilitating discussion groups with different parts of the remit and feeder groups. This provided us with a rich, qualitative insight that complemented and enhanced what we learned from the quantitative evidence. We trust that discussion groups can be arranged again for our next report.
- 3.57 We continue to encourage the Cabinet Office to share detailed pay and workforce information with the FDA and Prospect, which they advise has not so far happened. This involvement is a prerequisite for successful change and will encourage transparent and engaged dialogue. This includes the pay benchmarking data commissioned to inform the setting of pay levels in the proposed capability-based pay progression system. This would help enhance the credibility of the proposals.
- 3.58 We would be keen to see enhanced data on the relationship between pay and the protected characteristics,¹⁵ such as ethnicity pay gaps, monitoring of performance awards and the use of exceptions and allowances. We also expect to see data on the socio-economic background of the SCS from the People Survey in next year's evidence.

¹⁵ As defined in the Equality Act 2010.

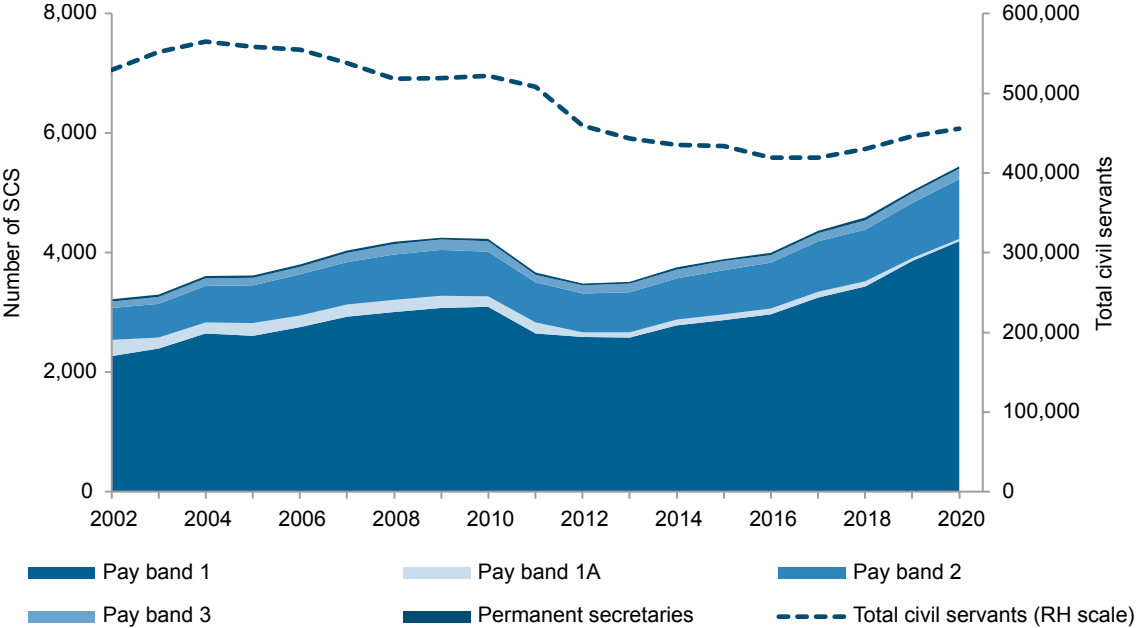
Annex 1: Evidence and data

3.59 We received written and oral evidence from the Parliamentary Secretary at the Cabinet Office, the Chief Operating officer of the Civil Service, the Government Chief People Officer, the FDA and Prospect, and the Civil Service Commission. We also received written economic evidence from HM Treasury. We were able to hold nine virtual discussion groups and spoke with 62 members of the remit group and 21 members of the feeder group. We thank all those who participated for their valuable contributions. We were unable to hold a discussion group with members of the remit group in Scotland. We hope to be able to do this during our next round.

The SCS workforce

3.60 At 1 April 2020, there were 5,447 members of the SCS, an increase of 383 (7.6 per cent) since 2019. This was the eighth successive year the SCS had increased in size and represents an increase of 51 per cent since a low point of 3,616 in 2012. There are now 83 civil servants (in the delegated grades) for every one SCS member. This ratio has fallen from 87:1 in 2019 and continues a trend going back to at least 2002 (when it was 150:1).

Figure 3.1: Total SCS by grade (headcount), 2002 to 2020



Source: SSRB reports, 2003-20; Cabinet Office evidence; ONS, public sector employment by sector, civil service, GB, headcount (G7D6), quarter 1.

Note: Headcount (not full-time equivalent). Whole civil service numbers do not include the Northern Ireland civil service. Includes all SCS in post at 31 March or 1 April from 2019 onwards.

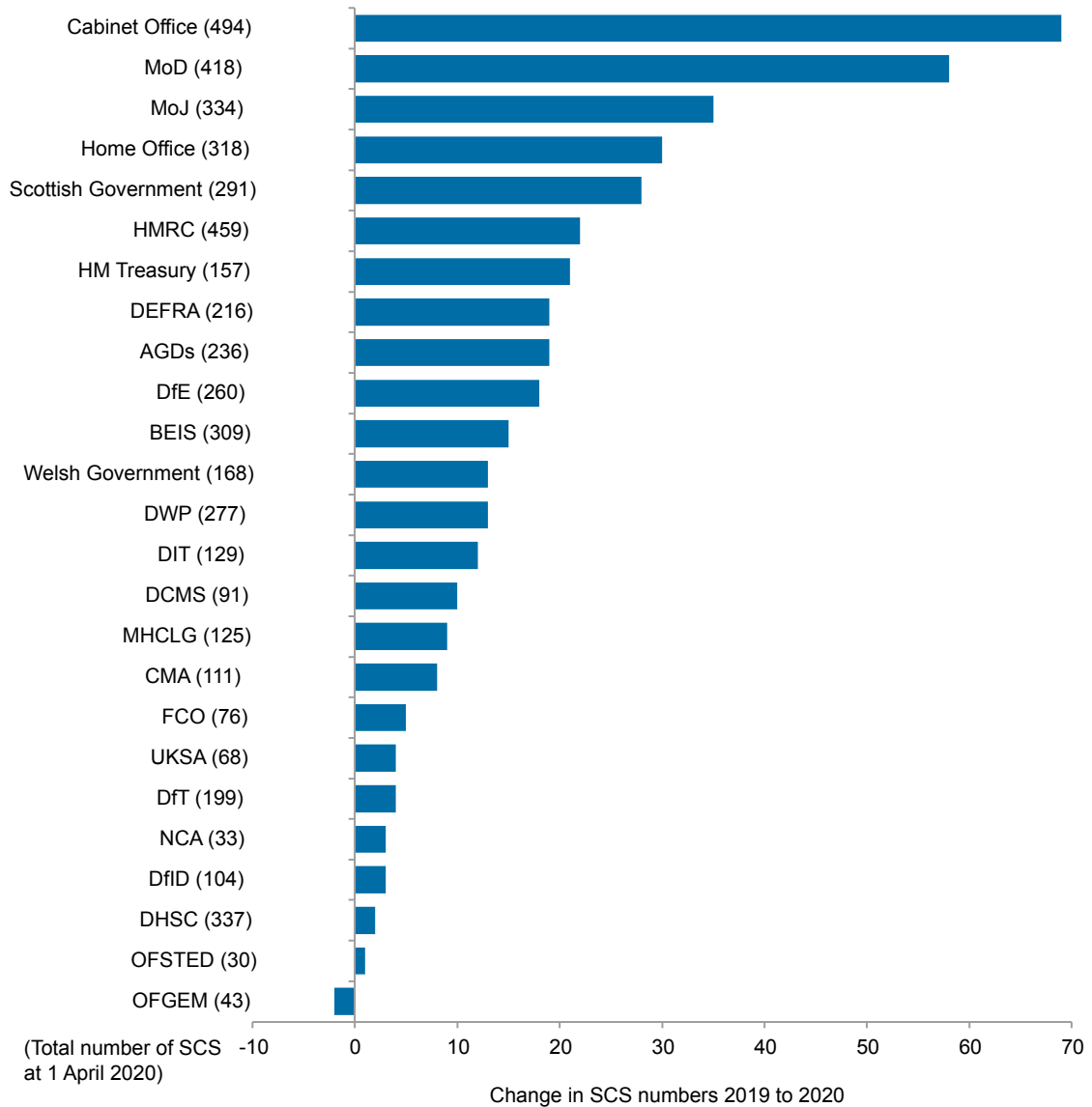
3.61 There has been even higher growth in the number of civil servants at grades 6 and 7 since 2012, with numbers up by 21,700 or 65 per cent. Over the same period there has been a large fall of 68,600 (33 per cent) in the number of administrative officers and assistants, which will also be driving the higher proportion of SCS in the civil service.

3.62 Overall, the SCS accounts for 1.2 per cent of the civil service. The proportion varies across departments from 12.7 per cent at the Competition and Markets Authority to 0.3 per cent at the Department for Work and Pensions (DWP).

3.63 The departments with the largest absolute increases in SCS numbers in the year to 1 April 2020 were: the Cabinet Office, with an increase of 69 SCS; the Ministry of Defence

(MoD), with an increase of 58 SCS; and the Ministry of Justice (MoJ), with an increase of 35 SCS (see figure 3.2).

Figure 3.2: Change in total number of SCS by department, 2019 to 2020

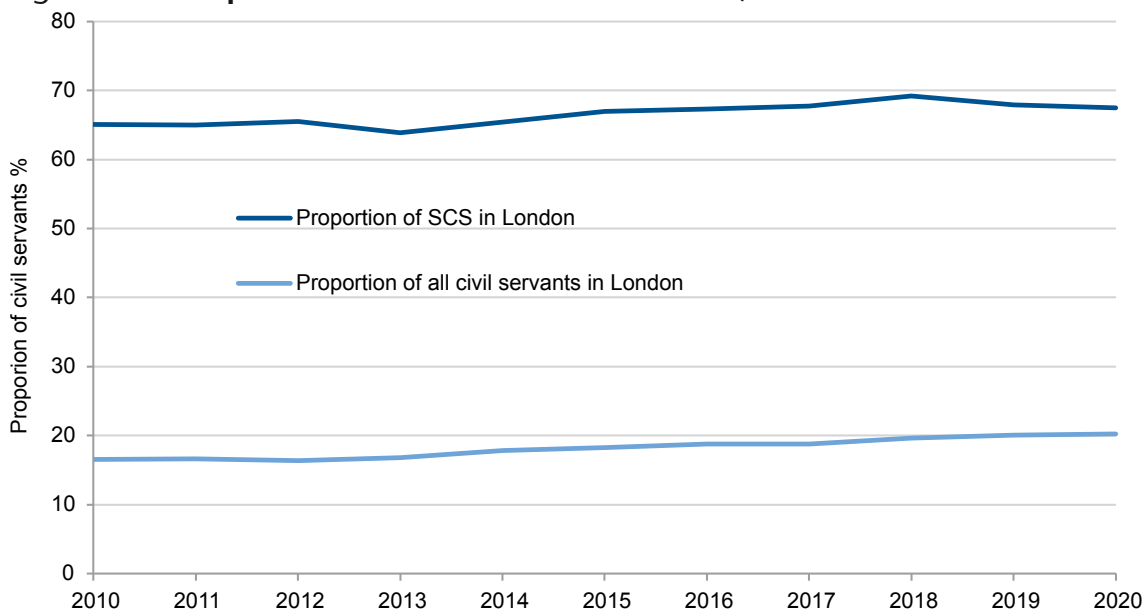


Source: Cabinet Office supporting data to the SSRB, unpublished. 1 April 2019 to 1 April 2020.

Note: Excludes departments with fewer than 25 SCS.

3.64 The proportion of SCS based in London was 67.5 per cent in 2020, a decrease from 67.9 per cent in 2019 but up from 65.1 per cent in 2010. The proportion of all civil servants based in London was 20.2 per cent in 2020, compared to 19.7 per cent in 2019 and 16.5 per cent in 2010.

Figure 3.3: Proportion of civil servants in London, 2010 to 2020

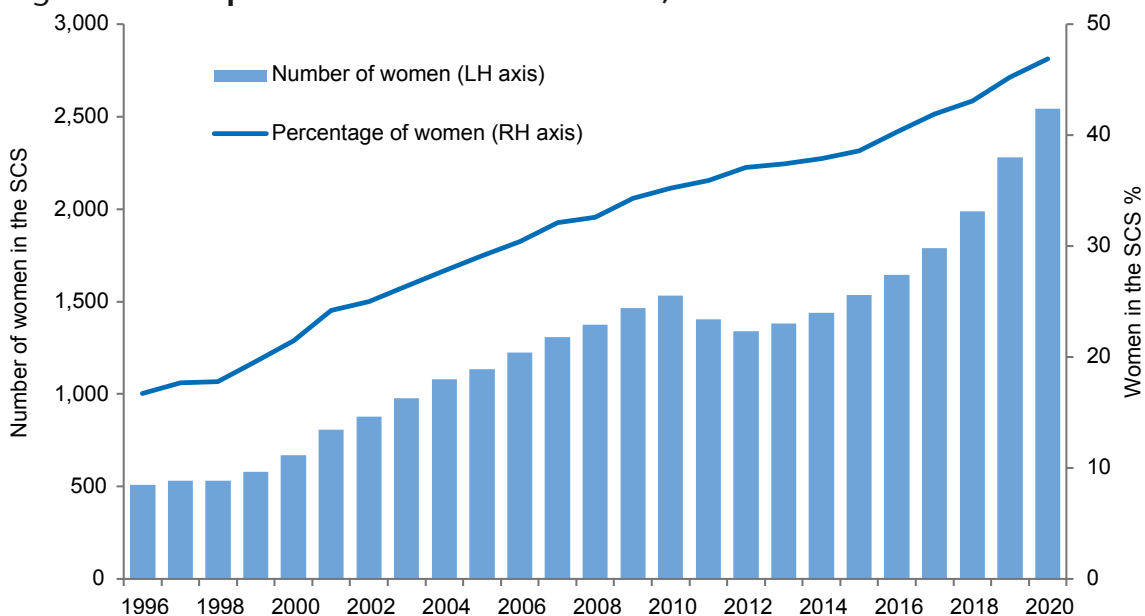


Source: Cabinet Office supporting data to the SSRB, unpublished.

Workforce diversity

3.65 The proportion of SCS who are women has increased from 16.7 per cent in 1996 to 46.9 per cent in 2020 (see figure 3.4). This proportion has increased by 1.7 percentage points over the latest year. The proportion of female Directors General increased from 38.8 per cent in 2019 to 40.4 per cent in 2020. This is down slightly from 41.7 per cent in 2018 but represents a substantial increase from 19.0 per cent in 2003. The proportion of women in grade 6 and 7 roles was 47.6 per cent in March 2020. Women made up 51.3 per cent of new entrants to the SCS in 2019-20 and 41.0 per cent of leavers.

Figure 3.4: Proportion of women in the SCS, 1996 to 2020

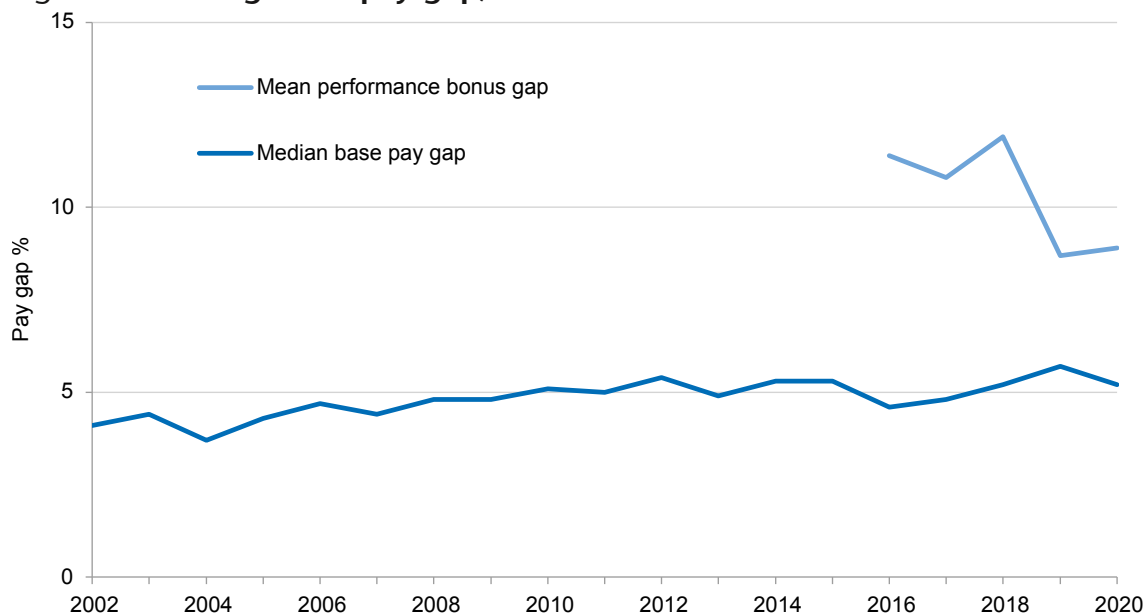


Source: Cabinet Office supporting data to the SSRB, unpublished. At 31 March or 1 April each year.

3.66 The gender pay gap, in terms of median base salary across all grades in the SCS, was 5.2 per cent in favour of men in 2020. This was down from 5.7 per cent in 2019 and suggests broad stability over the last decade (see figure 3.5). Men received an average

performance bonus 8.9 per cent higher than women in 2020, up slightly from 8.7 per cent in 2019. A slightly higher proportion of women were assessed as ‘top’ performers in 2019-20 (31 per cent) than men (28 per cent). The within-band gender pay gap is generally 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 (see table 3.3).

Figure 3.5: SCS gender pay gap, 2002 to 2020



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 3.3: Gender pay gap by pay band, at 1 April 2020

	Median %	Mean %
Pay band 1	2.7	3.7
Pay band 2	2.7	3.2
Pay band 3	4.0	9.7
Overall	5.2	5.6

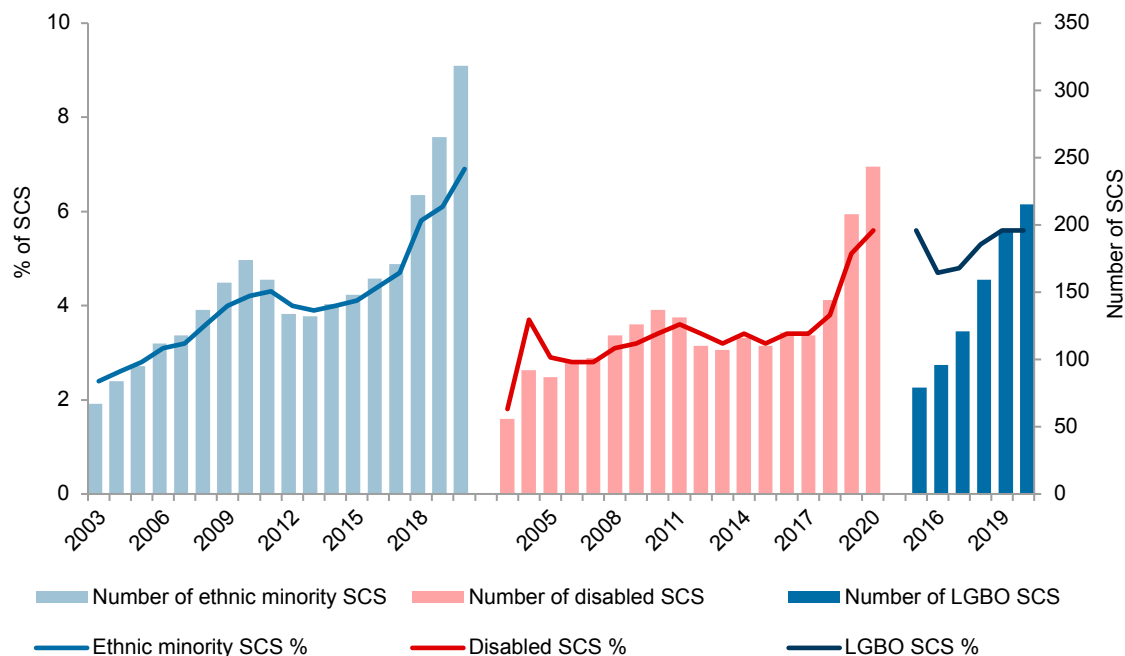
Source: Cabinet Office supporting data to the SSRB, unpublished.

3.67 The proportion of the SCS from an ethnic minority background was 6.9 per cent in the first quarter of 2020. This was an increase from 6.1 per cent in 2019 and the highest recorded level. Those from an ethnic minority made up 9.8 per cent of new entrants to the SCS in 2019-20 and 7.8 per cent of leavers. In comparison, the proportion of the rest of the civil service from an ethnic minority was 13.3 per cent (of those with a known ethnicity). The proportion of those economically active in the UK in 2019 from an ethnic minority was 12.4 per cent.¹⁶ We would be keen to see ethnicity pay gap reporting for the SCS.

¹⁶ Q4 2019. Latest available data due to suspension of population estimates.
<https://www.ons.gov.uk/employmentandlabourmarket/peopleinwork/employmentandemployeetypes/datasets/labourmarketstatusbyethnicgroupa09>

3.68 The proportion of the SCS with a disability was 5.6 per cent in the first quarter of 2020, an increase from 5.1 per cent in 2019. People with a disability made up 6.0 per cent of new entrants to the SCS and 7.2 per cent of leavers.

Figure 3.6: Proportion of ethnic minority, disabled and LGBO members in the SCS, 2003 to 2020



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.

3.69 The median age of the SCS in the first quarter of 2020 was 48, down from 50 in 2003. It was unchanged over the year at 46 for women and 49 for men. The proportion of SCS members aged 44 or under was 37.8 per cent, similar to 37.5 per cent in 2019 but up over the longer term from 30.0 per cent in 2010 and 25.2 per cent in 2003.

3.70 The FDA and Prospect have noted that performance awards are not referenced with protected characteristics (beyond sex). They pointed out that evidence in relation to delegated grades shows consistently that performance pay outcomes discriminate against part-time workers, ethnic minorities and disabled civil servants. We support their view that evidence should be provided on whether this pattern is repeated within the SCS.

3.71 The Cabinet Office has informed us that data on the socio-economic background of civil servants have been collated in the SCS database since 2020. At 31 March 2020, the response rates for these questions were between 7 and 8 per cent, too low to draw any meaningful insights. We encourage the Cabinet Office to continue its efforts to collect these data.

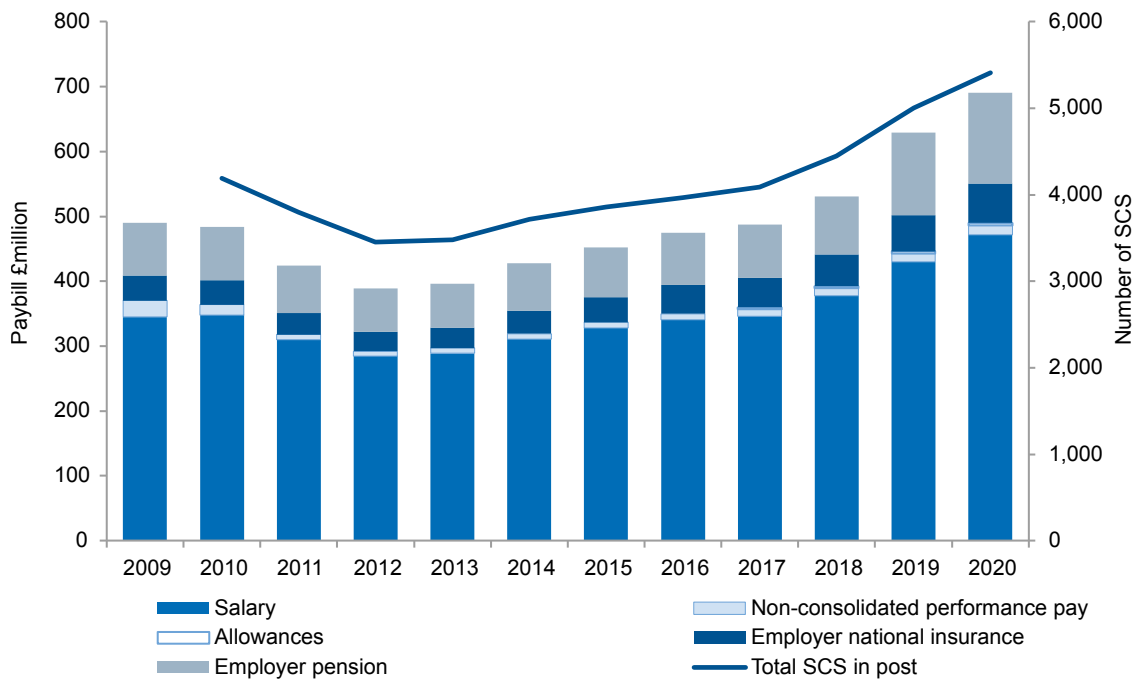
3.72 Data on the socio-economic background of civil servants from the 2019 People Survey were included in a report by the Social Mobility Commission.¹⁷ This indicates that 72 per cent of SCS members reported being from a higher socio-economic background, compared to 54 per cent of the civil service as a whole. Overall, 47 per cent of SCS went to a non-selective state school.

¹⁷ Social Mobility Commission, *Navigating the labyrinth: Socio-economic background and career progression within the Civil Service*, May 2021. <https://www.gov.uk/government/publications/navigating-the-labyrinth>

Pay and the pay system

3.73 The overall SCS paybill at 1 April 2020 was £691 million, an increase of 9.9 per cent from 2019 (see figure 3.7). This was largely driven by the 7.6 per cent increase in the size of the SCS, as well as the 2.0 per cent pay award. Since the low point in 2012, the SCS paybill has increased by 78 per cent, with most of this driven by increasing workforce numbers as well as employer national insurance and pension costs. The salary bill per head has only increased by 5.5 per cent since 2012.

Figure 3.7: SCS paybill, 2009 to 2020

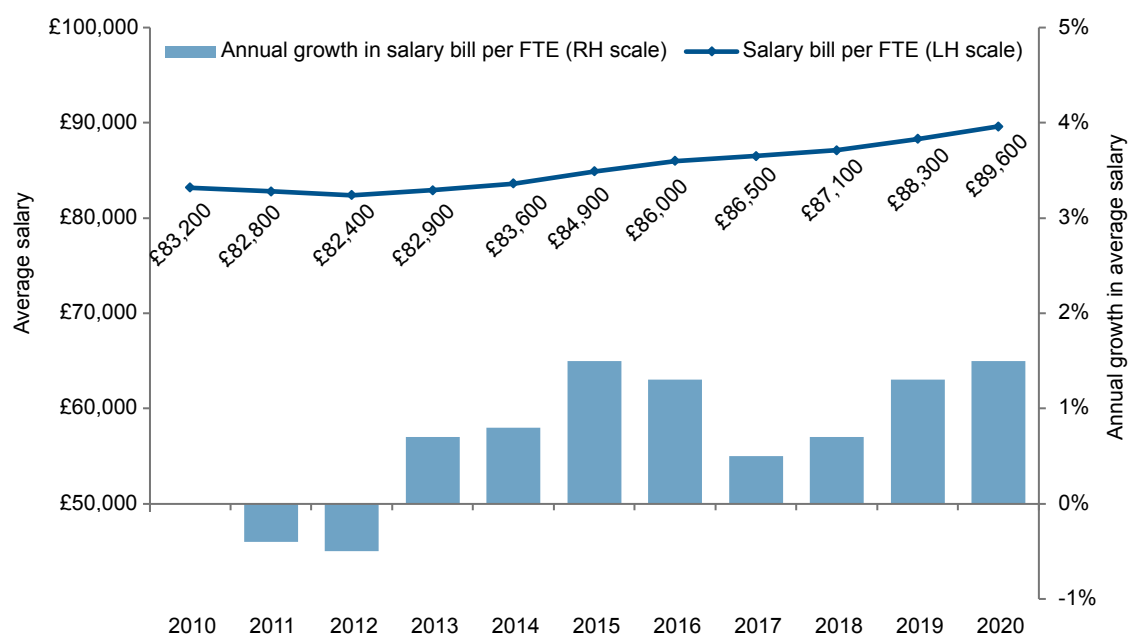


Source: SSRB Report 2020; Cabinet Office supporting data to the SSRB, unpublished.

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. Data on non-consolidated allowances are available and shown since 2017 only. Relates to 1 April each year and excludes Permanent Secretaries.

3.74 The paybill per head for the SCS increased by 1.7 per cent in the year to 1 April 2020. The salary bill per head increased by 1.5 per cent from £88,300 to £89,600 (see figure 3.8).

Figure 3.8: Salary bill per head in the SCS, 2010 to 2020



Source: Cabinet Office supporting data to the SSRB, unpublished. At 1 April each year.

3.75 Table 3.4 sets out the current SCS pay bands. The minima of pay bands 1 and 2 were increased by £1,000 last year. The pay band 3 minimum was increased by £5,000. Pay band maxima were unchanged.

Table 3.4: SCS pay bands and median pay by pay band, 2020-21

Pay band	Number in pay band	Pay band minimum £	Pay band maximum £	Median salary ¹ (excluding bonus pay) £
1 (Deputy Director)	4,191	71,000	117,800	78,500
1A (Deputy Director) ²	40	71,000	128,900	84,700
2 (Director)	1,004	93,000	162,500	103,500
3 (Director General)	174	120,000	208,100	138,600
Permanent Secretary	36	150,000 ³	200,000	172,500 ⁴
Total	5,447 ⁵			

¹ At 1 April 2020.

² Closed grade.

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

⁴ Midpoint of £5,000 pay band.

⁵ Includes two SCS members who are not assigned to pay bands.

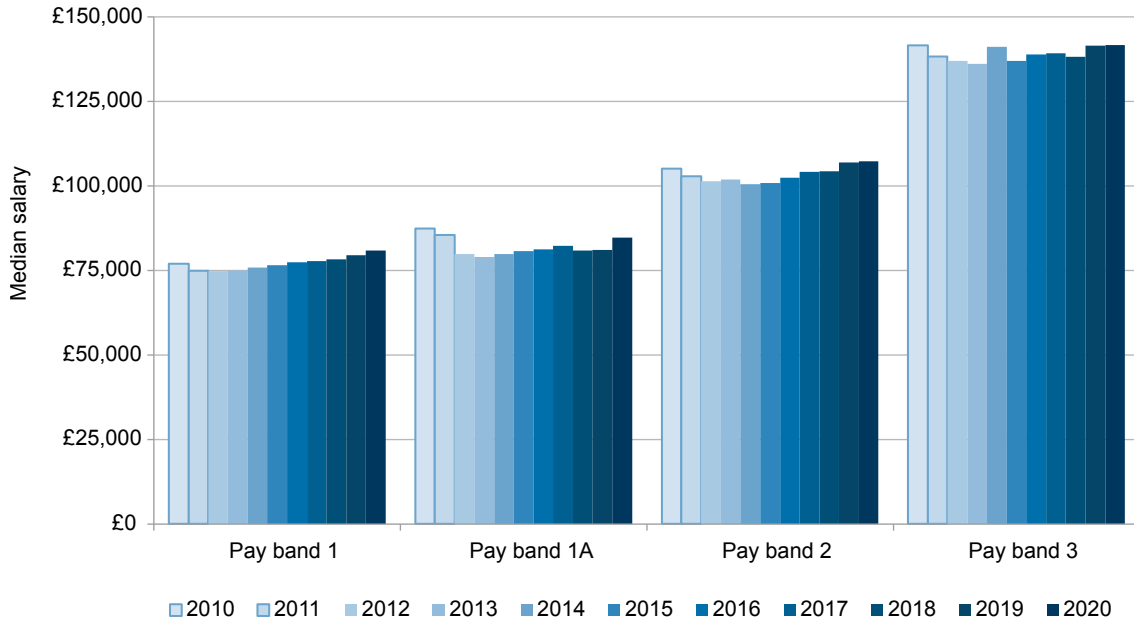
Note: The Scottish Government operates with slightly different pay bands and a system of five target steps.

3.76 Median salaries including bonuses were higher in 2020 than in 2019 across all pay bands but with very low increases in the higher pay bands (see figure 3.9).

- Pay band 1 increased by 1.9 per cent (£1,500) to £80,900.
- Pay band 1A increased by 4.4 per cent (£3,600) to £87,400.
- Pay band 2 increased by 0.3 per cent (£300) to £107,200.

- Pay band 3 increased by 0.1 per cent (£100) to £141,600.

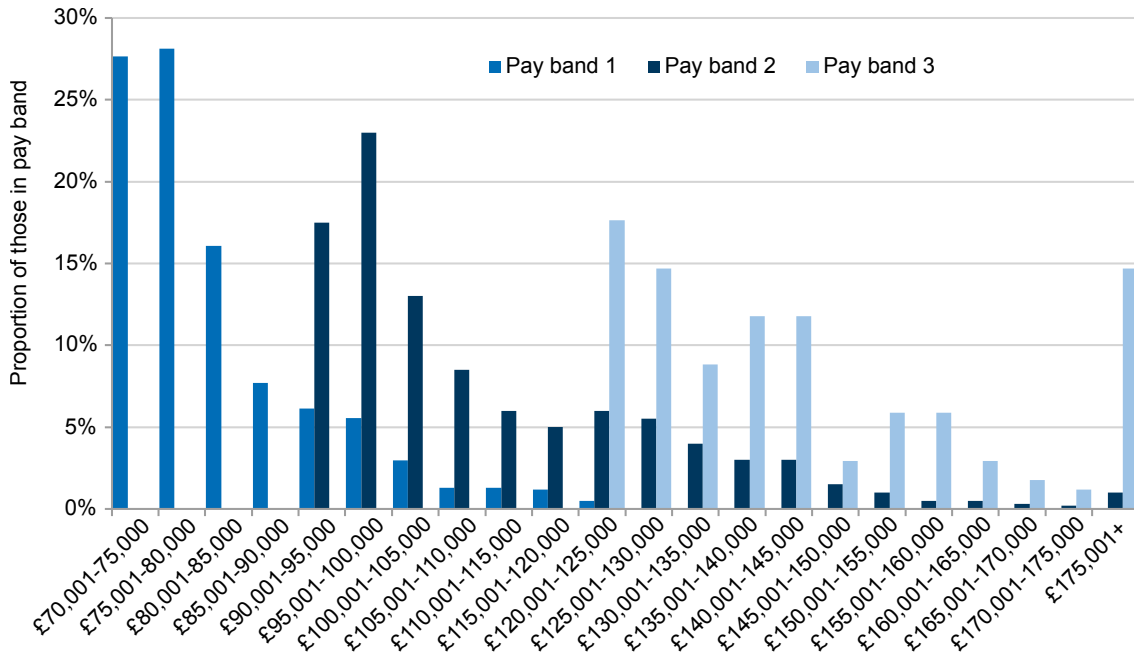
Figure 3.9: SCS median salaries, including bonuses, 2010 to 2020



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

3.77 The distribution of SCS members within their pay bands is shown in figure 3.10. At pay bands 1 and 2 in particular, individuals are clustered towards the bottom of the pay range. Over 60 per cent of both Deputy Directors and Directors are in the lowest quartile of their pay range.

Figure 3.10: Distribution of SCS within pay band, 2020

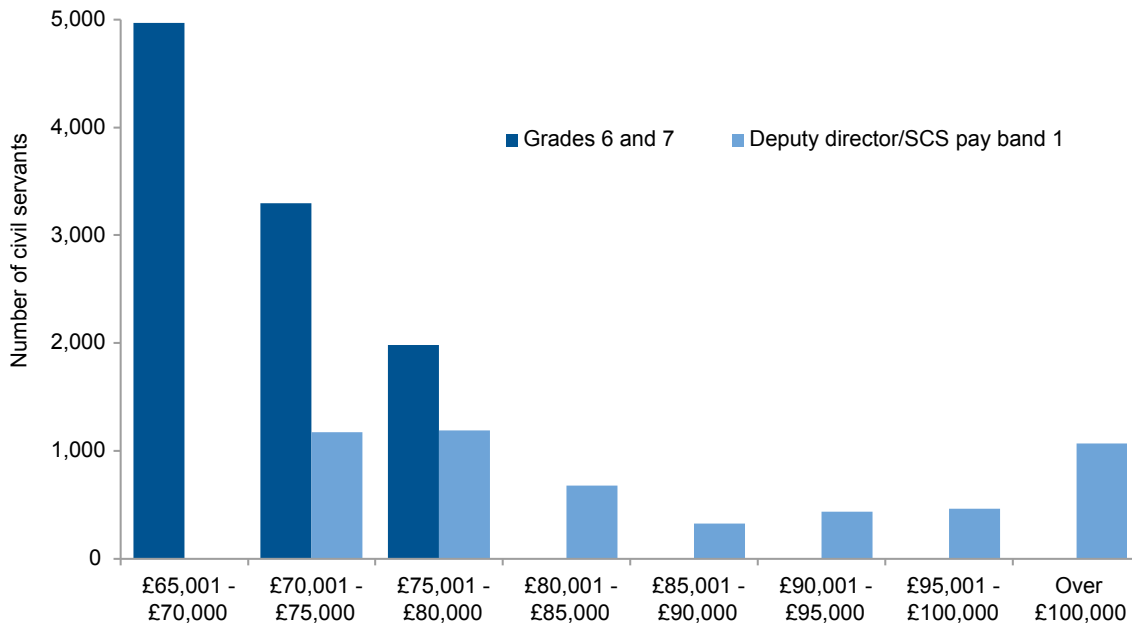


Source: Cabinet Office supporting data to the SSRB, unpublished.

3.78 In the first quarter of 2020, there were 5,275 civil servants below the SCS who were paid more than the then SCS pay band 1 minimum of £70,000 (see figure 3.11). This number increased by 31 per cent over the year. The Cabinet Office reported that almost a quarter of grade 6s earn over the SCS pay band 1 minimum. The extent of the overlap varies

across professions, with the largest overlap seen for grade 6s working in specialist roles such as medicine or psychology (44 and 32 per cent overlaps), while only 6 per cent of grade 6s working in policy roles earned above the lowest-paid SCS in their department.¹⁸ The majority of departments have a London grade 6 maximum higher than the pay band 1 minimum. The Cabinet Office said that reducing the proportion of grade 6s who earn more than the SCS pay band 1 minimum to 5 per cent would require setting the minimum at £81,000. The Government expects that, for some specialist roles at grade 6 level, an element of crossover with the grade above will continue to be part of civil service pay structures.

Figure 3.11: Distribution of SCS and grades 6 and 7 earning above £65,000, 2020

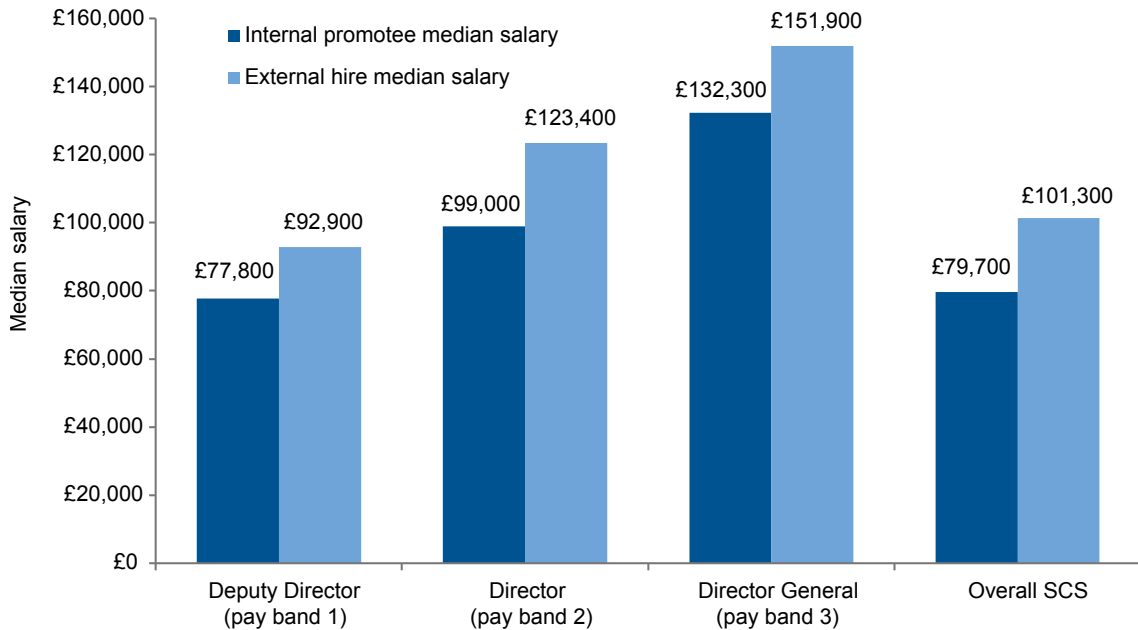


Source: Cabinet Office supporting data to the SSRB, unpublished.

3.79 The difference in salaries between internal and external recruits continues to be substantial across all pay bands (see figure 3.12). The gap in median base pay between internal promotees and external hires across the SCS was 27.1 per cent. This ranged from 19.4 per cent for pay band 1, to 24.7 per cent for pay band 2 and 14.8 per cent for pay band 3. These gaps have not changed significantly from the previous year. We note that those professions with the highest proportion of external recruits – property, digital, data and technology (DDaT), internal audit and commercial – are among those with the highest salaries, so the external market for specialist skills may be driving the pay gap with internal promotees. We would like to see further evidence on this. In SCS discussion groups, there was a strong awareness and resentment of higher salaries for external recruits.

¹⁸ Proportion of grade 6s earning at or above the lower 5th percentile of Deputy Director salaries within their department.

Figure 3.12: **SCS median base salaries for internal promotees and external hires, 2020**



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

Pay awards in 2020

3.80 The Government accepted the SSRB's recommendation for a 2 per cent pay award in 2020 in the following priority order:

- To mitigate anomalies arising from the lack of pay progression and to alleviate other pay anomalies.
- To increase the pay band minima.
- To provide an increase of 1 per cent to those not benefiting from an increase to the minima or those benefiting by less than 1 per cent (0.9 per cent).

3.81 We received written evidence from the Cabinet Office on how 16 departments had implemented the pay award. Twelve of the 16 departments used a similar approach whereby all eligible SCS members not benefiting from the increase to minima received a 1 per cent award. Those benefiting by less than 1 per cent from the minima increase received an additional consolidated pay award to total 1 per cent. Three of these departments referred to a minimum 1 per cent or SCS receiving at least 1 per cent (DWP, Foreign, Commonwealth and Development Office, HM Treasury), rather than a fixed 1 per cent.

3.82 The four departments deviating slightly from this approach were:

- The Cabinet Office, which used a matrix that gave awards of at least 1 per cent linked to performance and position in range.
- The Department for Environment, Food and Rural Affairs (DEFRA), which gave eligible SCS an award of at least 1 per cent of the median of each pay range.
- The Ministry of Housing, Communities and Local Government (MHCLG), where all eligible SCS received at least a 1 per cent award, all box 2 SCS received an award of 1.4 per cent and all box 1 SCS received an award of 2 per cent.

- The MoJ, where top or achieving performance markings received a 1 per cent award, based on the median salary in each pay band, while those with a low performance marking received half this amount.

3.83 Twelve of the 16 departments explicitly reported that they had used the full 1 per cent pot for pay progression and anomalies, with some others keeping part of the budget back for anomaly adjustments later in the year.

3.84 Departments most typically made awards according to a combination of individual performance and progression, with 12 departments taking this broad approach. Four used the budget for progression alone, with two of these taking SCS to a higher pay band minimum. Over half of departments specifically mentioned resolving pay anomalies. These were most likely to be at Director General level, possibly because individual anomalies are easier to detect and manage in a smaller cohort.

Permanent Secretaries

3.85 Permanent Secretary pay follows a three-tiered model which takes account of job size and complexity. This applies regardless of whether the post is filled by internal promotion or externally. Permanent Secretary pay is overseen by the Permanent Secretary Remuneration Committee (PSRC) comprised of an independent chair, external members and includes the Chair of the SSRB, the Cabinet Secretary, the Chief Executive of the Civil Service and the Permanent Secretary to HM Treasury. No changes were made to the tiers in 2020-21. Since 2019, it has been agreed that the SSRB will be consulted on any future changes to the salary structure.

3.86 In 2020-21, the PSRC agreed to implement the annual pay award in line with the SSRB recommended priorities, namely:

- A 1 per cent pay award to all Permanent Secretaries.
- Using the remaining funds to apply differentiated increases, dependent on tier, to reward development of skills, capability and experience, ranging from 1.0 to 1.6 per cent. The highest earners did not benefit from this part of the pay award.
- Increases ranged from 1.0 to 2.6 per cent, with an average increase of 1.8 per cent.

3.87 As for other members of the SCS, the highest performing Permanent Secretaries are eligible for a non-consolidated performance-related payment. The PSRC considers performance on the basis of a wide range of evidence and feedback, including from the relevant minister and lead non-executive director, and a variety of business performance metrics. The Prime Minister approves the PSRC's recommendations for consolidated base pay and non-consolidated performance pay. In 2020, 32 per cent of Permanent Secretaries received non-consolidated performance awards worth £17,500 each from a 3.3 per cent pot.

Devolved administrations

3.88 The SCS in the devolved administrations in Scotland and Wales continues to be part of the single cadre which is centrally managed by the Cabinet Office. This differs from the delegated grades which are managed by their own respective governments.

3.89 In evidence, the Government said that it continues to endorse the model of a UK-wide SCS and expects to see the approach to SCS pay within the different administrations align even more closely over time. In her letter to us in March, the Minister said that she expects the introduction of capability-based pay and the review of SCS performance management to eradicate some of the current differences. Responsibility for setting the SCS pay framework remains with the Cabinet Office. Nevertheless, the Minister advised

us that the Government continues to work with the devolved administrations to navigate the challenges of the different contexts as pay reform is progressed. We were informed in oral evidence that a four-nation people board had been established to discuss how to manage the issues.

- 3.90 Both the Scottish and Welsh Governments operate remuneration committees for their SCS. The Welsh Government's SCS remuneration committee is responsible for making senior pay recommendations and managing the performance, potential and talent of senior staff. The Committee ensures remuneration is handled in a fair and appropriate way and in line with UK Government guidance. Similarly, the Scottish Government has a top level pay committee (for Deputy Directors and Directors) and a talent action group for Directors General which is responsible for recommending senior pay decisions.
- 3.91 One result of devolution is that Scottish Ministers now have an established and distinctive public sector pay policy. As this has diverged from the UK Government's policy, the position for the reserved SCS in the Scottish Government has become increasingly complex.
- 3.92 Both Scotland and Wales introduced target rates through the 2020-21 pay award. These are in line with the rates planned for the introduction of capability-based pay progression. The mechanism for moving towards these rates will be brought in line with that for the wider SCS once the capability-based pay progression system is launched. No further uplifts will be applied this year due to the pay pause.
- 3.93 The FDA asked its members working in the Scottish Government about the new pay and progression process. Overall, 59 per cent were either very satisfied or satisfied with the process, with 41 per cent remaining dissatisfied or very dissatisfied. This is a far higher level of satisfaction than with the overall SCS pay arrangements.

Performance and recognition awards

- 3.94 Top performers in the SCS are eligible for non-consolidated performance awards. These are capped at £17,500. Following the removal of forced distribution, there is no cap on the number of staff eligible for an end-of-year award (although it is restricted to those receiving a top box marking). In addition to end-of-year non-consolidated awards, departments have the flexibility to recognise outstanding contributions by making in-year non-consolidated awards to a maximum of 20 per cent of SCS. In both the 2019-20 and the 2020-21 performance years, this was temporarily increased to 40 per cent to acknowledge the SCS response to EU Exit and the COVID-19 pandemic. Total non-consolidated bonuses (end-of-year and in-year) are limited to 3.3 per cent of a department's SCS paybill.
- 3.95 All but one of the 16 departments about which we have information had used the full 3.3 per cent pot for non-consolidated performance payments. The Home Office used a 2.88 per cent pot, having previously transferred 0.5 per cent to fund consolidated increases to support recruitment and retention. The 25 per cent cap on the proportion of SCS eligible for an end-of-year bonus was lifted last year. The proportion of SCS in each department that received an end-of-year bonus ranged from 25 to 46 per cent, with a median of 29 per cent.
- 28 per cent of pay band 1 SCS received an end-of-year pay award. Bonuses ranged from £5,000 to £11,000.
 - 34 per cent of pay band 2 SCS received awards. Bonuses ranged from £5,000 to £14,000.
 - 44 per cent of pay band 3 SCS received awards. Bonuses ranged from £5,000 to £16,000.

- 32 per cent of Permanent Secretaries received awards, each worth £17,500.
- 3.96 The Department for Education (DfE) did not make end-of-year payments under the usual scheme as it has been piloting a new performance management system since mid-2019, the SCS 'ABLE' approach. This is based on the new performance management system that was implemented for the delegated grades in 2018 and includes more frequent performance and development conversations, a greater focus on in-year awards (with 60 per cent of SCS receiving in-year awards of up to £5,000) and a small number of sustained excellence awards paid towards the financial year end. The latter were paid to 19 per cent of SCS in the department, averaging £5,869. The pilot will continue for the 2021-22 performance year and the findings will be used to inform any larger-scale changes.
- 3.97 Departments have flexibility to give some of their SCS an in-year award of a maximum of £5,000. In-year awards were used by all but one department. The proportion of SCS in each department receiving an in-year award ranged from 12 to 40 per cent (excluding the DfE). Awards ranged from £500 to £5,000. The most common reasons for awarding payments were for just missing out on a box 1 performance bonus and for dealing with EU Exit.
- 3.98 The SCS corporate recognition scheme was introduced in January 2019 with awards of up to £1,000. Since the introduction of the scheme, 86 individuals have received an award worth an average of £860. The overall amount of money available for corporate recognition scheme awards is 0.1 per cent of the SCS salary bill (around £430,000) which will be reviewed over the next year, given the significant underspend in this area.
- 3.99 Details of the awards made and total amounts are set out in table 3.5. Nominations for this scheme need to demonstrate that an individual has made a significant contribution:
- To a cross-departmental initiative.
 - To the development of a function or profession.
 - Outside the civil service, which enhances the reputation of the civil service.

Table 3.5: Number and level of corporate recognition scheme awards, January 2019 to January 2020

	Awards made	Total award amount
January 2019	25	£24,500
June 2019	16	£13,500
September 2019	17	£15,500
January 2020	29	£20,000
Total	86	£74,000

3.100 In evidence, the FDA and Prospect noted the small numbers benefiting from the corporate recognition scheme and said that members had questioned the level of bureaucracy for very little impact and whether the money would be better used in the overall pay pot.

Government Commercial Organisation

3.101 The Government Commercial Organisation (GCO) was established in 2017 as the single employer of commercial specialists in central government to address capability issues within the senior commercial population. The GCO has its own remuneration framework,

which is intended to be more closely aligned to the private sector, with a focus on higher base pay, performance-related pay and reduced pension benefits.

- 3.102 Originally composed of senior commercial specialists, commercial specialists and associate commercial specialists, the GCO now encompasses commercial leads as well. It has grown substantially, from 341 employees in October 2018, to 858 in September 2019, and to 1,166 in October 2020. The highest growth occurred at the delegated grades, particularly at commercial lead level. Factors explaining this growth include high levels of recruitment this year to support the COVID-19 response (for example, test and trace) and the transition of two groups from within the civil service on 1 November 2019 and 1 February 2020.
- 3.103 The number of SCS in the GCO has grown from 177 to 209 (commercial specialists and senior commercial specialists). This represents 18 per cent of the total GCO headcount. Of these, 87 per cent have joined on GCO terms and conditions. Almost all of these staff came through recruitment, both internal and external, rather than transition.
- 3.104 Employment on GCO terms and conditions requires: recruitment from the external market; or recruitment from within the civil service and an 'A' at the assessment and development centre; or a move from within the civil service and an 'A' at the assessment and development centre. Of those eligible to do so, 62 of 118 commercial specialists and 26 of 35 senior commercial specialists opted into GCO terms. This represents 58 per cent of those eligible.
- 3.105 In line with the changes made to the pay band minima for the delegated grades on GCO terms, a 2 per cent increase to the minima was implemented for the SCS grades from 1 April 2020. No changes were made to the maxima. Pay benchmarking is likely to take place this year when the market settles.
- 3.106 The GCO remuneration committee applied the 2020 award in line with the SSRB priorities. As in previous years, a quartile approach to consolidated pay uplifts was applied to help harmonise pay discrepancies and to provide a pay increase of 1 per cent to all those not benefiting from the increase to the minima or those benefiting by less than 1 per cent. This gave increases of between 1.0 and 3.5 per cent for those on existing equivalent terms and 1.5 to 4.5 per cent for those on GCO terms.

Table 3.6: Government Commercial Organisation pay ranges by specialist level, 2020-21

Specialist level	Base pay minimum £pa	Base pay maximum £pa
Commercial lead (grade 7 equivalent)	61,710	74,000
Associate commercial specialist (grade 6 equivalent)	70,176	96,909
Commercial specialist (SCS pay band 1 equivalent)	91,800	131,300
Senior commercial specialist (SCS pay band 2 equivalent)	134,640	193,819

- 3.107 Commercial specialists and senior commercial specialists on GCO terms are eligible to receive up to 20 per cent of their salary as a non-consolidated performance related payment. In 2020, the average achievements were: commercial specialist, 81.7 per cent

of target (implying a 16.3 per cent average bonus); and senior commercial specialist, 77.5 per cent of target (implying a 15.5 per cent average bonus).

3.108 The GCO planned to discuss with its remuneration committee:

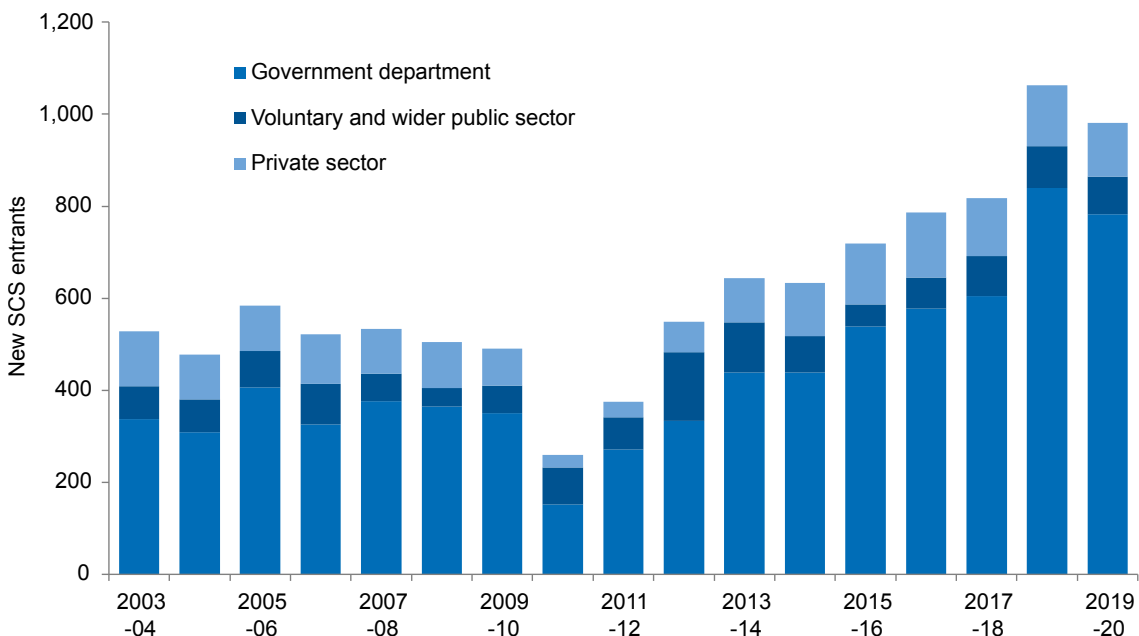
- Benchmarking reward packages against the external commercial market.
- Mechanisms to continue to address and improve the gender pay gap.
- The proportion of employees taking up GCO terms and conditions and exploring the strategy to incentivise this.
- The implementation of capability-based pay progression.

3.109 In a discussion group with GCO members, individuals reported an increasing rift between those on GCO terms and conditions and those on civil service terms. This was not helped by the fact that some civil service joiners were not offered GCO terms, while external joiners were not offered civil service terms. Those on civil service terms recognised the value of the pension and for some this had been one of the main reasons for not wanting to change.

Recruitment

3.110 The number of new entrants to the SCS in 2019-20 remained very high at 981, but down slightly from the previous year (see figure 3.13). Overall, 80 per cent of new entrants to the SCS in 2019-20 were promotions (up slightly from 79 per cent in the previous year); 12 per cent were from the private sector and 8 per cent were from the voluntary and wider public sectors.

Figure 3.13: **New SCS entrants, by previous employment sector, 2003-04 to 2019-20**



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

3.111 The proportion of SCS recruited from outside the civil service varied by profession. Forty-seven per cent of those in property were external entrants, as were 43 per cent in DDaT, 40 per cent in internal audit, 38 per cent in counter-fraud, and 37 per cent in commercial. Only 9 per cent of policy professionals were externally recruited. No SCS in social research, veterinarian, or fraud, error debt and grants joined from outside the civil service.

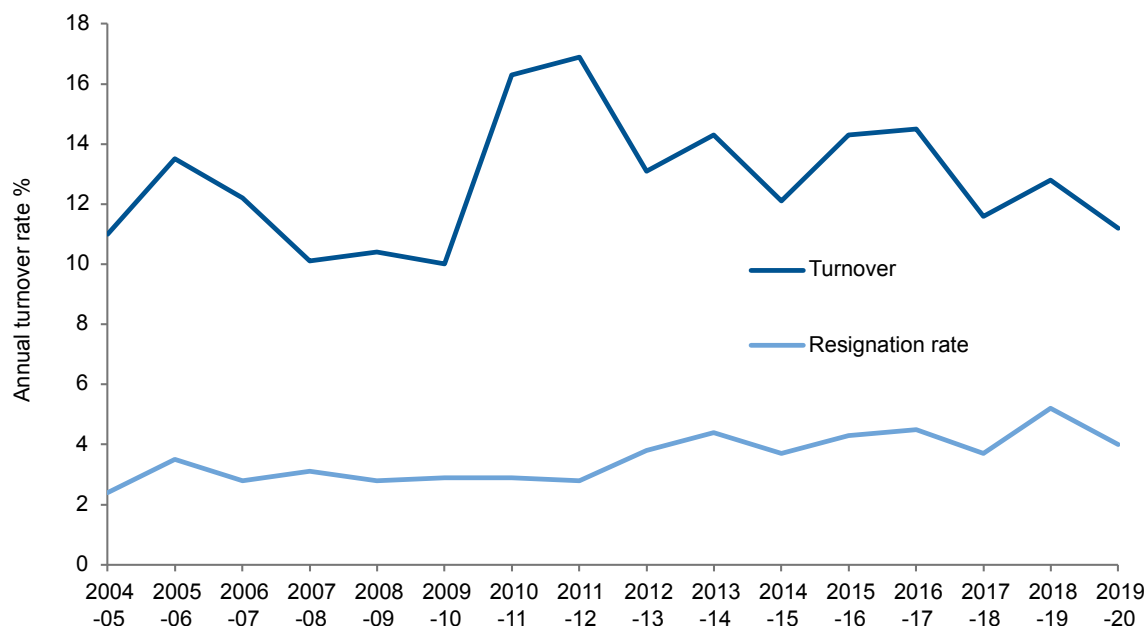
- 3.112 The Civil Service Commission (CSC), which chairs selection panels for advertised competitions at SCS pay band 2 and above, said that out of 161 advertised posts in 2019-20, 156 (97 per cent) resulted in an appointment, slightly up from 183 out of 192 (95 per cent) in 2018-19. Overall, 65 per cent of the 2019-20 appointments were classed as 'outstanding' or 'good', compared to 68 per cent in 2018-19. Out of the 156 appointments in 2019-20, 110 (71 per cent) were existing civil servants.
- 3.113 Of the competitions chaired by Commissioners this year where an appointment was made, there were 54 instances (34 per cent) where there was only one appointable candidate. This was broadly unchanged from the previous two years. Six competitions (4 per cent) in 2019-20 produced no appointable candidate, compared to nine (5 per cent) in 2018-19. There was no evidence that pay levels were damaging recruitment generally but it was likely to be a factor for specific roles.
- 3.114 The CSC said that challenging and supporting the civil service to improve its diversity continued to be a strategic priority. The Commission said that it had accredited and supported a number of schemes which aimed to provide for social mobility and improve the life chances of disadvantaged groups. While this was typically not at senior grades, it would help to build workforce diversity at lower levels and change the make-up of the civil service. Data for 2019-20 showed that:
- Women made up 28.7 per cent of applications for the most senior posts but were more successful at the latter stages, making up 41.0 per cent of those interviewed and 41.4 per cent of appointable candidates in 2019-20. This was down slightly from 44.4 per cent in 2018-19.
 - Those identifying as being from an ethnic minority made up: 21.5 per cent of applications for senior posts; 10.0 per cent of those interviewed; and 9.1 per cent of appointable candidates. The proportion of appointable candidates was up from 7.7 per cent in 2018-19.
 - Those declaring as having a disability made up: 6.4 per cent of applications for senior posts; 7.3 per cent of those interviewed; and 6.8 per cent of appointable candidates. This was an increase from 3.9 per cent in 2018-19.
- 3.115 In evidence about the internal talent pipeline, the Cabinet Office advised that, of the 123 Directors who applied for Director General roles between May 2019 and April 2020, 47 (38 per cent) were assessed through the talent moderation process as 'star' or 'excellent'.
- 3.116 Over the summer of 2020, a bulk recruitment campaign was run for Deputy Director and Director roles to address the surge in demand for these grades due to the additional work created by the COVID-19 pandemic and EU Exit. Initially, 30 roles were advertised, increasing to over 70 as demand grew. The advertisement attracted around 6,500 applicants and all roles were filled with a reserve list for future vacancies. The proportion of candidates found to be appointable was marginally higher than the typical 3:1 ratio generally found in campaigns, suggesting a good pool of candidates. Over 50 per cent of appointees were external candidates.
- 3.117 In a discussion group we held with recent recruits to the SCS, many agreed that it was the interesting and varied work, not the pay, which had made them want to join.

Retention

- 3.118 The high levels of recruitment are reflected in the fact that over half (52.3 per cent) of individuals have been in the SCS for less than four years. This is largely unchanged from the previous year. The median tenure of SCS members in their current post is two years, with 65 per cent being in post for less than three years (down from 69 per cent in 2018-19).

3.119 The resignation rate for the SCS fell to 4.0 per cent in 2019-20, down from 5.2 per cent in 2018-19. The overall turnover rate (which includes all leavers) was 11.2 per cent in 2019-20, down from 12.8 per cent in 2018-19 (see figure 3.14).

Figure 3.14: SCS annual turnover and resignation rates, 2004-05 to 2019-20



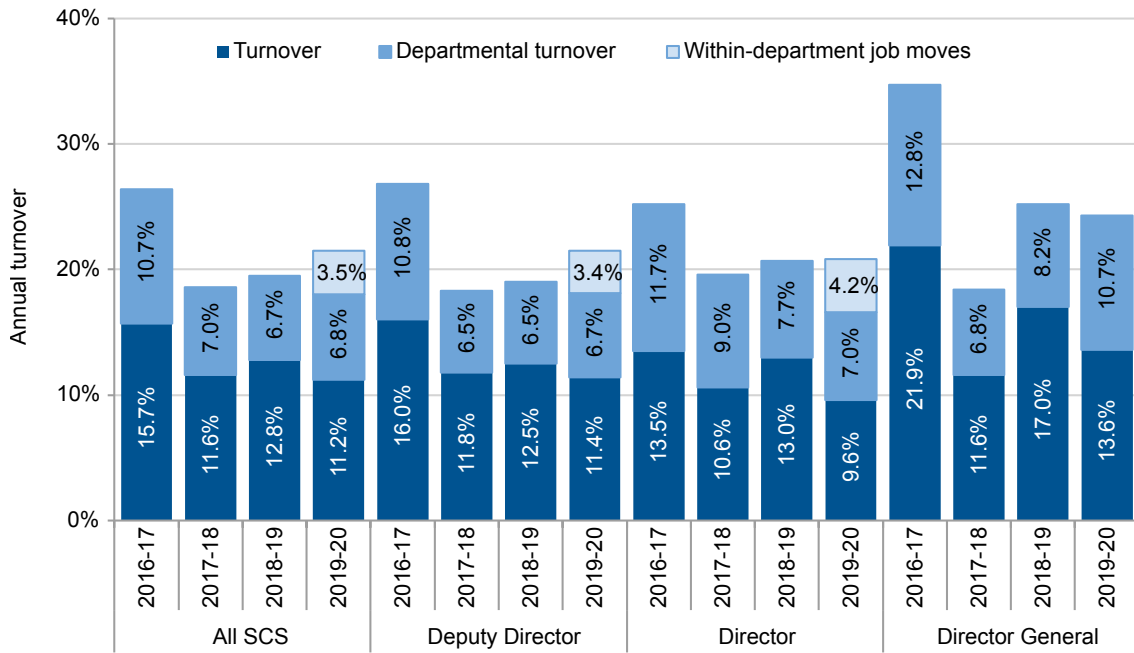
Source: Cabinet Office supporting data to the SSRB, unpublished.

Note: 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.

3.120 The turnover rate for SCS recruited externally, at 12.4 per cent, remains higher than the 10.9 per cent for those recruited internally, though this gap has narrowed since the previous year.

3.121 The Cabinet Office has again provided valuable data on departmental turnover. This includes moves between departments within the year, in addition to moves included under the turnover rate (see figure 3.15). When added to the data on leavers, this shows that the turnover rate, at 18.0 per cent in 2019-20, has been fairly stable over the last three years. We have also been provided with an estimate of intra-department job moves for the first time this year. This indicates that a further 3.5 per cent of SCS changed jobs within their departments in 2019-20, taking the overall 'churn' rate to 21.5 per cent. This is likely to be an underestimate of the level of internal churn, as many job moves within departments will not be recorded. We hope to work with the Cabinet Office on improving this metric.

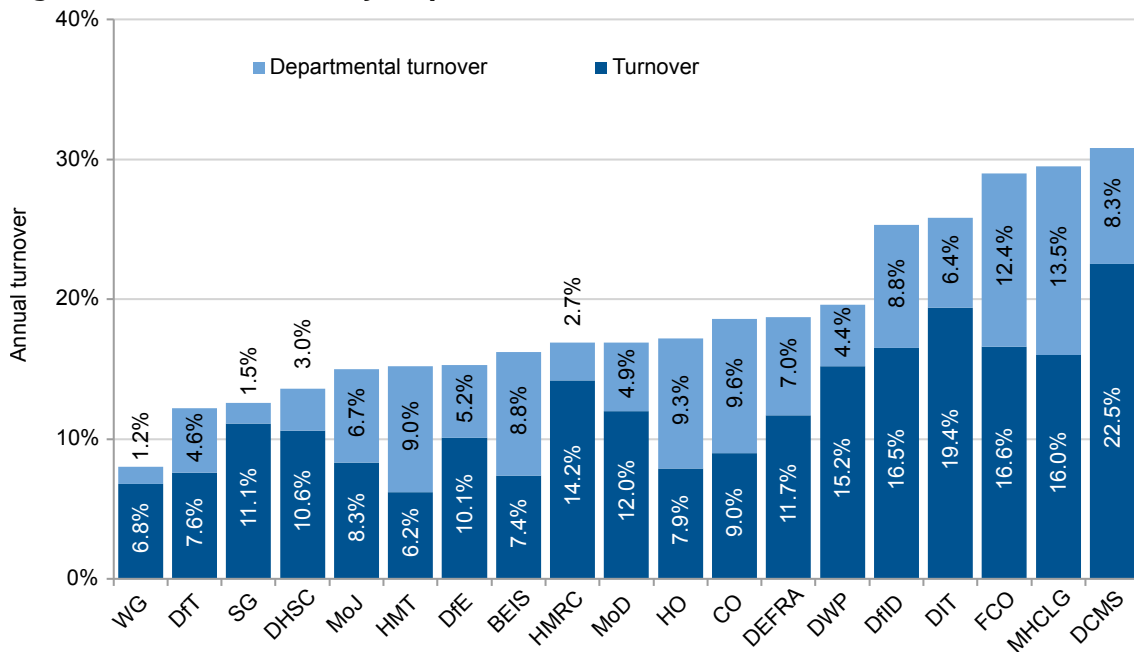
Figure 3.15: Turnover and departmental turnover by pay band, 2016-17 to 2019-20



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 covers moves between departments within the year. Within-department job moves covers those changing roles within a department within the year. This latter series is only available for 2019-20.

Figure 3.16: Turnover by department, 2019-20

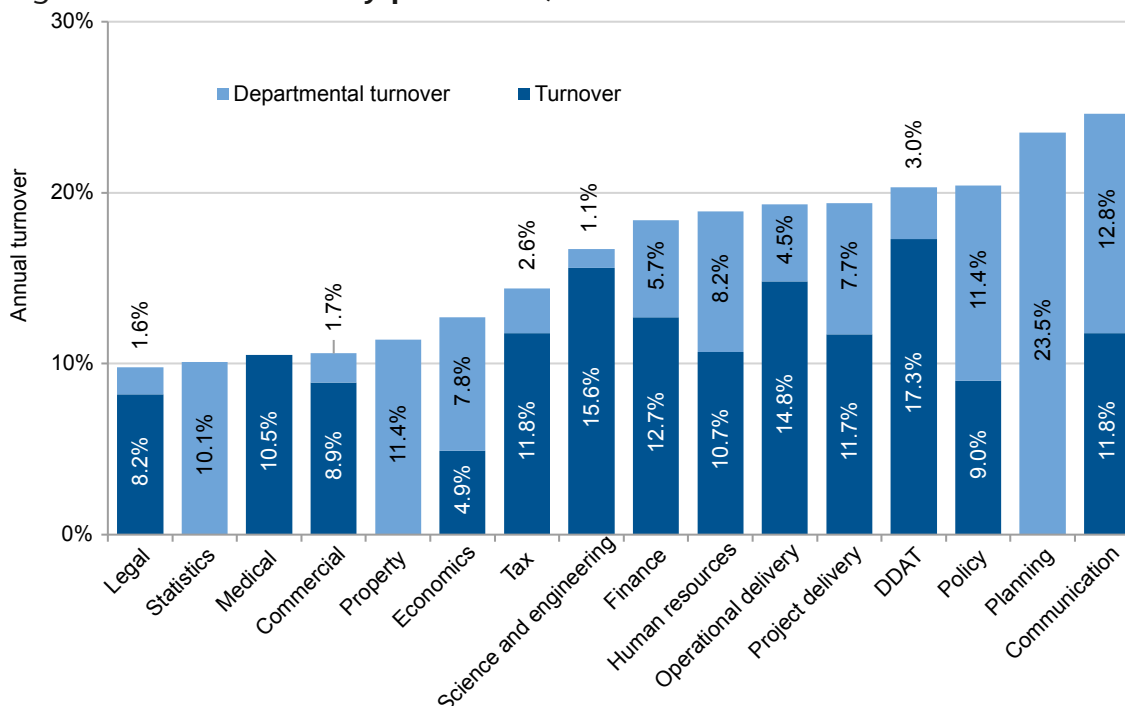


Source: Cabinet Office supporting data to the SSRB, unpublished.

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.

3.122 Total turnover (leavers plus inter-department moves but excluding intra-department job moves) ranged from 8.0 per cent in the Welsh Government (with moves to other departments at just 1.2 per cent) to 30.8 per cent in the Department for Digital, Culture, Media and Sport (DCMS). MHCLG saw the highest proportion of exits to other departments, with 13.5 per cent of SCS making a move. Overall, the number of department-to-department job moves was stable, at 6.7 per cent in 2018-19 and 6.8 per cent in 2019-20.

Figure 3.17: Turnover by profession, 2019-20



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.

3.123 Turnover rates varied by profession, with the highest rates seen among communication and planning professionals. There were notable falls in the turnover of property and commercial professionals from the previous year, which were both above 35 per cent.

3.124 Data from exit interviews indicate that the most common reason for leaving remained the opportunity for career development outside the civil service, with 81 per cent of leavers citing this as a reason in 2019-20, up from 70 per cent in the previous year. There was a notable increase in the number of SCS leaving because of how their pay compared with people doing a similar job in other organisations, up from 44 to 60 per cent, and in the proportion citing their satisfaction with the total benefits package as a reason for leaving, up from 40 to 54 per cent of leavers. The proportion of leavers citing how fairly treated, respected or valued they felt at work as a reason for leaving remained high, at 54 per cent (compared to 55 per cent in the previous year). Pooling data over the last three years indicates that female SCS leavers were more likely to cite fairness of treatment, respect and feeling valued as important factors in their decision to leave compared to men (59 per cent compared to 45 per cent).

3.125 In the 12 months to September 2020, 70 exit interviews or surveys were completed (46 per cent of recorded resignations). Of these, 61 per cent were deemed 'regrettable

losses', up from 44 per cent in the previous year.¹⁹ Of those who recorded their next steps in the exit interviews, 40 per cent went to the private sector, up from 23 per cent in the previous year, and 23 per cent went to the wider public sector, down from 26 per cent.

3.126 Exiting SCS members were very positive about their interest in their work within the civil service and their relationships with work colleagues. They were not positive about the competitiveness of pay: just 16 per cent felt that their pay was reasonable compared to people doing a similar job in other organisations. Only 23 per cent were satisfied with the overall benefits package and only 27 per cent felt that their pay adequately reflected their performance. This is notably lower than the 53 per cent and 50 per cent reported in equivalent questions in the 2020 survey of all SCS.

Retention tools, pay controls and exceptions

3.127 Since April 2013, 137 pivotal role allowances (PRAs) have been agreed, with 48 still in place. These allowances are designed to help departments retain SCS members in highly specialised roles and those delivering the riskiest of government projects. In total, 24 PRAs were agreed in 2019-20 (compared to 32 agreed in 2018-19). A further seven PRAs were agreed in the period April 2020 to October 2020. Based on PRAs agreed over the year to October 2020, the average payment was £20,000 with a range of £12,000 to £40,000. The PRAs currently in payment are spread across a wide range of professions but are being used mainly by policy (25 per cent of PRAs), project delivery (17 per cent) and finance (15 per cent). In 2019-20, 33 EU Exit retention payments were also paid to those in critical EU Exit roles, using an adapted form of the PRA.

3.128 There are proposals to make greater and more targeted use of the (underused) PRA policy and (underspent) notional pot to incentivise key senior responsible owners of major infrastructure projects to stay in role for the length of the project (or linked to critical delivery milestones). This is intended to incentivise continuity of leadership through critical phases of major project delivery. The Government continues to consider whether any further steps should be taken to simplify the PRA process, for example through delegation to departments, to encourage greater use.

3.129 There will also be a review of the use of various role-specific allowances, particularly private secretary and press secretary allowances, to analyse departmental practice and determine if the current approach is fit for purpose.

3.130 The following pay controls (introduced In April 2018) remain in place:

- No increase is given for moves on level transfer.
- On promotion, SCS members receive either a 10 per cent increase or the minimum of the new grade, whichever is greater.

3.131 A pay exceptions process is in place for internal candidates moving to roles with greater scale or responsibility with the agreement of the Permanent Secretary and the relevant head of profession.

¹⁹ This is defined by an individual's position in the 'talent grid', that is 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.

3.132 In 2019-20:

- Eight (out of nine) Director General exceptions were agreed, six of which were for pay on promotion and two (out of three) for level transfer. There were 43 new Director General appointments in this period, 33 of which were internal moves – 17 on promotion and 16 level transfers.
- 24 Director pay exceptions were agreed (seven for a pay increase on level transfer and 17 for a higher pay increase on promotion).
- 30 Deputy Director pay exceptions were agreed (six for a pay increase on level transfer and 24 for a higher pay increase on promotion).
- The median increase agreed for level transfer for Directors and Deputy Directors was 7 per cent and 14 per cent for pay on promotion.

3.133 The FDA and Prospect have opposed the implementation of the exceptions process to control movement within the SCS and believe it is having a negative impact on internal applicants. In their member survey, 15 per cent of respondents said that the pay control on promotion had strongly impacted their decisions to apply for new roles, with a further 21 per cent saying it had partially affected their decision.

Pension schemes

3.134 Pension scheme membership across the civil service is shown in table 3.7. Nearly 85 per cent of civil servants are now in the career average, defined benefit Alpha scheme, introduced in April 2015. Separate pension data are not available for the SCS but data on those earning over £70,000 indicate that pension scheme membership follows a similar pattern to the civil service overall. By September 2020, 13 per cent of all civil servants remained as active members of the legacy pension schemes, typically in the final salary Classic scheme.

Table 3.7: Civil service pension scheme membership, September 2020

Scheme	2019		2020		Number of members earning £70,000+	
	Number of members	%	Number of members	%	Number of members	%
Alpha	419,270	82	431,300	85	11,600	84
Classic	57,752	11	47,900	9	1,200	9
Premium	17,200	3	14,600	3	500	4
Partnership	6,668	1	6,600	1	300	2
Nuvos	4,006	1	3,200	1	100	1
Classic plus	2,013	0	1,700	0	100	1
Non-member	4,467	1	4,300	1	<100	–
Total	511,376		509,600		13,800	

Source: Cabinet Office written evidence.

3.135 From April 2018, all civil servants have been able to switch to the Partnership scheme. This is a defined contribution scheme which 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, with the numbers little changed over the year. Less than 1 per cent of civil servants have opted out of the pension scheme, with no increase in this proportion over the year.

- 3.136 The Government consulted during 2020 on options to remedy the discrimination that arose when reformed public service pension schemes were introduced in 2015.²⁰ In December 2018, the Court of Appeal found that the transitional protection arrangements, which allowed certain members of the judicial and firefighters' pension schemes to remain in their existing schemes when they were closed to other members, gave rise to unlawful discrimination, as the transitional protection was only offered to older scheme members. In July 2019, the Government confirmed that it accepted the Court's judgment which had implications for the other public service schemes that had similar transitional arrangements, including the civil service pension schemes. This affects members of civil service pension schemes who were in service on or before 31 March 2012 and on or after 1 April 2015 and were not within 10 years of retirement at April 2012 (these members remained in the old schemes).
- 3.137 The Government announced in February 2021 that members would decide between the legacy and reformed schemes over the (2015 to 2022) remedy period at the time when benefits are payable. Eligible members will remain in, or be returned to, their legacy pension schemes for service between 2015 and 2022 as a default. After April 2022, all members will be in the reformed Alpha scheme.
- 3.138 We continue to hear from discussion groups about the impact of annual allowance tax charges on individuals. Evidence from the pension schemes indicates that, in 2019-20, 7,820 pension savings statements were issued to members who breached the annual allowance and/or earned over £100,000, or who requested a statement. Only a small percentage of those receiving a pension savings statement will have had a tax charge to pay, as most will have been able to carry forward unused annual allowance from the previous three years. Overall, 35 per cent of all statements issued (2,739) were to members earning over £72,500. Around 42 per cent of all breaches of the standard (£40,000) annual allowance involved pension inputs between £40,000 and £50,000 and 44 per cent were for pension inputs over £50,000 (with the rest being for pension inputs under £40,000). This demonstrates the significant impact of the 2014-15 reduction of the annual allowance from £50,000 to £40,000, which approximately doubled the number of breaches. In oral evidence, we heard there are instances where individuals have foregone pension contributions for additional salary. We would like to receive evidence on these cases and how they are decided.

Take-home pay and total net remuneration

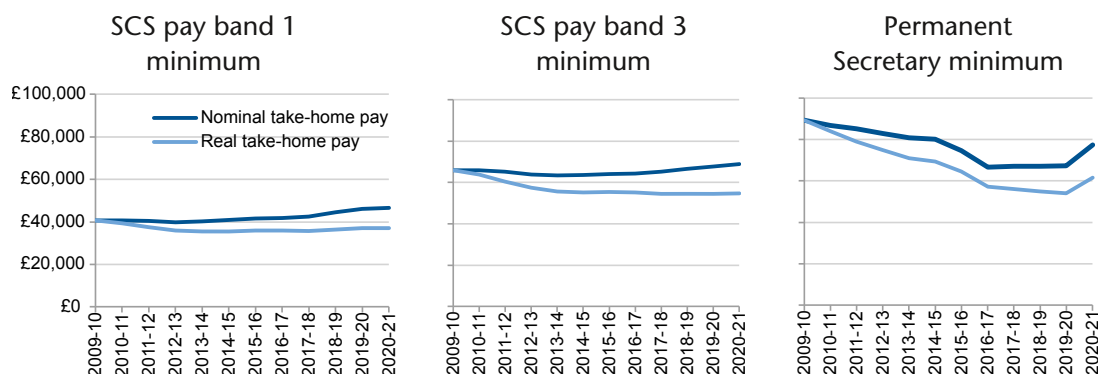
- 3.139 We have updated our analysis of take-home pay and total net remuneration, which tracks reward for specific roles over the last decade. This analysis uses the pay band minima because it enables a single point to be tracked over time. This does not reflect the experience of individuals who may have started the period above the minimum but experienced lower pay growth. Full details are given in Appendix A. It 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.²¹
- 3.140 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. Total net remuneration includes the value of pension benefits accrued in the year.

²⁰ See: <https://www.gov.uk/government/consultations/public-service-pension-schemes-consultation-changes-to-the-transitional-arrangements-to-the-2015-schemes>

²¹ Most annual 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 up front. 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.

3.141 Changes to the annual allowance taper were introduced in the March 2020 Budget. These changes mean that some high earners stand to benefit by up to £13,500.

Figure 3.18: Nominal and real take-home pay, 2009-10 to 2020-21



Source: OME analysis.

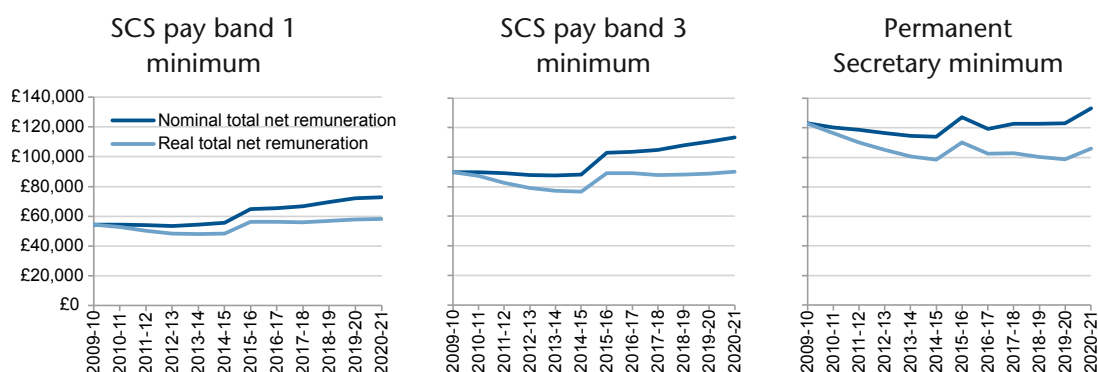
Notes Nominal take-home pay makes no adjustment for inflation. Real take-home pay based on the 2009 Consumer Price Index.

3.142 Take-home pay at the minimum of pay band 1 increased by 1.2 per cent over the year 2019-20 to 2020-21, due to the increase in the pay band minimum. Take-home pay at the pay band 3 minimum increased by 1.5 per cent. While the pay band 3 salary minimum increased by 4.3 per cent, much of this was lost due to the withdrawal of the personal income tax allowance for income between £100,000 and £125,000. This role also just breaches the £40,000 annual allowance limit, so was subject to an increased tax charge.

3.143 Take-home pay at the Permanent Secretary minimum salary (£150,000) saw a significant increase of 14.9 per cent due to the change to the annual allowance taper. This meant the effective annual allowance at this salary increased from £17,700 to £40,000, reducing the tax charge from £16,500 to £6,500.

3.144 Taking into account the pension benefit, total net remuneration increased by 1.3 per cent over the year for the SCS pay band 1 minimum; 2.6 per cent for the pay band 3 minimum; and 8.2 per cent for the Permanent Secretary minimum.

Figure 3.19: Nominal and real total net remuneration, 2009-10 to 2020-21



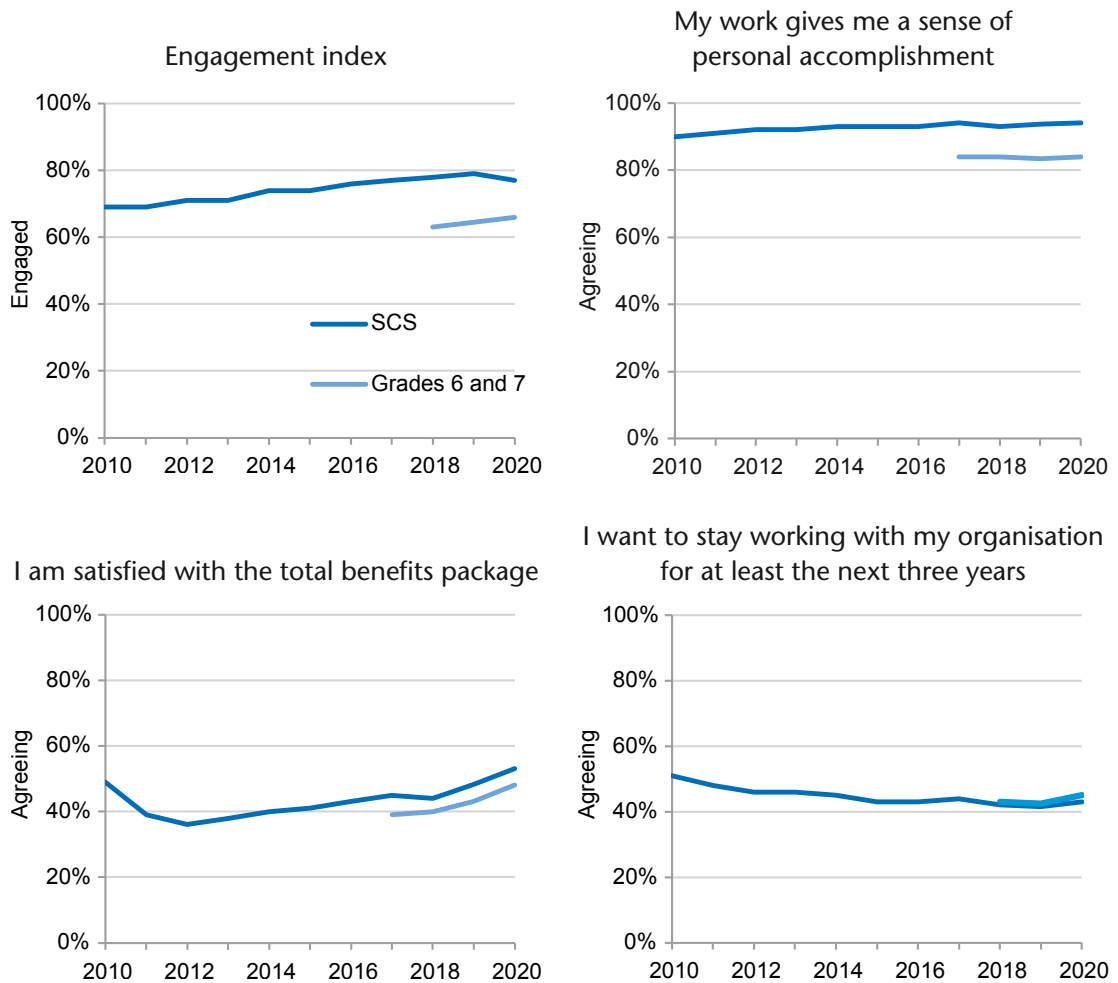
Source: OME analysis.

Notes: Assumes switch from classic to alpha in 2015. Only looks at in-year earnings and does not include the impact of the lifetime allowance. Nominal total net remuneration makes no adjustment for inflation. Real total net remuneration based on the 2009 Consumer Price Index.

Motivation and morale

3.145 The overall SCS engagement index of 77 per cent was down by two percentage points from 2019.²² It remains above the overall 64 per cent figure for the whole civil service. The SCS engagement index ranged from 89 per cent at HM Treasury to 73 per cent at the Home Office. In 2020, 17 per cent of SCS said they wanted to leave within the next 12 months, no change from the previous year. There were small increases in the proportion of SCS reporting that they were satisfied with the total benefits package (up from 48 to 53 per cent) and those who felt their pay adequately reflected their performance (up from 47 to 50 per cent).

Figure 3.20: Civil service People Survey, 2010 to 2020

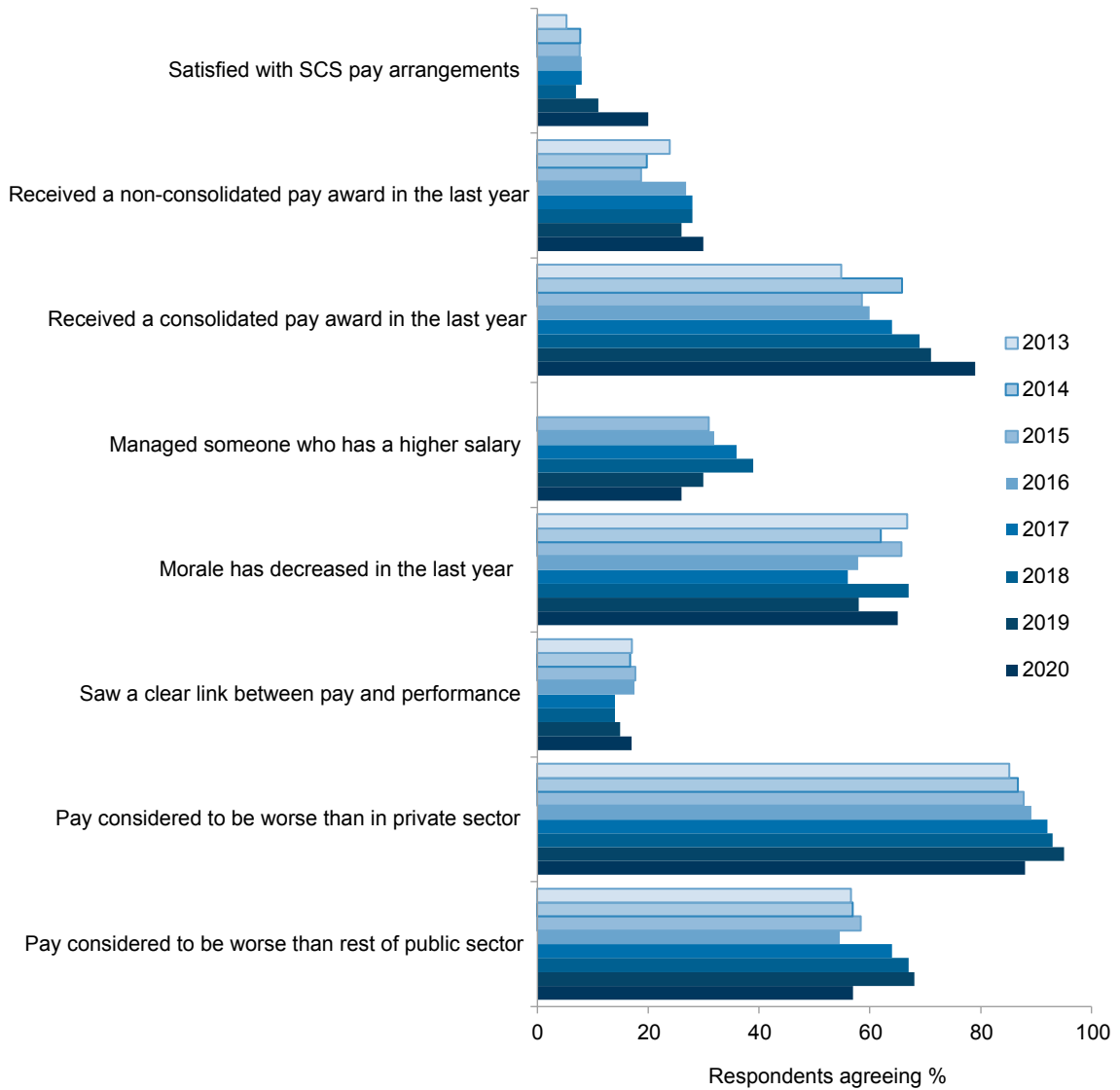


Source: Civil service People Survey.

²² 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.

- 3.146 We were told at discussion groups with members of the SCS that many valued the interest and importance of their work. Many had experienced intense pressure, heavy workloads and long working hours because of the COVID-19 pandemic. Some drew attention to the lack of financial reward or other recognition and to perceived inequities in remuneration compared to colleagues, particularly those recruited externally. Pay was not felt to reflect the demands of the work.
- 3.147 The results of the FDA and Prospect survey of SCS members, which had 431 responses, showed a small but positive change in a number of areas (see figure 3.21). In total, 65 per cent of respondents said that their morale had decreased over the last year (compared to 58 per cent in the previous year). Over half (56 per cent) of respondents had seriously considered leaving the SCS in the last 12 months (compared to 70 per cent in the previous year). There was also an improvement in the numbers satisfied with SCS pay arrangements, from 11 to 20 per cent of respondents, although this still represents a small minority of respondents.
- 3.148 A new survey question indicated that 75 per cent of respondents agreed or strongly agreed that the civil service core values of integrity, honesty, objectivity and impartiality had been undermined or were under threat. Furthermore, 85 per cent were not confident with current arrangements in the Ministerial Code for dealing with bullying and harassment.

Figure 3.21: The FDA and Prospect SCS survey, 2013 to 2020



Source: FDA and Prospect written evidence.

3.149 In evidence, the trade unions particularly stressed the impact of excessive working hours and workload on members’ health, their capacity to do more and their ability to perform to the high standard they aim for. Nine out of ten of SCS respondents to the FDA’s 2020 working hours survey were working at least four additional hours each week beyond their contracted hours, with over a fifth (22.4 per cent) working 14 or more. Half (52 per cent) said that the COVID-19 pandemic had caused a significant increase to their workload.

Feeder group

3.150 Civil servants at grades 6 and 7 make up the feeder group for the SCS, with 80 per cent of new entrants to the SCS being internal promotions in 2019-20. It is therefore important to look at recruitment, retention and engagement for this group. The overall engagement index for grade 6s and 7s increased very slightly, from 65 per cent in 2019 to 66 per cent in 2020 but remains below the 77 per cent engagement figure seen for the SCS. In 2020, 45 per cent of grade 6s and 7s said they wanted to stay for at least the next three years, up slightly from 43 per cent in 2019 and similar to the proportion seen for the SCS (43 per cent). Fifty per cent of grade 6s and 7s reported that they were satisfied with their overall benefits package, up from 44 per cent in 2019, and 48 per cent felt that their pay adequately reflected their performance, up from 43 per cent in 2019.

3.151 Staff turnover at grades 6 and 7 was 7.6 per cent in 2019-20, below the SCS equivalent figure of 11.2 per cent and stable over the last three years. This included a resignation rate of 3.5 per cent, slightly below the SCS figure of 4.0 per cent and again stable over the last three years. Including inter-departmental moves, the turnover figure was 10.3 per cent, compared to the SCS rate of 18.0 per cent.

3.152 We heard in discussion groups with members of the Future Leaders Scheme (FLS) that the additional pay was not worth the reduced leave, increased hours and the extra responsibility of SCS roles. Some individuals said they thought of leaving the civil service in order to apply for the SCS in future, as an external entrant at a higher rate. Others were attracted to SCS roles by the interesting work and opportunity for public service as part of a long-term career path.

Development and talent management

Development schemes

3.153 Further details on promotion and retention rates for participants in the accelerated development schemes have been provided this year following the SSRB's request last year.

3.154 The FLS is an accelerated development scheme aimed at the top 1 per cent of grades 6 and 7 across the civil service who have the potential to reach SCS. On average, the scheme receives around 2,500 applications each year, with an intake of just over 400. The promotion rate for FLS participants to SCS was 30 per cent for 2017 participants (compared to a grade 6/7 average of 2.8 per cent in 2017-18).

3.155 In 2020, 15.4 per cent of participants in the FLS were from an ethnic minority background (compared to an average of 11.2 per cent at grade 6/7). The META²³ programme is offered as a tailored programme to all ethnic minority participants who are successful in gaining a place on the FLS. It had 54 participants in the 2020 intake. The promotion rates for META participants are relatively high:

- Of the 2017 intake, 66 per cent have been promoted to grade 6 or Deputy Director.
- Of the 2018 and 2019 intakes, 40 per cent have been promoted to grade 6 or Deputy Director.
- Of the 2020 intake (which started in October 2020) 15 per cent had been promoted to grade 6 or Deputy Director by December 2020.

3.156 In the 2020 FLS cohort, 17.3 per cent of participants declared a disability (compared to an average of 9.1 per cent at grade 6/7). The DELTA²⁴ scheme is a bespoke programme for participants with a disability or long-term health condition who successfully gain a place on the FLS. DELTA is now in its second year, with 42 participants in 2020. Of the 2019 intake, 25 per cent have been promoted to grade 6 or Deputy Director.

3.157 The Senior Leaders Scheme (SLS) is an accelerated development scheme aimed at the top 3 per cent of Deputy Directors who have the potential to progress to Director and Director General roles. In 2017, numbers were doubled to around 100 to ensure an adequate pipeline and candidate pool for senior positions. On average, the scheme receives around 300 applications each year. The 2020 intake has 112 participants. Of

²³ Minority Ethnic Talent Association. The META programme is open to participants on the FLS who identify as being from an ethnic minority background. It includes a one-day development centre, action learning circles, executive coaching, an individual senior sponsor programme and topical motivational events.

²⁴ Disability Empowers Leadership Talent. This programme offers tailored development workshops which aim to address participants' personal development needs and potential barriers specific to disability. The programme also offers executive coaching, senior sponsorship and a range of tailored events.

the 2018 intake, 23 have been promoted to Director (24 per cent); of the 2019 intake, 15 have been promoted to Director (14 per cent).

3.158 The High Potential Development Scheme (HPDS) is a two-year course aimed at accelerating the development of Directors with the potential to progress to Director General, Permanent Secretary, Head of Function and Chief Executive roles. There are 56 Directors on the 2020 scheme, the 14th such cohort. There are currently 295 individuals who have been through the HPDS and are still working in the civil service. Of these, 47 (15.9 per cent) are now Directors General and 22 (7.5 per cent) are Permanent Secretaries.

Fast stream

3.159 The civil service Fast Stream is the flagship talent development programme, with the aim of being a pipeline of diverse talent to the SCS. There were 64,697 applications in 2020, an increase of 14.2 per cent on 2019. In 2020, one applicant in every 52 was successful, compared to one in every 42 in 2019, reflecting both the higher number of applicants and a lower number of bids from departments.

3.160 Progression of fast streamers is not currently tracked. The best available evidence suggests that approximately 21 per cent of existing SCS participated in the Fast Stream either on entry to the civil service or in subsequent years. In a survey of Fast Stream members, the FDA found that 81 per cent of respondents were planning to apply for SCS roles in the future. In addition, 88 per cent said they would recommend the Fast Stream or civil service as a career choice to a friend or relative.

3.161 A new pay structure for the centralised Fast Stream was introduced last year. It includes annual pay progression dependent on the successful completion of a capability assessment.

Annex 2: Summary of the SSRB’s observations in the 2020 Report

SSRB observation	Government response and the SSRB’s reaction
<p>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.</p>	<p>The Cabinet Office’s evidence stated that work is underway on a new SCS strategy to which the SCS pay strategy will be linked, and that the introduction of capability-based pay progression is the priority. We would like to see implementation and not simply plans and intentions.</p>
<p>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.</p>	<p>The Cabinet Office’s evidence stated that a ‘21st Century SCS’ project is underway as part of the wider civil service transformation agenda. Further detail on this will be included in next year’s Government evidence and will set out the Government’s vision for the future purpose, size and composition of the SCS.</p>
<p>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.</p>	<p>The Cabinet Office has provided informative evidence this year and last on department-to-department moves which suggests this rate is not excessive. We note that one of the core objectives of the pay progression proposals is to incentivise and reward staying in role.</p> <p>We are keen to see the existing evidence supplemented with quality data on within-department job moves, and evidence on whether there are problems created by uncontrolled moves and the impact of this on delivery.</p>
<p>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.</p>	<p>The Cabinet Office evidence stated that it is taking steps towards rationalising the current SCS pay ranges, which will ensure they are set at the right level. This will feed into the work on capability-based pay progression. We would welcome sight of the evidential basis for the setting of pay levels.</p>
<p>Observation 5: We would like to see a clear statement on how the new performance management system will interact with capability-based pay progression.</p>	<p>The Cabinet Office’s evidence stated that capability and performance are distinct measurables and rewarded in different ways. We welcome the provision of this statement but do not believe capability and performance can be separated completely – performance, in terms of the delivery of outputs, should be a precondition for recognising capability.</p>

SSRB observation	Government response and the SSRB's reaction
<p>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.</p>	<p>The Cabinet Office's evidence advised that the value, application and parameters for non-consolidated reward are currently being reviewed as part of the SCS performance management review.</p>
<p>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.</p>	<p>This has been provided and a summary is included in Annex 1 to this Chapter.</p>
<p>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.</p>	<p>The evidence stated "The UK Government continues to endorse the model of a UK-wide SCS and expects to see the approach to SCS pay within the different administrations align even more closely over time. Responsibility for setting the SCS pay framework remains with the Cabinet Office, nevertheless, the Government continues to recognise the particular issues faced by the Devolved Administrations and will work closely with them to ensure that their contexts are fully considered as pay reform is progressed." We are concerned that the Government lacks a plan for sustaining the UK-wide SCS through the changes devolution is bringing.</p>
<p>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 these data.</p>	<p>We welcome the initial steps taken in this year's published written evidence. We continue to favour the Cabinet Office sharing detailed pay and workforce information with the FDA and Prospect, and publishing this information, as part of a wider agenda to involve staff and stakeholders.</p>

Chapter 4

Senior Officers in the Armed Forces

Summary

- 4.1 We have not been asked to recommend a pay award for senior officers this year due to the implementation of the Government's public sector pay pause. However, we have been requested by the Ministry of Defence (MoD) to agree a proposal to change the date when officers receive their annual increment and to comment on some other aspects of remuneration for senior officers. We understand the MoD will ask us to make recommendations on these issues in the next pay round.
- 4.2 The main focus of our Report is on the current situation in relation to the recruitment, retention and morale of the senior military and its feeder group and on the strategic issues facing the MoD in respect of senior military pay and reward.
- 4.3 The evidence shows that there was an increase in the number of senior officers voluntarily leaving the Armed Forces over the last year compared to the previous three years. While the senior military remains able to attract sufficient numbers from the feeder group to replace those who leave, it must ensure it is not losing its most talented individuals. We also note that the current recruitment and retention situation may not be a reliable pointer as to what may happen if economic recovery after the COVID-19 pandemic increases the external opportunities available to senior officers and those in the feeder group.
- 4.4 The existing reward model, based on the long-standing rank structure for senior officers, has served the Armed Forces well in the past. Today, however, in-depth experience for many roles and the ability to manage specialists are increasingly important. There is therefore a strong argument for senior officers to remain in post for longer, especially those who have scarce specialist skills. This brings into question the current system of relatively short, fixed-term appointments, whereby officers are only guaranteed one posting at 1-star and above. Officers should not be moved on just as they are becoming fully effective in their roles. Nor should they be diverted into prematurely thinking about their futures elsewhere because of rigid rules on postings and terms.
- 4.5 We also note that the feeder pool of future leaders is expected to shrink because of the reducing size of the military. There is a risk that it may not be able to supply enough suitably skilled officers able to lead in technologically complex fields. A strong case is emerging for exploring the potential of external recruitment for certain roles.
- 4.6 In our discussion sessions, members of the senior military and the feeder group again questioned the attractiveness of senior roles. Increasing workloads and the changing impact of Service life on families were common themes. There are many households where both adults pursue careers and where the demands of the Service may no longer be accepted without question. Some officers did not think that the overall employment offer and the increase in pay on promotion adequately reflected the increase in accountability, responsibility and workload.
- 4.7 While loyalty and a strong military ethos are still very important to many officers, reliance on these characteristics alone may no longer be a sustainable retention solution. Reform of the remuneration strategy and the employment offer is needed as a priority to attract and retain the most talented officers in the longer term.

- 4.8 As well as maintaining the quality of leadership, increased diversity of the senior cadre is also a key measure of the success of talent development. We note the commitment from senior leaders to improving the diversity of the senior military through changes to the culture and career structure. However, we remain concerned that we have not seen evidence of enough progress towards this objective. It would be helpful to have a clearer articulation of what the specific goals and aspirations are in relation to the senior military and details of the key initiatives intended to deliver these.
- 4.9 Senior leaders in the Armed Forces have responded to the growing pressures placed on them in recent years by the evolving nature of defence. There is little sign that the pace of change will slacken and, like the leaders of other organisations, senior officers will need to continue to adapt quickly.
- 4.10 All these factors mean the MoD will need to be clear about the required size and shape of the future senior military cadre and the attributes needed by its members. It should use the review of the pay and reward of all military personnel which the Government announced in March this year²⁵ to develop a reward system capable of attracting and retaining the leaders that the Armed Forces will need as the 21st century unfolds.
- 4.11 We expect to be a key stakeholder in this review. The SSRB has significant experience and expertise not only in the remuneration of the senior military but also in senior pay issues across a number of public sector leadership groups. It has a long track record of framing robust advice grounded in evidence and a grasp of the strategic challenges to be met. We trust that those shaping the review will note our comments here on the changing environment for the senior military and involve us in their deliberations.
- 4.12 We were encouraged by what the Minister and the Chief of the Defence Staff said when they gave oral evidence. We note the intention to review the traditional career path, including duration in post and length of time in rank and to simplify the employment groups and specialisms to facilitate the optimum employment of people and skills. For example, we were informed of plans for a career structure for cyber specialists based on knowledge and skills rather than hierarchy.
- 4.13 During the oral evidence session, we discussed the need for stronger evidence in several areas. These include:
- Better data on the number and quality of those who leave the remit group and the feeder group and their reasons for going, including the impact of fixed-term appointments. This is a point we have highlighted in our previous four Reports.
 - Evidence of the systematic measurement, planning and investment that will be required to meet diversity commitments.
 - Information on the extent of the continuing impact of pension taxation and how far the changes to pension annual allowance taxation in 2020 are understood.
- 4.14 In our discussion groups, pension taxation remained one of the greatest causes of concern, with some individuals receiving large annual allowance tax charges for the 2019-20 tax year. We were told this was still acting as a disincentive for some individuals to take promotion or to remain in the Armed Forces. In some cases, there was a lack of awareness about changes to the annual allowance taper announced in the March 2020 Budget. These changes should ameliorate the issue for the majority of individuals from the tax year 2020-21 onwards. Clear and effective communication of the changed position is important to prevent individuals taking decisions on the basis

²⁵ A comprehensive review of the pay and reward of all military personnel within the next two years with the aim of developing a 'modern, holistic, through-life approach to the military offer'.
See: <https://www.gov.uk/government/publications/defence-in-a-competitive-age>

of misconceptions. We discuss the impact of the changes to the annual allowance taper on take-home pay in the remuneration analysis section of this Chapter (paragraphs 4.97 to 4.102).

- 4.15 The Armed Forces face growing challenges as they seek to maintain the quality of their senior leadership. The comprehensive review of pay and reward should be used to rethink the career structure for senior leaders to secure the future supply of high-quality officers, to retain the best in their posts and to reform reward to support these objectives. It will be important for the review to be carried out at pace and for any major recommendations to be implemented swiftly.

Government response to our 2020 recommendations

- 4.16 Last year, the Government accepted the Review Body's headline pay award recommendation of a 2.0 per cent consolidated increase for all members of the senior military with effect from 1 April 2020.²⁶
- 4.17 It also accepted our recommendation that the minimum 10 per cent increase in base pay on promotion from 1-star to 2-star be maintained. The fact that the pay award for the senior military was the same as for the rest of the Armed Forces meant there was no further erosion of the automatic 10 per cent increase on promotion from 1-star to 2-star.²⁷
- 4.18 The Government also accepted the recommendation not to change the current pay differentials for senior Medical and Dental Officers (MODOs).

Context of our 2021 review

- 4.19 The public sector pay pause means that there will be no pay award for the majority of public sector workers for the pay round 2021-22. This applies to all members of the senior military and all but the lowest paid members of the Armed Forces.²⁸ Consequently, the MoD has not asked the Review Body to make a pay recommendation for members of the senior military for this pay round. We note that members of the Armed Forces, including the senior military, will still receive annual increments, subject to satisfactory performance.
- 4.20 The March 2021 *Defence in a Competitive Age* Command Paper announced that there would be a comprehensive review of the pay and reward for all military personnel within the next two years. The aim of the review is to develop a 'modern, holistic and through-life approach to the military offer'. It is unclear at this stage how this is likely to impact on the reward strategy for members of the senior military and on the issues the MoD has asked us to consider during the next pay round. However, the Review Body has signalled that we expect to be a key stakeholder and to be involved in the review at all stages.
- 4.21 The MoD told us that the many initiatives which are part of the *Defence People Strategy* would continue to build greater flexibility and equip military personnel to deliver the outputs required by government in a rapidly changing environment. We were told that this would inject enhanced flexibility, adaptability and diversity into the senior military leadership cadre to provide a more dynamic workforce. We note, however, that it is not clear to what extent the comprehensive review will impact on the People Strategy.

²⁶ The 2020 pay award was implemented in September 2020 and backdated to 1 April 2020.

²⁷ Because a lower pay award was implemented for the senior military (2.0 per cent) than for the rest of the Armed Forces (2.9 per cent) in 2019, there was no longer an automatic 10 per cent increase in base pay for those promoted from the top increment of OF6. These individuals were awarded a specially determined rate of pay (SDRP) in order to maintain the 10 per cent increase.

²⁸ The Chancellor announced in the Autumn 2020 Spending Review that all public sector workers earning £24,000 a year or less would receive a pay award of £250 for the 2021-22 pay round.

Proposals

4.22 The MoD has asked the Review Body to agree:

- That the Incremental Base Date, the date when all senior officers receive their annual increment, be moved from 1 April each year to the anniversary of the date of when the individual received promotion. It states that this will prevent some officers having to wait up to 20 months for their first increment. It also says that it will allow the single Services to promote individuals when needed rather than having to decide when would be the optimal time for the officer. The MoD says the cost of this change is affordable within the existing funding of the individual Services top-level budget holders.
- That there be no change to the pay arrangements for MODOs.

4.23 The MoD has also asked the Review Body to consider the following issues for the 2022 pay round:

- Restoration of the automatic 10 per cent increase on promotion from OF6 (1-star) increment level (IL6)²⁹ to OF7 (2-star).
- Introduction of an automatic 10 per cent increase on promotion from OF7 (2-star) IL6³⁰ to the OF8 (3-star).
- Whether the automatic 10 per cent increase should be on resultant take-home pay (which may require the removal of the lowest IL of the rank concerned, IL1).
- Smoothing of the increments to provide a more stable pay journey.
- The X-Factor arrangements.³¹

4.24 The MoD has asked us to note the following when making our recommendations/ observations:

- The decision by the Chancellor to pause public sector pay awards announced in his Spending Review on 25 November 2020.
- The possible changes (set out above) to the senior officer pay structure for pay round 2022.
- That, despite the changes to the annual allowance taper announced in the March 2020 Budget, some individuals still received large annual allowance tax charges for the tax year 2019-20.³²
- That the number of members of the senior military has increased by three from last year to 128.

Data and evidence

4.25 We received written and oral evidence from the MoD. The oral evidence session was attended by the Minister for Defence People and Veterans, the Chief of the Defence Staff (CDS) and the Head of Armed Forces Remuneration. In addition, we held three virtual discussion groups with 29 members of the senior military from all three Services and UK Strategic Forces Command. We also met virtually with 36 OF5s and OF6s and 24 OF3s and OF4s in discussion groups with each of the three Services and UK Strategic Forces Command in the autumn of 2020.

²⁹ IL6 is the top increment of the OF6 pay scale.

³⁰ IL6 is the top increment of the OF7 pay scale.

³¹ 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.

³² The changes to the annual allowance taper announced in the March 2020 Budget should ameliorate the annual allowance tax charges for the majority of officers from tax year 2020-21 onwards.

The remit group

4.26 There were 128 senior officers at 2-star rank and above on 1 July 2020, an increase of three over the year. However, we note that the number of senior military officers has remained stable over the last eight years. A breakdown of the numbers by rank since 2013 is given in table 4.1. A list of officer ranks in the UK military is set out in Appendix P. There were five female officers (3.9 per cent) in the senior military on 1 July 2020, the same number as the previous year. Four of these were at 2-star rank and one was at 3-star rank. No members of the senior military reported as being from an ethnic minority background.

Table 4.1: Number of senior officers as at 1 July, 2013 to 2020

	2013	2014	2015	2016	2017	2018	2019	2020	Change 2019 to 2020
2-star	92	95	91	86	89	87	88	93	5
3-star	27	27	30	31	25	28	29	26	-3
4-star ¹	9	8	7	8	8	8	8	9	1
Total	128	130	128	125	122	123	125	128	3

Source: Ministry of Defence written evidence, unpublished.

¹ Includes the Chief of the Defence Staff.

4.27 We were told that the MoD continues to centrally monitor, manage and control the 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 2020, the total military strength at 1-star and above was 453, a decrease of one from the previous year.

Workforce diversity

4.28 The MoD said that it continued to strive towards a workforce that was appropriately representative of the breadth of the UK society it exists to defend, both now and in the future. It stressed that it values diversity of talent, experience, personal characteristics, perspectives and background, which is not only morally right, but is fundamental to operational effectiveness. The MoD emphasised that, because there is currently no lateral entry into the senior military, the degree of diversity is entirely reliant on the feeder group and below.

4.29 We are aware that the target set by the former Prime Minister for 15 per cent of all recruits into the Armed Forces to be women by 2020 was not met.³³ However, the target for 10 per cent of all recruits to be from an ethnic minority background was exceeded.³⁴ We were told that the RAF had set itself challenging levels of ambition such that, by 2040, 50 per cent of new recruits should be women and 30 per cent from ethnic minority backgrounds.

4.30 The CDS told us at oral evidence that both culture and career structure needed to change to facilitate an increase in diversity and inclusivity. He said that the senior leadership were committed to making this happen but that it would take time for improvements made now to be realised in the diversity of the feeder group and thus the senior military. He acknowledged that any steps taken to introduce lateral entry for senior officers into the

³³ The number of female recruits into the Armed Forces in the 12 months to 31 March 2020 was 12.6 per cent.

³⁴ The number of recruits into the Armed Forces from an ethnic minority background in the 12 months to 31 March 2020 was 11.7 per cent.

Armed Forces could improve diversity more quickly than was currently the case in an organisation that had always promoted individuals from within.

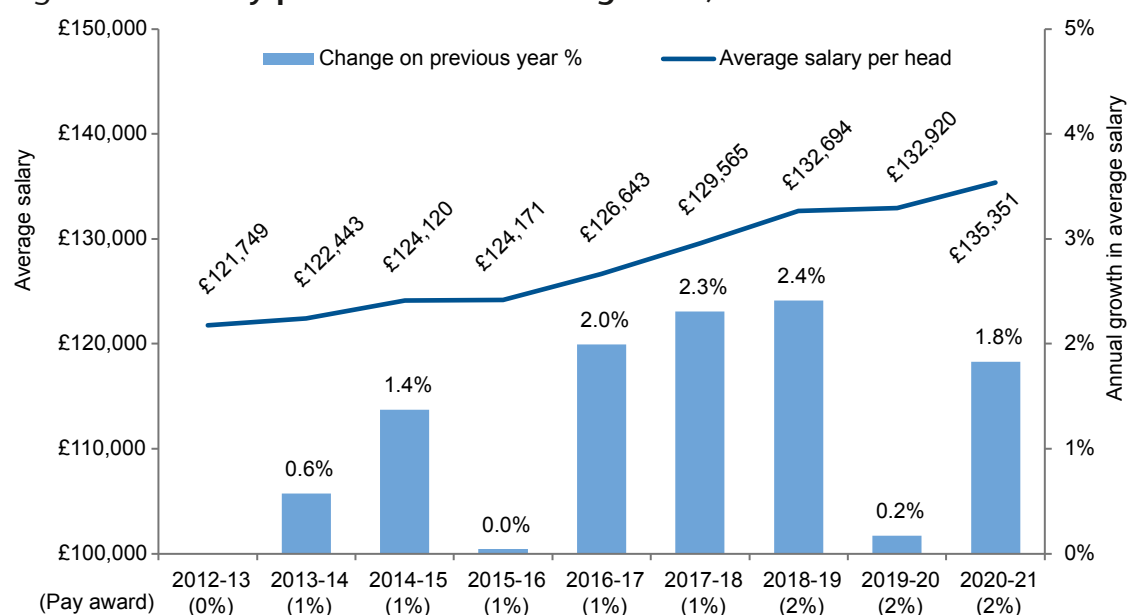
4.31 The CDS said that the re-design of the career structure, which focused on an individual's potential rather than having been in a particular role at a certain point in time, would facilitate the pull-through of women to the feeder group and the senior military. The removal of the requirement to have served in operational roles in order to take up the most senior positions in the Armed Forces was also highlighted in discussion groups as helping the progression of women officers to the most senior military roles. The issue of increasing cognitive diversity was raised during the discussion group with members of the senior military. We will return to this theme in future reports and will look to the MoD to provide further evidence to us on this.

Pay and the pay system

4.32 Members of the senior military were paid between £120,800 and £281,844³⁵ in 2020-21 with an associated paybill of £30.9 million. This included employers' national insurance and pension contributions.

4.33 As shown in figure 4.1, salary growth per head averaged 1.8 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.

Figure 4.1: Salary per head and annual growth, 2012-13 to 2020-21



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

Note: Excludes employer national insurance and pension contributions.

4.34 The pay system for the senior military differs from that of our other remit groups because it includes incremental pay progression³⁶ and a non-contributory pension scheme. All

³⁵ The figure of £281,844 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.

³⁶ 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. The MoD has included a proposal in its evidence to the Review Body to change the date that individuals receive an annual increment from 1 April to the date the individual received promotion in that rank.

2-star and 3-star officers also receive X-Factor but at a tapered rate.³⁷ The senior military do not receive performance-related pay.

Career structure

- 4.35 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,³⁸ 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.
- 4.36 The MoD explained that it was difficult to collect data on how many individuals this policy affected. This was because these officers tended to elect to leave the Service once they became 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, continues to be an issue of concern and was highlighted in last year's Report. The MoD acknowledged that this lack of security of employment at 1-star and above could act as a disincentive for some individuals at OF5 to take promotion. It said some individuals start considering employment opportunities outside the military at around 12 months into the post. This may have consequences for the productivity, accountability and morale of individuals and the teams they lead.
- 4.37 The CDS explained at oral evidence that the current career structure needed to be changed in order to meet the challenges of 2030 and beyond. He said that individuals were progressing through the current structure too quickly. Those promoted to 2-star rank in their mid-forties could find themselves having to look for alternative employment because of the policy of one guaranteed posting at 1-star and above.
- 4.38 The CDS said that the Services were about to start work on constructing one career structure across all three Services. This would also set out the ideal 'dwell time' in post and in each rank. The aim would be to increase the length of postings and time spent at each rank and extend the duration of the military career overall so that more officers could serve to age 60 and beyond. The CDS explained that the Armed Forces were looking at options for specialised career structures and to allow for lateral movement between the military and industry.

Increments and pay on promotion

- 4.39 Annual increments equated to an average increase of 2.6 per cent in pay for 2020-21. The MoD told us that, as of 1 April 2020, five members of the senior military out of a total of 125 were at the top of their pay scale. These individuals were, therefore, not eligible for any further annual increments at their current rank.
- 4.40 Since 2010, there has been a minimum 10 per cent increase to base pay on promotion from 1-star to 2-star. The implementation of the 2.9 per cent pay award for those in the Armed Forces Pay Review Body's (AFPRB's) remit and the 2.0 per cent award for members of the senior military in 2019 led to the erosion of the automatic 10 per cent increase for

³⁷ 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 and in 2020-21 was £11,108 (14.5 per cent) 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 (£5,554). 2-star and 3-star officers receive an amount equivalent to 25 per cent of X-Factor at the top of the OF4 scale (£2,777). 4-star officers and above do not receive X-Factor. There are different X-Factor arrangements for senior officers in the Reserves.

³⁸ Normal retirement age is 55 for 2-star officers, 57 for 3-star officers and 58 for 4-star officers.

some individuals in 2019 and 2020. This was addressed instead by the use of a specially determined rate of pay (SDRP).³⁹

- 4.41 Data provided by the MoD showed that of the 48 individuals promoted from 1-star to 2-star in the two years between 1 April 2018 and 31 March 2020, 11 were on the top increment of the 1-star pay scale. They would have received a 9.0 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 individuals on a SDRP. We return to this issue in paragraphs 4.45 and 4.46.

Medical Officers and Dental Officers

- 4.42 There were three 2-star Medical Officers and Dental Officers (MODOs) at June 2020. This is the same as the previous year. We note that the 3-star Surgeon General post is currently held by a civilian.
- 4.43 The 2-star rate of pay for MODOs is 10 per cent above the base pay at the top of the MODO 1-star scale plus X-Factor (£163,566). The 3-star MODO rate of pay is 5 per cent above the MODO 2-star base rate plus X-Factor (£171,513).⁴⁰ The associated paybill costs for 2020-21 for these three posts, including employer national insurance and pension contributions, was £876,000.⁴¹

Senior Officers pay structure

- 4.44 The MoD highlighted that feedback from discussion groups with members of the senior military and the feeder group showed that the increase in take-home pay was one of the main factors influencing officers' decisions on whether to accept promotion. With this in mind, it has asked for our views on the following five proposed changes to the structure of senior pay. These will be considered further during the next pay round:

- Restoration of the automatic 10 per cent increase on promotion from OF6 (1-star) IL6⁴² to OF7 (2-star).
- Introduction of an automatic 10 per cent increase on promotion from OF7 (2-star) IL6⁴³ to OF8 (3-star).
- Whether the automatic 10 per cent increase should be on resultant take-home pay (which may require the removal of the lowest IL of the rank concerned, IL1).
- Smoothing of the increments to provide a more stable pay journey.
- Consideration of the X-Factor arrangements.

- 4.45 **Restoration of the automatic 10 per cent increase to base pay on promotion from OF6 (IL6) to OF7.** Since 2010, there has been a minimum 10 per cent increase to base pay on promotion from 1-star to 2-star.⁴⁴ Following proposals from the MoD, we have recommended each year that this be maintained. However, the implementation of a higher pay award for those in the AFPRB's remit than for members of the senior military in 2019 led to the erosion of the automatic 10 per cent increase for those individuals promoted from the top increment (IL6) of the OF6 pay scale in 2019 and 2020. The 10 per cent increase to base pay for these officers was maintained with the

³⁹ A rate of pay set above the increment to which the individuals are entitled.

⁴⁰ 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. The amount the 2 and 3-star MODOs receive as X-Factor each year is £4,419.

⁴¹ These costs are in addition to the costs for the 128 members of the senior military quoted in paragraph 4.32.

⁴² IL6 is the top increment of the OF6 pay scale.

⁴³ IL6 is the top increment of the OF7 pay scale.

⁴⁴ This was as a result of an SSRB recommendation in 2008 that there should be a minimum increase in base pay (excluding X-Factor) for individuals promoted from OF6 to OF7.

implementation of a SDRP. We suggested in both our 2019 and 2020 Reports that the MoD could adopt a more strategic approach to maintaining the automatic 10 per cent by either of the following:

- The application of a further increase to the lowest 2-star officer pay point.
- The removal of the lowest pay point for 2-star officers.

4.46 We note that not all the officers promoted from OF6 to OF7 are on the top increment level of the OF6 pay scale. Data provided by the MoD show that six individuals out of 24 promoted from OF6 to OF7 during the period 1 April 2019 to 31 March 2020 were on the top increment of the OF6 pay scale.

4.47 **Introduction of an automatic 10 per cent increase on promotion from OF7 (IL6) to OF8.** Data provided by the MoD showed that of the six individuals promoted from OF7 (2-star) to OF8 (3-star) during 2019-20:

- Three officers promoted from IL4 received a 10.0 per cent increase in base pay.
- The one individual promoted from IL5 received a 7.8 per cent increase in base pay.
- The two officers promoted from IL6 received a 5.7 per cent increase in base pay.

4.48 The pay increases on promotion from each pay point are set out in table 4.2.

Table 4.2: Pay increases on promotion from 1-star to 2-star and 2-star to 3-star

Pay point before promotion		Pay point after promotion		Pay increase (excluding X-Factor) %	Pay increase (including X-Factor) %	Number of individuals promoted in 2019-20		
1-star	2	109,368	2-star	1	120,800	13.7	10.5	3
	3	110,475		1	120,800	12.5	9.3	3
	4	111,581		1	120,800	11.3	8.3	4
	5	112,688		1	120,800	10.2	7.2	8
	6	113,794		1	120,800	9.0*	6.2	6
2-star	1	120,800	3-star	1	140,550	16.7	16.3	0
	2	123,160		1	140,550	14.4	14.1	0
	3	125,568		1	140,550	12.2	11.9	0
	4	128,024		1	140,550	10.0	9.8	3
	5	130,529		1	140,550	7.8	7.7	1
	6	133,083		1	140,550	5.7	5.6	2

*10 per cent uplift achieved by a SDRP to give a basic rate of pay of £121,841.

Note: Salaries include X-Factor.

4.49 **Consideration of whether the automatic 10 per cent should be on resultant take-home pay (which may require the removal of lower increment levels).** We have not received evidence to support the proposal this year and we do not make recommendations in respect of net pay. The reasons for this are set out in paragraph 4.110 of the Chapter.

4.50 **Smoothing of increments to provide a more stable pay journey.** The value of increments for 2-star, 3-star and 4-star officers is set out in table 4.2. We have not received any evidence to suggest that this is causing a problem. However, we expect that this could be reviewed at the same time as a consideration of the pay increases on promotion.

Table 4.3: Value of increments

Increment	2-star £pa	Value of increment	3-star £pa	Value of increment	4-star £pa	Value of increment
1	120,800		140,550		184,348	
2	123,160	2.0%	147,438	4.9%	188,956	2.5%
3	125,568	2.0%	154,671	4.9%	193,681	2.5%
4	128,024	2.0%	160,746	3.9%	198,523	2.5%
5	130,529	2.0%	165,485	2.9%	202,493	2.0%
6	133,083	2.0%	170,367	3.0%	206,543	2.0%

4.51 Our comments on the structural issues the MoD is intending to ask us to consider further during the next pay round can be found in paragraphs 4.106 to 4.111.

4.52 **Consideration of the X-Factor arrangements.** The MoD has asked us to give consideration to the X-Factor in the 2022 pay round. We stated our concerns about whether the X-Factor taper provided appropriate compensation for members of the senior military and the feeder group in both our 2019 and 2020 Reports. Members of the senior military were more likely to be sent on deployments for longer periods of time and workloads were increasing. However, the MoD told us in written evidence, and the CDS confirmed in oral evidence last year, that there were no grounds to support a change to the X-Factor taper. Therefore, in our Report last year, we noted 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 but said that we would monitor the situation and return to it sooner if the situation deteriorated.⁴⁵

4.53 In discussion groups this year, it was again suggested to us that the X-Factor taper was insufficient compensation for the impact of some aspects of Service life on members of the senior military and the feeder group. We were told that senior officers faced at least as much, and in some cases more, disruption and separation than they had done earlier in their careers. We were also told of the impact of Service life on families with partners who were restricted in their ability to pursue careers or sometimes even obtain employment, preventing Service families from having two household incomes.

4.54 The CDS said at oral evidence that the senior military warranted as much consideration as the rest of the Armed Forces when assessing the relevance and the impact of the various X-Factor components during the next five-yearly review of the X-Factor by the AFPRB. We note the proposed timetable for the next review:

⁴⁵ The AFPRB has carried out research to ensure the X-Factor components are fit for purpose for the next X-Factor review in 2023. It will report on this research in its 2021 Report.

- Pay Round 2021 – following independent research carried out by Incomes Data Research on the current X-Factor components,⁴⁶ the AFPRB will set out any recommendations for amendments to the components to be used in the next X-Factor review.
- Pay Round 2022 – AFPRB will commission research to investigate the differential impact of the components on Service personnel and the civilian workforce. The MoD will submit an information note responding to the X-Factor components and any evidence to support the review of the X-Factor taper.
- Pay Round 2023 – the MoD will submit a paper of evidence on the X-Factor. Following consideration of the research and the MoD paper of evidence, the AFPRB will make recommendations on the quantum of the X-Factor. The SSRB will provide input on the case for any changes to the taper for senior officers.

4.55 We comment further on the X-Factor in paragraph 4.112 of the Report.

Recruitment

- 4.56 The senior military only appoints 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.
- 4.57 There are no current shortfalls in recruitment to the senior military. During the 12 months to 30 June 2020, 24 officers were promoted into the remit group and six were promoted within it. In numerical terms, this was sufficient to replace the 12 officers⁴⁷ that retired from the senior military and the eight officers that left voluntarily.
- 4.58 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. We were told this had led to improvements in the annual appraisal process which had been piloted and was due to be implemented in spring 2022. In oral evidence, we were told by the CDS that this aimed to make better use of the most talented individuals not just in their parent Services, but across the whole of Defence.

Retention

- 4.59 Excluding normal retirements, the voluntary outflow rate for the senior military for the 12 months to 30 June 2020 was 6 per cent. Eight officers⁴⁸ left voluntarily during this period, twice as many as in each of the previous three years. Table 4.4 shows the number and rate of voluntary exits over the last seven years.

⁴⁶ The current 13 X-Factor components are as follows: turbulence; spousal/partner employment; danger; separation; job security; hours of work; stress, personal relationships 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.

⁴⁷ Ten 2-star officers, one 3-star officer and one 4-star officer.

⁴⁸ Seven 2-star officers and one 3-star officer.

Table 4.4: Officers in the senior military remit group leaving the Services voluntarily, 2013-14 to 2019-20

Rank	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20
2-star	6 (6%)	5 (5%)	5 (6%)	4 (4%)	4 (5%)	4 (5%)	7 (8%)
3-star	0 (0%)	0 (0%)	0 (0%)	0 (0%)	0 (0%)	0 (0%)	1 (4%)
4-star	0 (0%)	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 at normal retirement age. Normal retirement age is 55 for 2-star officers, 57 for 3-star officers and 58 for 4-star officers.

- 4.60 We were provided with data from the Joint Personnel Administration system on the reasons given for voluntary early exit by the 2-star officers. Two of the most frequently cited reasons for leaving in 2020 were ‘an offer of civilian employment’ and ‘seeking fresh challenges’. However, as we have stated in our previous reports and the MoD has acknowledged, this information is not very reliable as some of the current response categories can be open to multiple interpretations.
- 4.61 In preceding reports, we have repeatedly 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 so reliable evidence cannot be obtained. We were told in oral evidence in 2019 that there were plans for occupational psychologists to analyse the results from exit interviews. However, no further information has been provided. We continue to suggest that independent exit interviews would be a good way for the MoD to obtain reliable feedback from those leaving the senior military.
- 4.62 We were informed by the MoD previously that permission had been obtained from HM Revenue and Customs (HMRC) to supply anonymised post-Service earnings. It was hoped that this would provide information on remuneration packages for which senior personnel had left the Services or planned to use to supplement their pensions or Early Departure Payments.⁴⁹ Despite a request in last year’s Report, no further information on this work was provided to us by the MoD in its evidence this year. We continue to seek an update on the progress of this analysis.

Motivation and morale

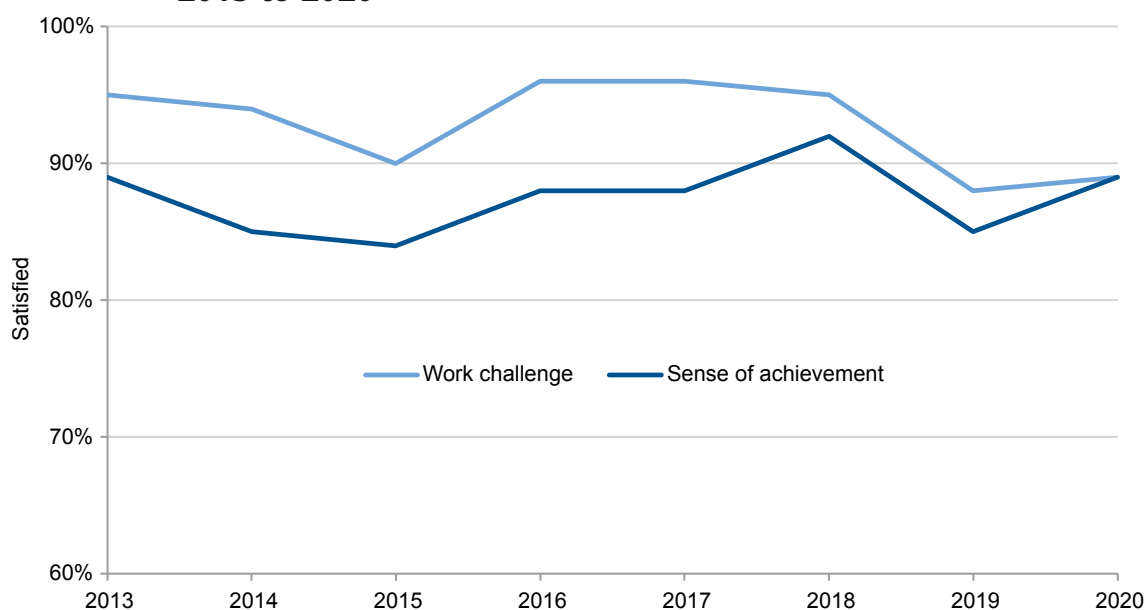
- 4.63 The MoD provided the results from the 2020 Armed Forces Continuous Attitude Survey (AFCAS) in its evidence.⁵⁰ These showed that the percentage of senior officers rating their morale as high increased to 83 per cent from 70 per cent the previous year.
- 4.64 The survey results showed increases in satisfaction with basic pay, from 50 per cent to 57 per cent, and in those judging X-Factor as sufficient compensation for Service lifestyle, working conditions and expectations, from 50 per cent to 57 per cent. Respondents’ satisfaction with the sense of achievement and challenge from their jobs

⁴⁹ 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.

⁵⁰ The 2020 AFCAS was carried out between September 2019 and February 2020. It therefore does not reflect views on the 2020 pay award which was announced in July 2020.

had increased slightly from the previous year and remained high at 89 per cent for both (see figure 4.2).

Figure 4.2: Satisfaction with sense of achievement and challenge in job, 2013 to 2020



Source: Ministry of Defence written evidence, unpublished.

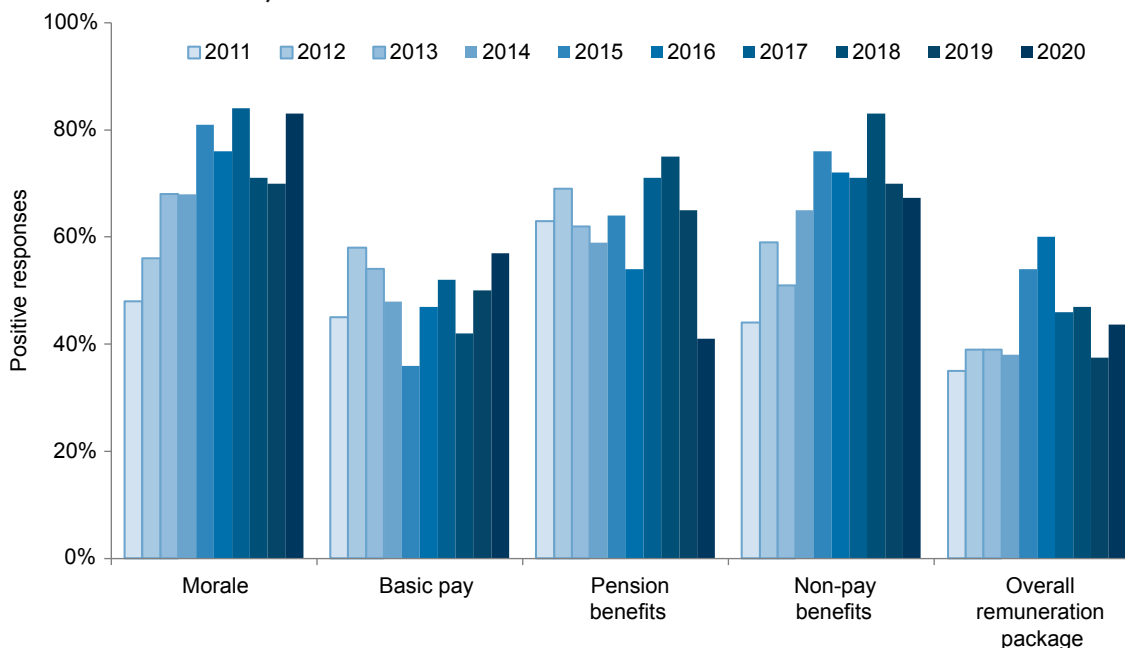
Note: Questions from the AFCAS: How satisfied are you with the sense of achievement you get from your work? How satisfied are you with the challenge in your job?

- 4.65 However, the proportion of senior military who were satisfied with their pension benefits decreased significantly over the year from 65 to 41 per cent. There was also an increase from 65 to 72 per cent in the proportion that thought their workload was too high. Those who thought their families benefited from being a Service family increased from 20 to 26 per cent with 50 per cent disagreeing.
- 4.66 We note that the AFCAS survey results are liable to considerable fluctuations year on year as the remit group is small. The response rate among the 114 members of the senior military asked to complete the survey was 47 per cent.⁵¹ As in previous years, we treat the results with a degree of caution.
- 4.67 The SSRB’s secretariat conducted an online survey that was sent to all members of the senior military again this year.⁵² The survey contained questions that complemented those in the AFCAS survey and elicited a response from 43 per cent of the remit group (55 responses in total). Thus, we also treat these findings with a degree of caution. As set out in figure 4.3, the results showed that 44 per cent of respondents were either satisfied or very satisfied with the overall remuneration package, an increase from 38 per cent over the previous year. Overall, 81 per cent of respondents said they were either motivated or highly motivated to do a good job.

⁵¹ The MoD informed us that 54 responses were received from the 114 members of the senior military who were asked to complete the 2020 AFCAS.

⁵² The OME survey ran from September to October 2020.

Figure 4.3: Changes in morale and satisfaction with pay, pension, non-pay benefits and overall remuneration for officers at 2-star and above, 2011 to 2020



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 survey of the senior military (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.

4.68 The discussion groups we held with members of the senior military suggested a number of issues were affecting morale. Most were similar to those raised in previous years including concerns about pension taxation, the increase in pay on promotion and the continuing gradual decline in the military employment offer overall. More detail is provided below. It should be noted that the discussion groups were held in autumn 2020, before the public sector pay pause was announced.

4.69 Pension taxation continued to be one of the biggest issues of concern. While there was an awareness of the changes to the annual allowance taper announced in the March 2020 Budget, there was considerable uncertainty about the impact of pension tax charges and take-home pay for officers, both in their current roles and for those considering promotion. Moreover, the point in the year when promotion took place could have an impact on the size of the tax charge. We were told that the receipt of large pension taxation charges was demotivating and undermined the value of the Armed Forces Pension Scheme. Many were unhappy about having to use Scheme Pays to settle the tax bill as this was seen as a devaluation of future pension benefits.

4.70 Most thought the increase in pay on promotion, both from 1-star to 2-star and from 2-star to 3-star was not commensurate with the increased responsibility, accountability, workload and separation from family. There was a perception that senior military salaries had fallen behind those of similar roles in the civilian sector which were viewed as having lower levels of accountability and responsibility and a better work-life balance. Some reported considering roles outside the Armed Forces for the first time in their careers for these reasons. Others said they would take promotion if it was offered out of a sense of duty and pride even if they would not be better off financially.

- 4.71 There was concern that many at 1-star and below, particularly those with specialist skills, were taking the decision to leave the Armed Forces at an earlier stage in their careers for the reasons given above. It was noted this would have an inevitable impact on the quality of those from the feeder group available to take up the most senior military roles in the future. There was a suggestion that more questions should be asked about the reasons for leaving the Armed Forces and that exit interviews should be carried out.
- 4.72 Some members of the remit group did not think the X-Factor taper provided sufficient compensation for the impact of certain aspects of Service life on those at OF5 and above. They reported experiencing higher levels of disruption and separation and more excessive workloads than had been the case earlier on in their careers. It was thought that the increased global presence planned for the Army would also inevitably lead to more overseas deployments for senior officers.
- 4.73 It was felt that the employment offer had steadily declined over the years without any reduction in what was demanded from members of the senior military and their families. Workloads were described as relentless with individuals expected to be available 24 hours a day and to be working in the evenings, at weekends and when on leave. The erosion of various allowances and conditions of service over the last 10 years had reduced the ability to work while travelling on official business. There was felt to be an over-reliance on loyalty and goodwill. It was remarked that, in the current economic climate, the MoD should not become complacent about the employment package. Changes would be needed to ensure the retention of the most talented officers to meet future challenges.

The feeder group

- 4.74 The immediate feeder group for the senior military is the OF6, 1-star rank. This group is especially important in an organisation such as the Armed Forces where there is no external recruitment at senior level. As we have stated in previous reports, it is essential for the MoD to monitor this group closely and to exercise active talent management to ensure the highest quality individuals are retained and can progress into the senior military.
- 4.75 The two groups below OF6, the immediate feeder group, are the OF4 and OF5 ranks. On 1 July 2020, there were 5,148 officers in these three ranks.⁵³ Of these, 10.3 per cent (529 individuals) were female officers, an increase from 8.1 per cent in 2018-19⁵⁴ and from 9.0 per cent in 2017-18.⁵⁵
- 4.76 A total of 1.9 per cent (100 individuals) reported as being from an ethnic minority background, a fall from 3.6 per cent in 2018-19⁵⁶ and 3.9 per cent in 2017-18.⁵⁷ The MoD said it thought the fall in the percentage of officers from an ethnic minority background could be due to the recent increase in the number of 'undeclared' personnel from six to 105. No officers in these ranks declared themselves as having a disability.
- 4.77 Data provided by the MoD showed decreasing levels of voluntary outflow at the OF6 rank over the last few years. The number of OF6 officers leaving the Services voluntarily was 21 (6.6 per cent) in the 12 months to 30 June 2020. This compares to 22 individuals (7.3 per cent) in the 12 months to 30 June 2019, 27 individuals (8.6 per cent) in the 12 months to 30 June 2018, and 30 individuals (11.0 per cent) in the 12 months to 30 June 2017 (see figure 4.4).

⁵³ This was made up of 318 OF6s, 1,075 OF5s and 3,755 OF4s.

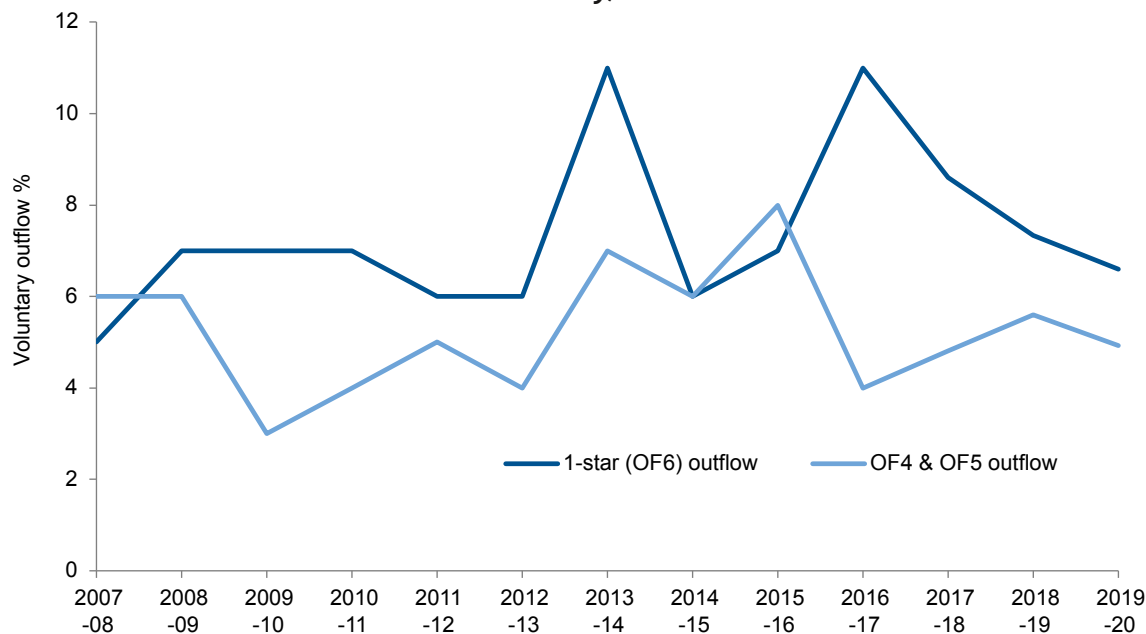
⁵⁴ 367 female officers out of 4,534 personnel at 1 July 2019.

⁵⁵ 460 female officers out of 5,098 personnel at 1 July 2018.

⁵⁶ 162 officers from a minority ethnic background out of 4,534 personnel at 1 July 2019.

⁵⁷ 199 officers from a minority ethnic background out of 5,098 personnel at 1 July 2018.

Figure 4.4: Percentage of officers in the feeder groups (OF4 to OF6) leaving the Armed Forces voluntarily, 2008-09 to 2019-20



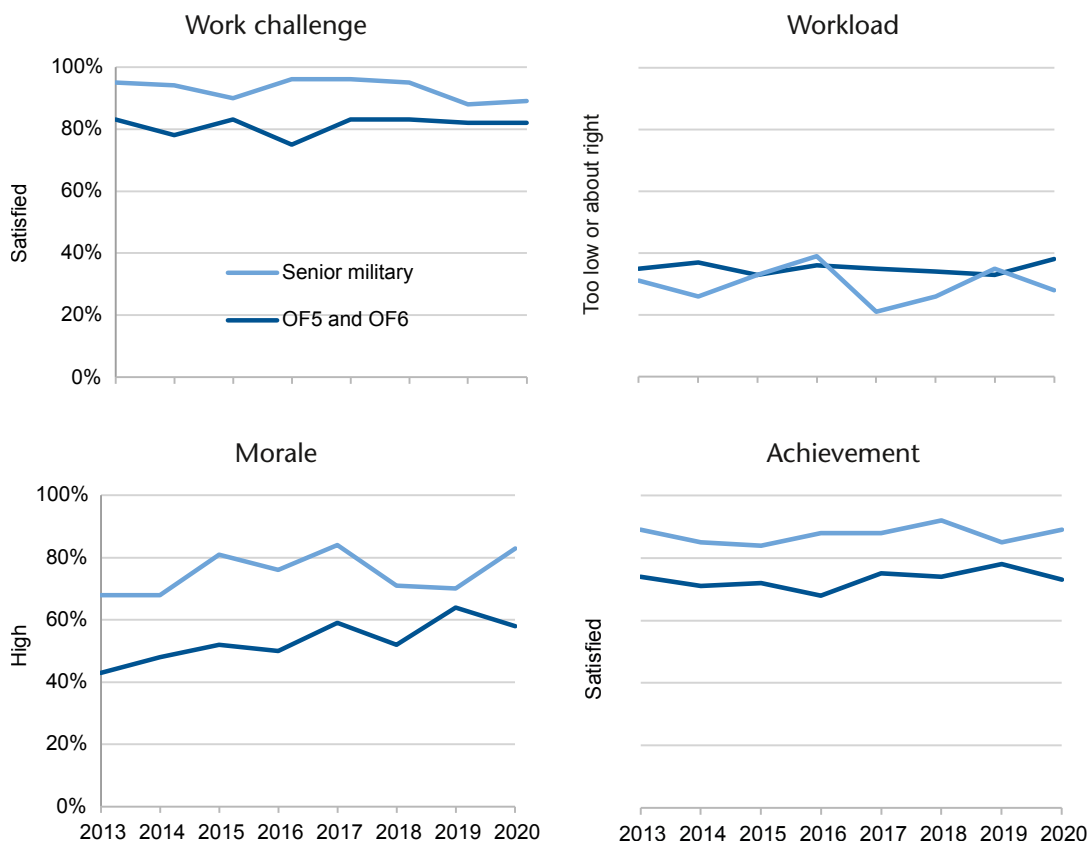
Source: Ministry of Defence written evidence, unpublished.

- 4.78 However, the data showed an increasing trend in the voluntary outflow rate for OF5 officers. The number of OF5 officers leaving the Armed Forces voluntarily increased to 72 (6.7 per cent) in the 12 months to 30 June 2020, compared with 57 (6.0 per cent) in the 12 months to 30 June 2019 and with 56 (5.4 per cent) in the 12 months to 30 June 2018. The MoD said that if the OF5 voluntary outflow rate continued to rise, it would need to understand the reasons for this, the likely impact and possibly put retention measures in place.
- 4.79 There was a slight decrease in the voluntary outflow rate for OF4s, from 180 individuals (5.5 per cent) leaving the Armed Forces in the 12 months to June 2019 to 166 individuals (4.4 per cent) leaving in the 12 months to June 2020.
- 4.80 Data provided by the MoD showed the reasons given by OF6s for leaving the military. The most frequently cited reasons in 2020 were ‘to take advantage of opportunities outside’, ‘seeking fresh challenges’, and ‘family/children’s education’. However, as for members of the senior military, the response categories can be open to multiple interpretations. Therefore, these data are not considered to be very reliable.
- 4.81 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. In previous years, the MoD has 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 who attended the Higher Command and Staff Course (HCSC)⁵⁸ from 2009 to 2019. We noted that there were limitations in this data and provided suggestions to the MoD in our Report last year on how it could be improved and refined. This year, the MoD advised us that it no longer thought the HCSC data provided a sufficiently comprehensive view of the most talented personnel. It explained it was exploring the use of improved methodologies to provide better data on the retention of high-performing officers on the back of work initiated by the CDS. It committed to keep us updated on the progress of this work.

⁵⁸ 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.

- 4.82 We stated in our 2019 Report that the MoD had started work on developing a longitudinal study that aimed to track senior OF5s through 10 years of service to provide an improved evidence base on the motivations of this group. Despite a request in our Report last year, the MoD has not provided any further information on this study in its evidence to us. We request that the MoD keeps us informed of any progress in relation to this study.
- 4.83 The MoD provided us with responses to the 2020 AFCAS survey from OF5s and OF6s. The responses were similar to those of the previous year. There was an increase in the proportion satisfied with the basic rate of pay, from 58 to 62 per cent. The percentage of respondents who rated their workload as too high had fallen from 67 per cent to 62 per cent. The proportion satisfied with the sense of challenge in the job remained high at 89 per cent.
- 4.84 However, there were some negative findings, with decreases in the proportion of respondents rating their morale as high (from 64 per cent to 58 per cent) and in those satisfied with their pension benefits (from 71 per cent to 62 per cent). The proportion that thought their family benefited from being a Service family had increased but remained low at 28 per cent, compared to 24 per cent the previous year.

Figure 4.5: Satisfaction with challenge in the job, sense of achievement, morale and workload among the OF5 and OF6 ranks, 2013 to 2020



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 workload over the last 12 months? How would you rate your level of morale? How satisfied are you with the sense of achievement you get from your work?

- 4.85 Figure 4.5 shows the trends in morale, workload and satisfaction with achievement and challenge in the job for the OF5s and OF6s from 2013 to 2020. Absolute levels of satisfaction are typically lower for this group than for those in the senior military, with an increasing gap for some indicators, such as sense of achievement and level of morale.
- 4.86 We were told that around 20 per cent of OF5s and OF6s were asked to complete the AFCAS. The response rate was 66 per cent.⁵⁹ With the low number sampled, we recognise that the results for this group also need to be treated with a degree of caution. We would urge the MoD to increase the proportion of officers that are sampled not just to provide more robust data, but because such a survey can be a useful engagement tool.
- 4.87 The MoD provided us with the results from its annual Continuous Working Patterns survey for the OF5s and OF6s again this year. The results for 2019-20 indicated slight increases in the average weekly number of hours worked and the average weekly unsociable hours worked compared to 2018-19. There were increases in the average weekly hours on duty and the average weekly hours on call compared to the previous year. We note that the number of useable responses was very low (34 individuals) so that the results cannot be considered reliable. However, an increase in the number of hours worked matches with what we were told at discussion groups. We urge the MoD to extend this survey to provide more robust data.
- 4.88 Many of the issues brought up by the feeder groups were similar to those mentioned by members of the senior military. The main themes were as follows:⁶⁰
- Pension taxation was the issue of greatest concern and dominated some discussions. There was a general lack of awareness about the changes announced to the annual allowance taper in the March 2020 Budget. The focus was on the 2019-20 tax year and previous years for which some individuals had received significant tax bills. The pension tax charges were viewed by some as a break in the moral contract between Service people and the employer and some said it was the main reason they were considering leaving the Armed Forces. It was noted that the generosity of the Armed Forces Pension Scheme meant that individuals were likely to breach the annual allowance earlier in their careers than those in civilian roles. Some requested more flexibility around pensions with more of the overall remuneration offer being taken as pay rather than pension to help the situation. It was noted that, in contrast to those in the NHS, individuals in the military could not reduce their working hours to mitigate the impact of the tax charges.
 - In terms of incentives for promotion into the senior military, the majority said the increase in take-home pay on promotion from 1-star to 2-star was not commensurate with the increased responsibility, accountability and especially working hours. Some had worked out the additional increase in pay on promotion from 1-star to 2-star and decided it was not worth it. The likelihood of receiving a large pension tax bill on promotion and the lack of security of employment at 1-star and above also acted as disincentives to accept promotion to 1-star and to senior military roles. However, some did say, despite all this, they would accept promotion to 2-star for the chance to do exciting, challenging work and out of a sense of pride.
 - We were also informed that there had been a change in the way individuals were selected for roles, including on promotion, with jobs being advertised and individuals able to apply rather than being allocated to a post.

⁵⁹ 270 OF5 and OF6 officers (out of a total of 1,393 officers) were asked to complete the AFCAS. In total, 178 responses were received.

⁶⁰ It should be noted that the discussion groups were held in autumn 2020, before the announcement about the public sector pay pause.

- The increase in workload and level of responsibility over the last few years were raised in all the sessions, with individuals describing how they regularly worked in the evenings and at weekends. We were told the increase in workload was due to a reduction in the number of people without a corresponding decrease in the number of tasks the military were expected to deliver. Restructuring, particularly in the Navy, was also playing a part. The fact that some Service people had been deployed to assist with the COVID-19 pandemic related tasks added significantly to the workloads of those remaining behind.
- The impact of Service life on families was a strong theme. Families were adversely affected in a number of ways. The length of postings (two to three years) led to fairly frequent moves of location and accommodation and meant Service partners found it difficult to maintain their careers/jobs. It was consequently not always possible for households to generate two incomes. We were told that the Continuity of Education Allowance (CEA) acted as a retention tool and facilitated overseas deployments for officers, including those who were single parents. However, there was the potential for disruption to children’s education even if officers used the CEA due to the constantly changing rules and scrutiny around it.
- We were told that 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, especially those with specialist skills who were attractive to the outside market. There was a warning that the Armed Forces should not become complacent about the military offer as the situation with recruitment and retention could change when the economy improved after the COVID-19 pandemic.

Pensions

4.89 Data provided by the MoD showed that, on 1 July 2020, 36 per cent of the senior military belonged to the 1975 Armed Forces Pension Scheme (AFPS75), 12 per cent to the 2005 scheme (AFPS05), and the remaining 52 per cent to the scheme that was introduced on 1 April 2015 (AFPS15).

Table 4.5: Number of senior military that belong to each Armed Forces pension scheme at 1 April 2020

Rank	AFPS75		AFPS05		AFPS15	
	Number of members	%	Number of members	%	Number of members	%
2-star	28	30	6	7	59	63
3-star	13	50	6	23	7	27
4-star	5	56	3	33	1	11
Total members	46	36	15	12	67	52

Source: Ministry of Defence written evidence, unpublished.

4.90 In its evidence, the MoD acknowledged that the non-contributory Armed Forces Pensions Scheme continued to be a valued element of the employment offer. It stated that the changes to the pension annual allowance taper announced in the March 2020 Budget to take effect from the tax year 2020-21 were welcome in raising the threshold and adjusted income threshold to £200,000 and £240,000 respectively. However, the fact that no changes were made to the standard annual allowance limit of £40,000 meant that members of the senior military, the feeder group and OF4s were still likely to incur annual

allowance tax charges. There was concern that this could continue to adversely affect retention and decisions to take promotion.

- 4.91 We were informed that the Armed Forces remuneration team and the single Services were continuing their communications initiative aimed at highlighting the value of the pension scheme and addressing misconceptions about it. The key message was that the Armed Forces pension remains an excellent scheme, despite the pension taxation issues,⁶¹ and that all scheme members continue to accrue pension value. The MoD told us that support continued to be provided to Service people who were in receipt of annual allowance threshold breach letters. This year, for the first time, a consultancy firm had been contracted by the MoD to provide one to one pension advice for individuals who required it.
- 4.92 The MoD told us that for the tax year 2019-20, 120 members of the remit group out of a total of 125⁶² received a letter informing them they had exceeded their annual allowance. This was in advance of the changes to the annual allowance taper announced in the March 2020 Budget which apply for the tax year 2020-21 onwards. We know from written evidence received last year that 112 members of the senior military breached their pension annual allowance in 2017-18 and 114 did so in 2018-19.
- 4.93 The MoD explained that from 2017-18, it has only been able to get an indication of how many of these individuals actually received a pension tax charge through the number that opted to use Scheme Pays to settle the bill. It does not know how many individuals may have decided to pay the charge themselves directly to HMRC. It told us that the number of officers opting to use Scheme Pays for an annual allowance tax charge in 2019-20 would be available in summer 2021. The number of officers that used Scheme Pays to settle the tax charge was 59 for tax year 2018-19 and 57 for tax year 2017-18.
- 4.94 Results from our OME survey showed that 81 per cent of respondents had incurred a tax charge for 2019-20 (38 out of the 47 respondents who knew the answer to this question) and over four in five of these respondents⁶³ intended to use Scheme Pays to pay the tax charge.
- 4.95 In the OME survey, almost all of those who responded, 46 out of 52 (88 per cent), said they thought they were likely to breach the pensions tax lifetime allowance during their military career, while a further five respondents (10 per cent) did not know.
- 4.96 The CDS reiterated in oral evidence that the pension was one of the most positive components of the military offer but that the value of it was not always realised by Service personnel. He said that he thought that the changes to the annual allowance taper introduced in the March 2020 Budget would resolve many of the pension taxation issues faced by members of the Armed Forces, particularly those in the senior military and the feeder group.

Remuneration analysis

- 4.97 We have updated our analysis of take-home pay and total net remuneration. This calculates the value of the pay and pension package for specific roles over the last decade. This analysis uses the pay band minima because it enables a single point to be tracked over time but this will not reflect the experience of individuals who will also receive increments. Full details are given in Appendix A. Our analysis only looks at in-year

⁶¹ The reason why so many officers were receiving annual allowance tax charges was because the pension scheme was such a generous one.

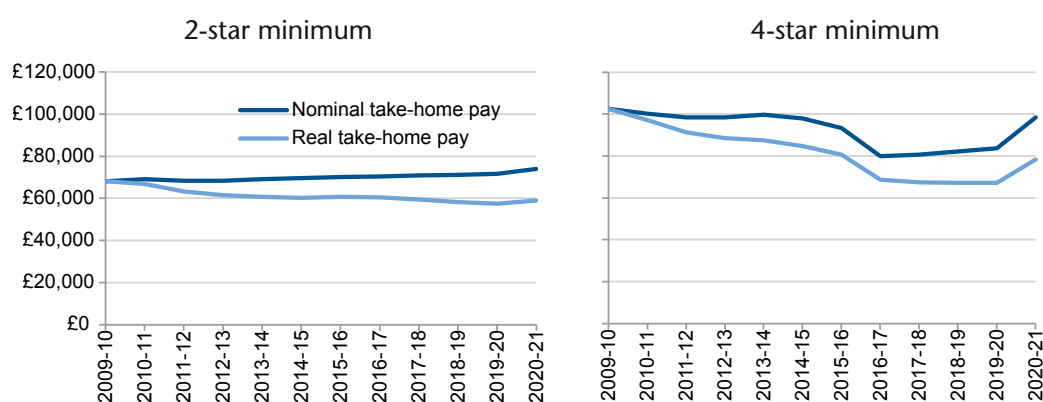
⁶² The number of members of the senior military as at 1 April 2020.

⁶³ Out of 38 respondents, 31 said they intended to use Scheme Pays to pay the charge, two did not intend to use Scheme Pays and five did not know.

earnings, so does not model the impact of the lifetime allowance. It also assumes annual allowance tax charges are paid upfront as cash in the year they are incurred, rather than through a pension reduction by using Scheme Pays.

- 4.98 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. Total net remuneration includes the value of pension benefits accrued in the year.
- 4.99 Changes to the annual allowance taper were introduced in the March 2020 Budget. These changes mean that some high earners will have benefitted, by up to £13,500. The very highest earners, however, will have seen a lower pension annual allowance, due to an increased annual allowance taper, down from £10,000 to £4,000 and increasing the charge by £2,700 to over £40,000.

Figure 4.6: Nominal and real take-home pay, 2009-10 to 2020-21

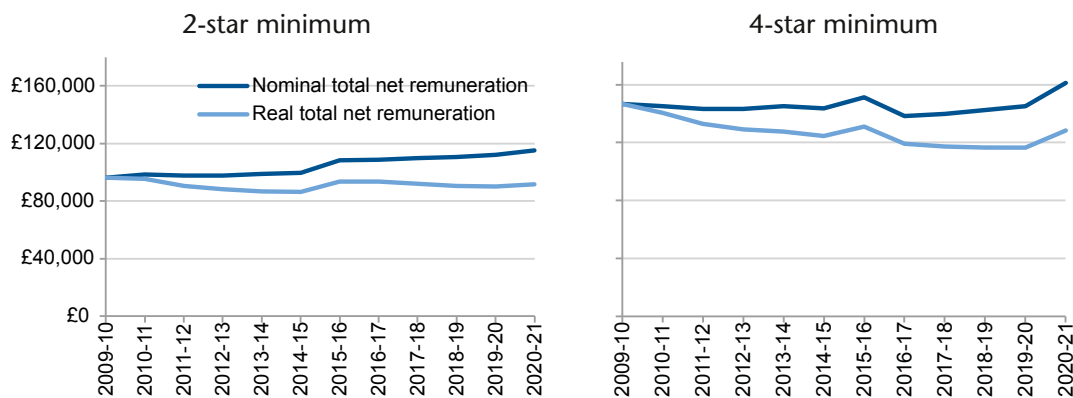


Source: OME analysis.

Note: Nominal take-home pay makes no adjustment for inflation. Real pay indexed to 2009-10 prices.

- 4.100 Take-home pay at the 2-star minimum increased by 3.2 per cent over the year 2019-20 to 2020-21. This was due to the 2 per cent annual pay award, and the increase in pension annual allowance (this role is now out of the taper), reducing the annual allowance tax charge by just over £1,000.
- 4.101 Take-home pay at the 4-star minimum increased by 17.8 per cent over the year 2019-20 to 2020-21. In addition to the pay award, this role benefitted fully from the maximum increase to the pensions annual allowance, from £10,000 to £40,000, thus reducing the tax charge by £13,500. There is still a tax charge of close to £10,000.
- 4.102 Taking into account the pension benefit, total net remuneration over the year increased by 2.8 per cent at the 2-star minimum and 11.1 per cent at the 4-star minimum.

Figure 4.7: Nominal and real total net remuneration, 2009-10 to 2020-21



Source: OME analysis.

Note: Assumes switch from AFPS05 to AFPS15 in 2015. Only looks at in-year earnings and does not include the impact of the lifetime allowance. Nominal total net remuneration makes no adjustment for inflation. Real pay indexed to 2009-10 prices.

Conclusions, observations and recommendations

- 4.103 The evidence shows that there was an increase in the number of senior officers voluntarily leaving the Armed Forces over the last year compared to the previous three years. While the senior military is currently able to attract sufficient numbers from the feeder group to replace those that leave, it must ensure it is not losing its most talented individuals. We also note that the current recruitment and retention situation may not be a reliable pointer as to what may happen if economic recovery after the COVID-19 pandemic increases the external opportunities available to senior officers.
- 4.104 In an organisation such as the Armed Forces that currently has no lateral entry, it is vital that the most talented individuals in the feeder group are retained in order that the best officers continue to be available to fill the most senior roles. While we note the decrease in the number of OF6 officers leaving the military over the last few years, we share the MoD’s concern about the increasing trend in the number of those at OF5 rank leaving the Armed Forces. This needs to be watched carefully. We continue to urge the Armed Forces to put in place measures to accurately track the quality of those remaining in and leaving the Services in both the remit group and the feeder group and to obtain accurate information on the reasons why individuals are leaving.
- 4.105 It is encouraging that the Armed Forces are designing a single career structure that is more appropriate for the future and is aimed at increasing the length of time individuals remain in post and in rank. This should ensure that the maximum benefit from the development of skills and experience in role is gained and that officers are fully accountable for the projects and people for whom they are responsible. The consideration of lateral movement, both into and out of the military, in some specialist roles should also help with the recruitment and retention of scarce specialist skills such as cyber. **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.**

- 4.106 We welcome the MoD's request that we consider various issues in relation to the structure of senior officers pay for the next round. The percentage increase on promotion from 1-star to 2-star and the X-Factor taper are issues we have commented on in previous Reports. In discussion groups, we have heard the view that the pay increase on promotion from 1-star to 2-star and from 2-star to 3-star is not commensurate with the increase in responsibility, accountability and workload.
- 4.107 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 SDRP.
- 4.108 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.
- 4.109 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.
- 4.110 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.
- 4.111 **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.** However, we note that the comprehensive review of pay and reward could have an impact on what we have been asked to consider for pay round 2022.
- 4.112 We remain concerned that some of the X-Factor components still appear to be affecting members of the senior military to a greater extent than previously, through the increasing likelihood of longer overseas deployments, heavier workloads and the impact on Service families. We will work with the MoD and the AFPRB on the next five-yearly review of the X-Factor to the timetable detailed in paragraph 4.54. This is to ensure appropriate consideration is given to whether changes are needed to the X-Factor taper for senior officers at OF5 and above.
- 4.113 The MoD has asked us to agree a proposal to change the date when senior officers receive their annual increment, subject to satisfactory performance, from 1 April each year to the anniversary of the date of promotion. We are aware of the value of annual increments as a mechanism for recognising and rewarding the skills and experience built up by Service personnel. They are particularly important in a year when there is a public sector pay pause. We note that the proposed change would prevent some officers from having to wait up to 20 months to receive their first increment in rank and that the change would be funded from within existing single Service top-level budgets. We trust that the MoD has fully assessed the impact of the increased administrative complexity the proposed change may entail. **On this basis, we are content to agree this change and the transition arrangements set out by the MoD in its evidence to us.**

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 MoD in its evidence to us.

4.114 **We have not received any evidence to suggest that the current percentage pay differentials between the 1-star, 2-star and 3-star MODOs should change this year.** However, the MoD has indicated that it will ask us to consider whether there should be a 10 per cent minimum increase to base pay on promotion from 2-star to 3-star officers for the next pay round. The 5 per cent increase on promotion from 2-star to 3-star for MODOs will need to be taken account of during this consideration.

Recommendation 2: 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

4.115 While we welcome the fact that the MoD has asked us to consider various issues in relation to senior officers' pay for the next pay round, we are aware that the comprehensive review of pay and reward announced in the *Defence in a Competitive Age* Command Paper could have an impact on this. **We expect to be involved as a key stakeholder in the comprehensive review. We look to the MoD to keep us updated and to consult with us at all stages of the review.**

4.116 Despite the changes announced to the annual allowance taper for pensions in the March 2020 Budget, members of the senior military and the feeder group have continued to report the adverse impact of large tax bills for the tax year 2019-20. It is anticipated that for the tax year 2020-21 onwards, the changes announced should reduce the annual allowance pension taxation charges for the majority of 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.**

4.117 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 vital and is something we have repeatedly highlighted in our Reports. Following suggestions in our Report last year for improvements to the data on individuals attending the Higher Command and Staff Course, 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.**

4.118 It is also vital to understand the factors affecting the decisions of senior officers to leave and to have information on what civilian roles these individuals take up after leaving the military. As a minimum, independent exit interviews should be carried out on all members of the senior military and members of the feeder group to understand the reasons for leaving. In 2019, we were informed about work commencing on longitudinal studies to track members of the feeder group over a 10-year period, and on work

with HMRC to obtain information on post-Service earnings. These data would assist in indicating post-Service employment. It is disappointing that we have not received any updates on the progress of these two pieces of research despite requesting this in our last two Reports. **We believe it is a priority that the MoD puts in place mechanisms to provide better data on the number and quality of those leaving the remit group and the feeder group.**

4.119 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 AFPRB and feeding into its forthcoming five-yearly review of the X-Factor.**

4.120 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 third year running via 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.**

4.121 The Armed Forces are keenly aware of the need to be appropriately representative of the society they exist to defend in order to attract and retain the most talented people from the widest pool. The *Defence Diversity and Inclusion Plan 2018-30*⁶⁴ sets out the direction and intentions. This is built upon in the *Defence in a Competitive Age* Command Paper. Through these plans and evidence sessions we are aware of the leadership's commitment to increasing diversity and inclusivity through changes to the culture and the career structure. All military roles, including front-line operational roles, have been open to female Service personnel since 2018. We note the ambitions and aspiration for 15 per cent of all 1-star posts to be held by female officers by 2030 and the RAF's ambition for 50 per cent of all recruits to be women and for 30 per cent to be from ethnic minority backgrounds by 2040. We are aware of specific planned initiatives, for example, mentoring and an intended investment of £1.4 billion over the next decade to provide childcare for extended working hours which should facilitate the retention of Service personnel with caring responsibilities.

4.122 We recognise that in an organisation such as the Armed Forces, where there is currently only recruitment at base level for both officer and other ranks, it will take a number of years for increases in diversity to work through the feeder groups and subsequently to the senior military. We note there has been a small increase in the proportion of women officers in the feeder group this year. However, it is disappointing that the percentage of officers from an ethnic minority background at OF4 to OF6 continues to fall and that there are currently no officers from an ethnic minority background in the senior military. In our evidence sessions, we were not able to understand what specific targets have been set for employment of those with protected characteristics in the senior military. Established practice in building diverse organisations shows that clear targets are a key enabler of change and lead to focus and planning. Once targets have been set, then the detailed workforce planning, including hiring ratios, can occur based on standard movement through the internal promotion model and average turnover rates. **Given the lack of progress, 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.**

4.123 The strategic priorities which we would like the MoD to focus on are set out in Chapter 1.

⁶⁴ See: <https://www.gov.uk/government/publications/defence-diversity-and-inclusion-strategy-2018-to-2030-a-force-for-inclusion>

Chapter 5

The Judiciary

Summary

- 5.1 The Senior Salaries Review Body (SSRB) has not had a pay remit for the judiciary this year due to the implementation of the Government's public sector pay pause. It was agreed, however, that it was important for us to monitor progress with judicial recruitment, including recruitment and retention issues not related to pay.
- 5.2 The judiciary is the only one of our remit groups to have had extensive difficulties in filling vacancies over the past few years. Unlike most public sector workforces where it is common to 'move up through the ranks', judges are recruited externally from a labour market of relatively highly paid individuals – barristers, advocates or solicitors, or sometimes academics – who are already well established in their careers. They have to want to apply for judicial posts. This means they need to be positively attracted to leave their existing careers to become judges.
- 5.3 Having sufficient numbers of judges of the right quality matters. Every day, judges make decisions that affect individuals, families, businesses and society. Judges need to be of sufficient quality that their rulings are respected and there need to be enough judges to enable cases to be heard in a timely and effective fashion. Legal activities, underpinned by the courts, are an essential component of a democratic state. They also make a sizeable contribution to the UK economy. Ensuring that the UK remains a respected and desirable venue for international disputes has tangible economic effects.
- 5.4 Vacancies started to arise at the High Court in 2014-15, the Circuit Bench in 2015-16 and the District Bench somewhat later. The SSRB's *Major Review of the Judicial Salary Structure* identified changes in total net remuneration, arising largely from changes to the judicial pension scheme, as one of the most important causes, though not the only one. Our recommendation was that substantial pay increases were necessary to address the recruitment crisis.
- 5.5 Since then, various steps have been taken to improve recruitment, including recruitment and retention allowances to help offset the impact of pension annual allowance tax charges, and increased recruitment activity by the judicial appointments bodies in the UK. In its response to our Review in June 2019, the Government announced that it would address the underlying cause of the recruitment problems by creating a new judicial pension scheme that would, like the pre-2015 judicial pension scheme, be unregistered for tax purposes.⁶⁵ Legislation will be put before Parliament this year and, if enacted, the new scheme will be implemented in 2022.⁶⁶ Information on the judicial pension schemes and the impact of the proposed changes can be found in Annex 2 to this Chapter.
- 5.6 The expectation of pension reform seems already to be having some positive effect on recruitment. However, only once the reforms are in place will we know whether this year's progress in judicial recruitment will be sustained and whether the reforms will be sufficient to address the problem of judicial vacancies.
- 5.7 Over the past year, high levels of recruitment activity have continued across all UK jurisdictions for most categories of the judiciary. While there are signs of some improvements in the rate at which vacant judicial posts are being filled, vacancies remain

⁶⁵ See: <https://www.gov.uk/government/publications/government-response-to-ssrb-major-review>

⁶⁶ See: <https://www.gov.uk/government/publications/queens-speech-2021-background-briefing-notes>

in the court-based judiciary in England and Wales at the High Court, Circuit Bench and District Bench. Those courts continue to operate below their statutory or desired complement. Given the small pool of applicants, it is understandable that vacancies take some time to fill. The number of vacancies is slowly reducing at the High Court and Circuit Bench but this is not the case at the District Bench. There has been more marked improvement in Northern Ireland and Scotland than in England and Wales.

- 5.8 The judicial appointments bodies have maintained very high levels of recruitment activity despite the challenges of the COVID-19 pandemic. This is welcome but it is clear that the need for this higher level of activity is likely to persist for some time if vacancies are to be filled. Government will need to continue to allocate resources to support this work.
- 5.9 We welcome the recruitment activity focussed on the 'feeder pools' of fee-paid judges (Recorders for the Circuit Bench and Deputy District Judges for the District Bench) and the plans for these competitions to take place regularly, ending the 'stop-start' replenishment of these vital feeder pools for salaried judicial positions. This increases the possibility that judicial vacancies will, in time, be filled and reduces the risk of continuing large-scale shortfalls in the number of judges.
- 5.10 However, we caution that it remains an open question as to whether part-time fee-paid judges will apply for permanent salaried judicial positions at the same rate as in previous years. In the Major Review and since, we have heard that salaried positions may be relatively less attractive due to the required equalisation of pay and pensions between fee-paid and salaried judges. Salaried judges have less flexibility and carry heavier burdens (in dealing with more serious cases and in administrative work) than their fee-paid counterparts. This will require careful monitoring for some time.
- 5.11 Meanwhile, despite the enormous effort, judicial recruitment activity is still some way from being able to recruit for predicted vacancies for the year ahead, rather than just the vacancy backlog.
- 5.12 The COVID-19 pandemic and the changes in working practices it has required have presented challenges for courts and the judicial role. Some of these changes may become permanent and this may reduce pressure on court sitting-days. There has, however, been an increase in the backlog of cases at many levels of the courts. Taken together, these may affect future judicial recruitment in unpredictable ways. The findings of the 2020 Judicial Attitude Survey (see Annex 3) show that the effects of the pandemic have varied across the different courts.
- 5.13 We believe that the judiciary will benefit from reviewing which changes introduced this year should be adopted for the longer term, for instance, whether some hearings can appropriately be held remotely. This may increase access to justice and reduce backlogs. It may also provide increased flexibility in the deployment of judges which may both benefit citizens and improve the use of scarce judicial resources.
- 5.14 While the evidence we have received over the past few years makes it clear that the reduction in total net judicial remuneration has been an important factor in the growth of judicial vacancies, particularly in England and Wales, it also shows that other factors matter too. Examples include the fabric of the court estate, which affects working conditions, and insufficient administrative support, which is not cost effective and simply piles extra pressure on some judges. All these factors contribute to our concerns that becoming a full-time salaried judge is becoming less attractive. For the District and Circuit Benches in particular, becoming a full-time judge may now be relatively less attractive than taking on the part-time, fee-paid roles.

- 5.15 The 2020 Judicial Attitude Survey, presented in Annex 3, reveals interesting variations between different levels of courts with regard to these issues. There is concern and dissatisfaction with both the court estate and administrative support in the District Bench and, to a lesser extent, in the Circuit Bench. While we believe the Ministry of Justice (MoJ) has taken initial steps to start to improve both the court estates and administrative support, these remain important issues in judicial recruitment. This is evidenced by the lower proportions of different categories of the judiciary who say they would re-apply now, or who would recommend that others seek judicial appointment.
- 5.16 As we noted in our Report last year, there has been a marked improvement in resourcing to allow judicial appointment bodies to recruit at an increased rate with longer-term strategies in place. This is essential to avoid a recurrence of the stop-start nature of judicial recruitment seen before 2016.
- 5.17 There has also been greater resourcing for the HR function carried out from the Judicial Office. Our Major Review noted that this was essential if the judiciary were to maintain its independence and take a more strategic view of the judicial 'workforce'.
- 5.18 Judicial independence requires that judges lead and manage the judicial workforce, rather than government. However, they need the resources and the will to do so. We are pleased to see much improvement in both the resourcing and the activities of the judicial leadership. This includes signs of better day-to-day management, increased focus on assessment and judicial support, as well as more attention to maintaining an up-to-date register of judicial roles and job descriptions. We hope that the Government's agreement with our recommendations last year about various judicial leadership positions will be helpful in improving the leadership and management of judges at the Circuit Bench.
- 5.19 We recognise the extraordinary level of activity of the judicial appointments bodies since 2019, especially the Judicial Appointments Commission (JAC) in England and Wales. However, we hope that in 2021 the judicial appointments bodies will be able to make further progress in addressing the recommendations we made in our Major Review about the importance of collecting more data on judicial applicants. We recommended including information on prior professional roles, pre-appointment earnings (in bands), and 'grading' of applicants (as carried out by the JAC in England and Wales). While this will help in providing better evidence about judicial 'quality', it is even more important to ensure we can monitor over time who is applying for judicial posts and, by implication, who is *not* applying. We do not believe this would undermine efforts to improve judicial diversity, which we welcome and where there has been long-term improvement.
- 5.20 As last year, there do not appear to be any significant retention issues for the judiciary. Generally, the number of early leavers is not increasing and judicial retirements are not happening earlier than in the past. There are slight differences in retirement patterns between the salary groups but these have also remained stable.
- 5.21 Finally, we note that the SSRB has been asked by the Lord Chancellor to carry out a review of the daily sitting fees paid to Tribunal Non-Legal Members (NLMs). Subject to our receiving the required evidence on time, we will submit a report on the issue to the MoJ early in 2022.

Introduction

2021-22 pay round

- 5.22 This year, the Government has implemented a public sector pay pause. The judiciary, along with our other remit groups, is therefore not eligible for an annual pay award.

- 5.23 On 11 December 2020, the Lord Chancellor wrote to the SSRB confirming that he would not issue a remit letter to the SSRB for an annual review of judicial pay for the 2021-22 year.⁶⁷ He added that the MoJ's focus remained on progressing the reforms to the judicial pension scheme with the aim of implementing changes in April 2022.
- 5.24 Given the importance of the shortfalls in judicial recruitment in recent years, we considered it important to monitor progress on recruitment before the next pay review. The MoJ agreed that we should include in this year's SSRB Report a Chapter summarising recent data on judicial recruitment, along with progress on the other issues we have previously identified as important and relevant to it.
- 5.25 This Chapter therefore focuses on recruitment. We are grateful to the governments, judicial offices and appointment bodies across England and Wales, Scotland and Northern Ireland for assisting us with our requests for data and evidence this year.

Background summary of our 2020 Report on the judiciary

- 5.26 Last year, we carried out the first annual review of judicial pay since our *Major Review of the Judicial Salary Structure* was submitted in September 2018.
- 5.27 We concluded then that while the recruitment difficulties we had identified in the Major Review had not worsened significantly, and indeed had steadied in some cases, neither had the position improved as much as needed. While we considered recommending significant increases to judicial pay (and, in the absence of pension changes, the evidence we saw would have justified this for new members of all judicial groups), we agreed on balance not to make such recommendations while the Government pursued its chosen solution of delivering pension reform. In addition, we were concerned about the real uncertainties arising from the possible effects of the COVID-19 pandemic for the judiciary, as for all our remit groups, both in terms of the relative attractiveness of judicial careers and the likely economic effects.
- 5.28 We also considered whether to recommend an additional pay award to recently appointed grade 7 judges or only to District Judges in that grade. We concluded, however, that this was not the time to make separate awards to different categories of judges when large recruitment exercises were underway, both for District Judges and the (part-time) Deputy District Judges who are the feeder pool for the District Bench. We also observed that there was no evidence of a recruitment shortfall for Tribunal Judges in group 7. In addition, we noted that the impending prospect of significant pension reform might affect the relative attractiveness of the District Bench, and wider judicial cohesion seemed to us to be in need of bolstering. It was still not clear at the time what effect the pandemic would have on recruitment to both the salaried District Bench and the fee-paid Deputy District posts that are an essential feeder pool to the salaried judiciary.
- 5.29 For these reasons, last year we recommended that all members of the judiciary should receive a 2 per cent pay award. We also recommended salary placement changes for a small number of judges and the introduction of leadership allowances for some posts.

The Government's response to the 2020 Report

- 5.30 The Government accepted the SSRB's recommendations regarding the judiciary in full. A pay award of 2 per cent was made to all judicial office holders within the remit group for 2020-21.

⁶⁷ See: https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/961336/lc-letter-to-chair-of-ssrb.pdf

5.31 The Government also acknowledged that our recommendations were predicated on the implementation of reform to judicial pensions to address continuing recruitment problems, given the analyses presented in our Major Review.

5.32 The Government also accepted the SSRB's recommendations with respect to:

- Moving the Upper Tribunal Judges (including the Surveyor Members of the Lands Chamber) and Senior Masters and Registrars to a new salary group between their existing salary group of 6.1 and the higher group 5.
- Introducing leadership allowances for Circuit Judges who take on the formerly unremunerated roles of Resident Judges, Designated Family Judges, Designated Civil Judges and the Senior Judge of the Court of Protection. This is a taxable, non-pensionable allowance, currently set at 4 per cent of the base Circuit Judge salary. In England and Wales, there are approximately 100 judges in receipt of the new allowance.
- Restricting the payment of the leadership allowances, lasting only for as long as the office holder is performing one of the specified posts.
- In Northern Ireland, applying the same conditions for the leadership allowance to the two offices for which it is appropriate (Presiding Master of the Court of Judicature in salary group 5.2 and the office of the Presiding District Judge (civil) in salary group 7).

Other background for 2021: Pension reform

5.33 We note the progress in the development of a new judicial pension scheme.⁶⁸ The Queen's speech on 11 May 2021 announced the *Public Services Pensions and Judicial Offices Bill* covering reform of the pension arrangements and an increase in the mandatory retirement age for the judiciary.⁶⁹ The proposed pension reforms are intended to provide a pensions-based solution to the recruitment and retention problems identified by the SSRB's *Major Review of the Judicial Salary Structure* in 2018. The reforms also aim to equalise future treatment across the judiciary by moving all judges into one pension scheme.

5.34 A consultation on a new judicial pension scheme concluded in October 2020 and the Government's response was announced in February 2021. Many of the features of the proposed reformed scheme will follow the main principles of the 2015 pension reforms. This entails a career average accrual model, no restriction on the number of accruing years in service and linking the normal pension age to State Pension age (or 65 years if this is higher). Members will also be allowed to commute part of their annual pension in exchange for a one-off lump sum on retirement.

5.35 The reformed scheme will, however, retain the unique tax-unregistered status of the judicial pension scheme in place before 2015. The key benefit of tax-unregistered status is that lifetime and annual allowance tax charges, which we identified as a significant driver of the recruitment and retention issues in the Major Review, will not apply. Several features follow from this change in tax status including the following:

- Member contribution rates will be lower than those of the 2015 New Judicial Pension Scheme (NJPS) to reflect the fact that members will not receive tax relief on their contributions.
- A commutation supplement will be paid to members who commute their pension in exchange for a lump sum to compensate for the tax-unregistered status of the scheme.

⁶⁸ See: <https://www.gov.uk/government/consultations/consultation-on-a-reformed-judicial-pension-scheme>

⁶⁹ See: <https://www.gov.uk/government/publications/queens-speech-2021-background-briefing-notes>

- In line with JUPRA, the accrual rate will be set at 2.50 per cent, an increase from the 2.32 per cent rate in NJPS. There will be a uniform contribution rate of 4.26 per cent.

5.36 Table 5.1 summarises the key features of the current and proposed pension schemes for the judiciary. Annex 2 to this Chapter sets out further information on the pension schemes.

Table 5.1: Key features of the judiciary pension schemes

	JUPRA/FPJPS	NJPS	Reformed scheme
Accrual model	Final salary	Career average	Career average
Service cap	20-year limit	No limit	No limit
Retirement age	65 years of age	State pension age	State pension age
Tax status	Tax-unregistered	Tax-registered	Tax-unregistered
Accrual rate	2.5%	2.32%	2.5%
Contribution rate	2.76% – 4.83%	4.6% – 8.05%	4.26% (optional reduction to 3% for the first three years of the scheme)
Lump sum and supplement arrangements	Automatic lump sum on retirement (2.25 x annual pension) plus a Judicial Service Award payment to compensate for the tax payable on the lump sum due to the tax-unregistered status of the scheme.	Option to commute part of earned pension as a tax-free lump sum at a rate of 12:1.	Option for members to commute part of their earned pension into a lump sum at a rate of 12:1, with a commutation supplement to compensate for the tax-unregistered status of the scheme.

5.37 A consultation has also concluded on the judicial response to the McCloud ruling that the Government's public sector pension reforms unlawfully treated existing public sector pension scheme members differently based on their age at 1 April 2012. All judges in scope will be given a retrospective choice over whether to have accrued benefits in JUPRA/FPJPS or NJPS for the remedy period (2015 to 2022). This choice will be made through a formal 'options exercise' following the introduction of the reformed pension scheme in April 2022.

Recruitment: 2021 findings

General

- 5.38 Annex 1 sets out the basic background information about the SSRB’s judicial remit group, including the salary structure and the numbers in each category.
- 5.39 Judicial appointments at the most senior levels, that is at group 3, Court of Appeal level and equivalents 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.
- 5.40 There continues to be large-scale recruitment across all jurisdictions for most categories of the judiciary. Table 5.2 shows the number of applications, selections and gradings for all JAC exercises in England and Wales that reported between 2011-12 and 2019-20.

Table 5.2: Applications, selections and gradings for all JAC exercises, England and Wales, 2011-12 to 2019-20

Year	Number of exercises reported in-year	Applications	Selections	Applicants per selection	% A and B grade candidates to selections
2011-12	25	5,490	746	7.4	–
2012-13	36	4,637	597	7.8	–
2013-14	35	5,591	806	6.9	87%
2014-15	30	2,056	312	6.6	92%
2015-16	22	2,588	340	7.6	97%
2016-17	26	2,199	290	7.6	103%
2017-18	28	5,125	749	6.8	80%
2018-19	23	4,917	1,031	4.8	57%
2019-20	35	8,148	979	8.3	69%

Source: Judicial Appointments Commission’s Annual Report 2019/20 (page 28: https://judicialappointments.gov.uk/wp-content/uploads/2020/11/jac_annual_report_200720_final1.pdf).

- 5.41 Table 5.3 sets out the data on recruitment undertaken by the Judicial Appointments Board for Scotland (JABS) since 2011-12.

Table 5.3: Applications and selections for all JABS exercises, 2011-12 to 2020-21

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	119	7	17.0
2018-19	181	8	22.7
2019-20	173	21	8.2
2020-21	170	18	9.4

Source: Judicial Appointments Board for Scotland data.

5.42 Table 5.4 sets out the data on recruitment undertaken by the Northern Ireland Judicial Appointments Commission (NIJAC) since 2011-12.

Table 5.4: Applicants and selections for all NIJAC exercises, 2011-12 to 2019-20

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
2019-20	51	3	17

Source: Northern Ireland Judicial Appointments Commission.

Recruitment: Judges in salary group 4

5.43 For the High Court, the most recent completed competition in 2020 resulted in 17 appointments, but eight vacancies remain. This was the fourth successive recruitment exercise seeking to fill 25 vacancies. There is a further 2021 competition underway for 17 judges. While the High Court complement is therefore the highest it has been for a number of years, recruitment remains fragile. We understand that the JAC does not recommend any candidate to the High Court unless they are assessed as either A (outstanding) or B (strong) in the JAC gradings.

- 5.44 The evidence from the JABS showed that all vacancies for Senators were filled in the most recent competition. We have heard too that there are promising signs that gaps in experience of civil and commercial expertise are being addressed by recent appointments.
- 5.45 A recent successful High Court Judge competition in Northern Ireland resulted in two appointments to fill the vacancies in the complement that had persisted since 2017. In addition, a new post has been created to provide a High Court Judge to the role of President of the Historical Institutional Abuse (HIA) Redress Board. It is funded by The Executive Office, and the Northern Ireland Department of Justice agreed a change to the statutory complement to allow this.
- 5.46 Table 5.5 shows JAC data for High Court recruitment exercises in England and Wales since 2012-13. We do not have JAC grades for the 2019-20 recruitment round.

Table 5.5: Vacancies and selections of candidates for the High Court in England and Wales, 2012-13 to 2020-21

Year	Vacancies being recruited for	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	Unknown
2020-21	17*	–	–	–	–	–

Source: Judicial Appointments Commission.

* Latest High Court Competition launched in October 2020 for 17 vacancies. Selections expected in June.

- 5.47 Table 5.6 below sets out the JABS data for Senators of the College of Justice recruitment exercises since 2011-12. JABS does not carry out 'grading' exercises.

Table 5.6: Applications and recommendations for Senators of the College of Justice in Scotland, 2011-12 to 2020-21

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	23	5	4.6
2020-21	23	3	7.7

Source: Judicial Appointment Board for Scotland data.

5.48 Table 5.7 sets out the NIJAC data for High Court recruitment since 2016-17. NIJAC does not carry out ‘grading’ exercises.

Table 5.7: Applications and recommendations for High Court Judges in Northern Ireland 2016-17 to 2020-2021

	Number of vacancies	Applications	Recommendations	Ratio of applications to recommendations
2016-17	3	–	0	–
2017-18	–	–	–	–
2018-19	3	10	2	3.3
2019-20	2	–	0	–
2020-21	4	19	4	4.8

Source: Northern Ireland Judicial Appointments Commission data.

Recruitment: Judges in salary group 5.1 and 5.2

5.49 A competition has recently been completed for Circuit Judges in England and Wales to appoint 63 judges. The number of applications received was 175 and resulted in 53 vacancies being filled. Even after this competition vacancies still remain.

5.50 There has been no recent Upper Tribunal Judge recruitment activity.

5.51 The JABS told us that a competition for the Office of Sheriff was run in 2020 to fill 12 vacancies. In total, 89 applications were received and all 12 vacancies were filled.

5.52 In Northern Ireland, at County Court level, there were 20 applications for one vacancy, which was filled. A new competition is underway to fill two vacant posts and to recruit three judges to be panel members of the HIA Redress Board.

5.53 Table 5.8 sets out the data for Circuit Bench recruitment in England and Wales since 2012-13. We do not have information about JAC grades for 2019-20 or 2020-21.

Table 5.8: Vacancies and selections of candidates for Circuit Judge recruitment in England and Wales, 2012-13 to 2020-21

Year	Vacancies being recruited for	Selections	Shortfall	Applicants	Applicants to post ratio	A and B grades (% of selections)
2012-13	–	–	–	–	–	–
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	13	401	3.4	89 (86%)
2018-19	94	72	22	200	2.1	52 (72%)
2019-20	50	42*	8	164	3.3	Unknown
2020-21	63	53	10	175	2.7	Unknown

Source: Judicial Appointments Commission.

* All 29 immediate vacancies were filled with 13 future appointments scheduled.

5.54 Table 5.9 below shows the JAC data for Recorder competitions in England and Wales since 2017-18. A new competition was launched in September 2020 for 70 vacancies which has not been completed at the time of writing. Recorders are part-time, fee-paid judges who sit in the Crown and County courts and have similar jurisdiction to Circuit Judges. They serve as an important, though not essential, route into the salaried Circuit Bench judiciary. In general, there have been few difficulties in recruiting fee-paid judges at the Circuit Bench level.

Table 5.9: Vacancies and selections of candidates for Recorder recruitment in England and Wales, 2017-18 to 2019-20

Year	Vacancies	Selections	Shortfall	Applicants	Applicants to post ratio
2017-18	150	150	0	2425	16.2
2018-19	–	–	–	–	–
2019-20	160	160	0	1233	7.7

Source: Judicial Appointments Commission.

5.55 Table 5.10 below sets out the data for Upper Tribunal recruitment since 2012-13. We do not have information about JAC grades for 2019-20. There have not been any further competitions since 2019-20. The table shows a generally stable picture with no shortfalls in recruitment.

Table 5.10: 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	–	–	6 (200%)
2013-14	8	8	0	–	–	10 (125%)
2014-15	6	12	0	–	–	9 (75%)
2015-16	–	–	–	–	–	–
2016-17	–	–	–	–	–	–
2017-18	5	5	0	–	–	33 (174%)
2018-19	9	9	0	37	4.1	9 (90%)
2019-20	2	2	0	19	9.5	Unknown

Source: Judicial Appointments Commission.

Note: As at 31 March 2020, there were 61 Upper Tribunal Judges in post.

5.56 Table 5.11 sets out the JABS data for recruitment to the Office of Sheriff and Office of Sheriff Principal in Scotland since 2011-12. JABS does not carry out ‘grading’ exercises.

Table 5.11: Applications and recommendations for Office of Sheriff and Office of Sheriff Principal in Scotland, 2011-12 to 2020-21

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
2020-21	89	12	7.4

Source: Judicial Appointment Board for Scotland data.

Note: Judicial Appointment Board for Scotland does not carry out grading exercises.

5.57 We understand that JABS is currently recruiting for 20 Sheriffs and that the candidates have a more diverse experience including civil and commercial practice and from practitioners in large civil firms. Overall, there appears to have been some improvement since the last recruitment round.

Recruitment: Judges in salary group 7

- 5.58 The last completed competition for District Judges in England and Wales, run in 2020-21, was for 75 vacancies. This resulted in 141 applications, of which 24 were selected for appointment. This was the second successive competition with a significant shortfall in filling vacant posts, with 68 per cent (51) of the vacancies in the previous round not being filled. A new competition is currently underway to fill 249 vacancies, and again a shortfall seems likely. The proportions of A and B graded selections were not provided by the JAC for 2019-20 and 2020-21.
- 5.59 Given the importance of Deputy District Judges in England and Wales as an essential feeder pool for District Judges, we include figures about their recruitment. There had been several years of little or no Deputy District Judge recruitment before 2018 and their number had sharply reduced. This is now being addressed by recurrent recruitment since 2018-19. In 2021, a further Deputy District Judge competition is underway, seeking to fill 150 vacancies.
- 5.60 It will, however, take a number of years to address the vacancies for District Judges via the Deputy District Judge feeder pool, due to the requirement that District Judges have prior judicial experience, usually obtained as a Deputy District Judge. In time successful recruitment of Deputy District Judges may be enough to address the vacancies at the salaried District Judge level. However, as the SSRB observed last year, it is an open question whether Deputy District Judges will apply for salaried District Judge posts in the same proportion as previously. Applications may be affected by the equalisation of pay between fee-paid and salaried judges, and the heavier burden placed on salaried judges (with less flexibility over sitting dates, the handling of more complex or onerous cases, and greater administrative responsibilities). We are monitoring this situation closely.
- 5.61 We continue to hear accounts of particular concerns at District Bench level about poor working conditions, increased workloads and questions about the impact of pension reforms on take-home pay, though the revised pension scheme will provide real benefits to total net remuneration from the reduced exposure to pension tax charges. These factors may also affect the proportion of Deputy District Judges who apply for District Judge roles in future.
- 5.62 A competition is currently underway to fill 25 vacancies for Employment Judges. There is no clear pattern of recruitment shortfalls in recent recruitment rounds.
- 5.63 Table 5.12 below sets out the data for District Judge competitions since 2013-14. We do not have information about JAC grades for 2019-20 and 2020-21.

Table 5.12: Vacancies and selections of candidates for District Judges (civil) in England and Wales, 2013-14 to 2021-22

Year	Vacancies	Selections	Shortfall	Applicants	Applicants to post ratio	A and B grades (% of selections)
2013-14	54	54	0	–	–	45 (83%)
2014-15	–	–	–	–	–	–
2015-16	61	61	0	199	3.3	65 (107%)
2016-17	–	–	–	–	–	–
2017-18	100.5	96	6.5	271	2.7	51 (53%)
2018-19	–	–	–	–	–	–
2019-20	110	47	45	190	2.1	Unknown
2020-21	75	24	51	141	1.9	Unknown
2021-22	106*	–	–	–	–	–

Source: Judicial Appointments Commission.

* Competition launched in September 2020. Selections in June 2021.

Note: As at 31 March 2020, there were 419 District Judges in post.

5.64 Table 5.13 below sets out the data from Deputy District Judge (civil) competitions in 2018-19 and 2019-20.

Table 5.13: Vacancies and selections of candidates for Deputy District Judges in England and Wales, 2018-19 to 2019-20

Year	Vacancies	Selections	Shortfall	Applicants	Applicants to post ratio
2018-19	303	320	0	1,704	5.6
2019-20	200	151	49	1,417	7.4
2020-21	150*	–	–	–	–

Source: Judicial Appointments Commission.

* Competition launched in November 2020 for 150 vacancies.

5.65 Table 5.14 below sets out the data for recent Employment Judge competitions.

Table 5.14: Vacancies and selections of candidates for Employment Judges, 2009-10 to 2020-21

Year	Vacancies	Selections	Shortfall	Applicants	Applicants to post ratio
2009-10	–	32	–	133	4.2
2011-12	8	8	0	50	6.3
2012-13	–	24	–	70	2.9
2018-19	54	59	0	420	7.8
2020-21	25	21	4	62	2.5

Retention

- 5.66 Judicial appointments are made from an external labour market. Applicants must have several years' experience as a legal professional and there is a long-standing convention that judges will not return to private practice. Therefore, for most, leaving the salaried judiciary coincides with retirement. The mandatory retirement age for the salaried judiciary is currently 70, though legislation will be put before Parliament this year to increase that to 75.⁷⁰ The age of those retiring is therefore the key indicator of judicial retention.
- 5.67 For several years, the number of judicial retirees each year and the average age at which judges retire has been fairly consistent. It varies slightly between salary groups, with District Judges retiring on average earlier than High Court Judges. However, that difference has also been stable over recent years. The number of early leavers is not generally increasing and judicial retirements are generally not happening earlier than in the past.
- 5.68 For England and Wales, key data supplied by the Judicial Office for 2011-12 to 2018-19 show that:
- The number of members of the higher judiciary (High Court and above) retiring before 65 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 figures in 2016-2017 and 2017-18.
 - The Association of Her Majesty's District Judges highlighted that 47 District Judges had retired in 2019. Four of these were under the age of 65 and 10 had more than 20 years' service, entitling them to a full pension. In 2020, 23 District Judges retired, seven of whom were under 65. Three received a full pension that was actuarially reduced and 12 received a full pension.

Motivation and morale

- 5.69 In May 2020, the third Judicial Attitude Survey was conducted with all serving salaried judges in the UK, covering England and Wales, Scotland and Northern Ireland. This survey was previously conducted in 2014 and 2016. It is carried out by the Judicial Institute at University College London and aims to assess the attitudes of serving salaried judges in the UK.
- 5.70 The 2020 survey was completed by 99.6 per cent of judges in England and Wales, 79 per cent of judges in Scotland and 93 per cent of judges in Northern Ireland. Overall, the responses were somewhat more positive than previously, despite the survey being carried out in the middle of a pandemic. Views on pay are likely to have been influenced by the plan for the reformed judicial pension scheme that has, we believe, set expectations that the changes will be carried through.
- 5.71 For instance, the survey showed that nearly two thirds of all salaried judges (64 per cent) in England and Wales in the Courts and the UK Tribunals said they felt that their pay and pension entitlement combined did not adequately reflect their work. This was a reduction from 2016, when 74 per cent felt this way. In Scotland and Northern Ireland, the percentage of salaried judges saying this has also fallen since 2016.

⁷⁰ See: <https://www.gov.uk/government/consultations/consultation-on-judicial-mandatory-retirement-age>

- 5.72 In 2020, almost two thirds of judges (64 per cent) in England and Wales and the UK Tribunals said they would encourage suitable people to apply to the judiciary, an increase of 7 percentage points from 2016. Over three quarters of all Scottish judges (78 per cent) said they would encourage suitable people to apply to the judiciary, a substantial increase of 14 percentage points from 2016. In Northern Ireland, 50 per cent of judges said they would encourage suitable people to apply to the judiciary, which is also a substantial increase (11 percentage points) from 2016.
- 5.73 However, as Annex 3 to this Chapter shows, there are stronger signs of concern over working conditions and administrative support at the District and Circuit Benches. This may in part be the cause of the lower propensity of those judges to say they would encourage suitable people to apply for judicial posts.

Conclusions and observations

Summary of 2021 recruitment and remuneration findings

- 5.74 There continues to be a high level of recruitment activity by judicial appointments bodies. The JAC in England and Wales has been particularly busy. Overall, the recruitment picture has improved, with a higher proportion of vacancies being filled in most recruitment exercises. However, shortfalls remain and these are particularly marked for the District Bench and, to a lesser extent, for the Circuit Bench.
- 5.75 At the High Court, while the complement of judges remains below the statutory quota,⁷¹ the position has improved. However, a shortfall remains even after the most recent reported competition. While the complement is looking somewhat healthier than it has done in recent times, it remains fragile due to impending retirements and promotions. A competition for a further 17 High Court Judges is currently underway.
- 5.76 Some improvement is also apparent in the recruitment of Circuit Judges, where there has been progress in filling the backlog of vacancies, but with continuing shortfalls in recent competitions. These remain significant, though the numbers of vacancies are diminishing.
- 5.77 **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.** We recognise that there are many factors behind the shortfall in recruiting District Judges, including the depletion of the (fee-paid) Deputy District Judge feeder pool. We note that a further Deputy District Judge competition is underway.
- 5.78 However, any increases to the feeder pool will take a number of years to address the vacancies in the full-time bench due to the requirement that District Judges must have significant prior judicial experience in a fee-paid role. We are also aware of concerns that, while the part-time, fee-paid Deputy District Judge role may be attractive, it is an open question as to whether Deputy District Judges will find the move to full-time salaried judicial roles as attractive as before – that is, whether the proportion of Deputy District Judges who apply to become salaried District Judges remains the same in the future.
- 5.79 There is to be no annual pay award for the judiciary this year, though revisions to the judicial pension scheme are, at the time of writing, progressing towards a planned implementation date of April 2022.

⁷¹ The statutory maximum number of full-time equivalent High Court Judges is 108. See: <https://www.legislation.gov.uk/ukpga/1981/54>

- 5.80 **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.**
- 5.81 As our Major Review showed, the changes to the judicial pension scheme in 2015 had a significant impact on judges' overall remuneration. The new pension scheme will, if enacted, address this to a large extent. Further details can be found in Annex 2 to this Chapter.
- 5.82 The proposed pension reforms may affect recruitment differently for the various categories of judges. This is because salary groups above the current District Judge level will benefit from the effects on both annual pension taxation and lifetime allowance taxation, while judges at District Bench level will benefit from the effects on lifetime allowance taxation. However, this is still a real benefit for the judges in this pay group, even if it does not increase their take-home pay.
- 5.83 **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.**

Judicial working conditions

- 5.84 In both our Major Review and our 2020 Report, we made observations about a number of issues which, while not related to judicial pay, seem to us relevant to judicial recruitment and retention. We believe these are still relevant and some of this year's evidence confirms this. Although we have seen some real progress in some areas, others need continued attention.
- 5.85 **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.** Evidence from this year's Judicial Attitude Survey presented in Annex 3 supports this view and shows how these issues are a particular concern for the District Bench and, to a lesser degree, for the Circuit Bench.
- 5.86 We know that the COVID-19 pandemic has led to a growth in the backlog of cases facing the court system, even with the exceptional efforts to make more use of digital working for some hearings. As courts return to more in-person hearings, we believe that the judiciary and the MoJ are already considering when in-person hearings are needed, and when work can be made more efficient with the use of digital technologies. However, the resourcing of the court estate and sitting days, and the consideration of when additional administrative support would result in greater system efficiency, undoubtedly remain as background issues. These affect the attractiveness of judicial roles and judicial recruitment, particularly for the Circuit and District Benches, where high volumes of cases are heard.
- 5.87 In the Major Review (and in our early discussions with the MoJ and senior judiciary about our findings from it), we drew attention to the need to devote more resources and strategic thinking to the judicial HR function, including not only the handling of individual personnel issues but also strategic planning, consideration of leadership and succession and other medium-term issues. This is particularly important since the constitutional independence of the judiciary requires that this should be led by the judiciary itself, from the Judicial Office.

5.88 Following a 2019 review of the judicial HR support, additional resources were provided by the MoJ to the Judicial Office which enabled the provision of enhanced HR support to all judges and more prospective planning of strategic issues. Career conversations have been in place since 2018 between judges and their leadership judge to provide support. They provide an opportunity to discuss issues such as future career aspirations, development and well-being. Work has also continued on developing appraisal arrangements for the judiciary. There is a Recorder Appraisals Scheme in place in crime and civil jurisdictions. A pilot scheme is running in the family jurisdiction and, once completed, all Recorders will be appraised on a regular basis. **We hope the MoJ will continue to support strategic developments to enable the senior judiciary to exercise its leadership and management responsibilities effectively.**

Workforce planning

5.89 **We welcome the efforts of the MoJ, the Judicial Office, the JAC, the JABS and the NIJAC 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.** This includes vacancies arising from predicted retirement and replenishing the ‘feeder pools’ for the salaried judiciary.

5.90 The longer lead times now given to recruitment exercises are also welcome, as they help ensure potential candidates can plan their applications accordingly. This is not only important for the court system as a whole but also because unfilled vacancies place even more burdens on serving judges and can make the judicial role seem less attractive. **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.**

Data on judicial recruitment

5.91 In both our Major Review and our 2020 Report, we noted that, while there are no objective measures of the ‘quality’ of judicial applicants, it is essential to have more data than are currently available about the applicant pool and those candidates who are appointed to the judiciary. Perhaps even more important than informing evidence-based discussions about ‘quality’, collecting better information about the characteristics of those applying for judicial posts would help enormously in monitoring long-term trends not only about applicants, but, by implication, about who is *not* applying for judicial roles. We know that this raises complex issues and are aware of the huge pressures on the judicial appointment bodies over the past few years. However, **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.

5.92 **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.** It would certainly improve the long-term monitoring of judicial recruitment. We hope that discussions with the judicial recruitment bodies about this will resume in the next year.

5.93 It would be helpful in future years for the SSRB to receive data on the ethnicity of judicial office holders in Scotland and Northern Ireland.

Additional plans for 2021: Non-Legal Member fees review

5.94 In March 2021, the SSRB received a remit letter from the Lord Chancellor asking if it would undertake a review of the daily sitting fees paid to Non-Legal Members (NLMs) in tribunals in England and the devolved tribunals in Northern Ireland. A review of these fees was last undertaken in 2008. The SSRB has accepted the invitation to carry out the review and welcomes the opportunity to provide robust and independent advice on the fees for NLMs.

5.95 We will be considering and making recommendations in respect of the fees paid to NLMs in tribunals with the aim of achieving greater consistency in fees for NLMs fulfilling comparable roles and to ensure that fee rates are set at a level which enables the recruitment and retention of high-calibre individuals.

5.96 A representative advisory group, including a range of NLMs with varying roles and other relevant stakeholders, has been set up by MoJ to advise on the evidence gathering process for the review. The evidence collection phase of the review is due to be completed by summer 2021. Subject to receiving the evidence on time, the SSRB will submit a draft report to MoJ and relevant Northern Ireland departments in January 2022.

Annex 1: The judicial remit group

5.97 Our standing remit group comprises salaried judicial office holders in the courts and tribunals of the UK. Table 5.16 sets out the position in 2020, when there were 2,259 such office holders. Data provided by the MoJ showed that the 1,973 salaried judges in England and Wales were made up of some 1,398 court judges and 506 tribunal judges.⁷² There was a total of 205 salaried judicial office holders in Scotland and a total of 81 in Northern Ireland.

5.98 The headcount figures in Table 5.16 are up until March 2020. They do not take account of the new salary structure introduced from 1 April 2020 that moves Upper Tribunal Judges (including the Surveyor Members of the Lands Chamber), and Senior Masters and Registrars to a new salary group 5.1. The Circuit Judge level tier has been re-designated salary group 5.2 instead of 6.1. The salary group 6.2 has been re-designated salary group 6, and all salary groups below remain the same. Table 5.15 below illustrates the previous and new salary groups.

Table 5.15: Previous and new salary groups

Previous salary group	New salary group 1 April 2020
5	5
6.1	5.1 new group
6.1	5.2
6.2	6

5.99 Data from *Judicial Diversity Statistics 2020* highlighted the following key findings for England and Wales for 1 April 2020:

- Women represented 32 per cent of court judges, 1 percentage point higher than in 2019 and 8 percentage points higher than in 2014. For tribunal judges it was 47 per cent, the same as in 2019 and 4 percentage points higher than in 2014. This is better than for many of our remit groups, though further improvement is still needed.
- 8 per cent of court judges and 12 per cent of tribunal judges declared themselves from an ethnic minority background. This is the same as in 2019. However, the percentages have increased by 2 percentage points since 2014 and are higher than for most of our remit groups, though again further improvement would be welcome.
- 32 per cent of court judges and 63 per cent of tribunal judges were from non-barrister backgrounds.

5.100 Data for Scotland showed that women represent 25 per cent of judicial office holders as of January 2021.⁷³

5.101 Data for Northern Ireland showed that women represent 38 per cent of salaried judicial office holders as of 31 March 2020.⁷⁴

⁷² Due to discrepancies between data sets, the deployment of the remaining 69 judges has not been provided.

⁷³ Source: Evidence to the SSRB from the Judicial Office of Scotland, unpublished.

⁷⁴ Source: Evidence to the SSRB from the Northern Ireland Judicial Appointments Commission, unpublished.

5.102 We have not been provided with ethnicity information for Scotland and Northern Ireland. It would be helpful in future years for the SSRB to receive data on the ethnicity of judicial office holders in these jurisdictions.

Pay

5.103 From 1 April 2020, the judicial salary system consists of 12 salary groups. Judges are paid at a spot rate. There is neither progression pay nor performance-related pay.

Table 5.16: Judicial salaries and numbers in post (headcount) for 2020 by UK jurisdiction and salary group

Salary group (<i>examples of specific roles</i>)	Annual salary (1 April 2020) £	Headcount				Total
		E&W ¹	NI ¹	Scotland ²		
1 (Lord Chief Justice)	267,509	1	0	0	1	
1.1 (Lord Chief Justice NI, Lord President)	238,868	2	1	1	4	
2 (Justices of the Supreme Court)	230,717	14	0	1	15	
3 (Lord/Lady Justices of Appeal, Inner House Judges of the Court of Session)	219,396	39	3	8	50	
4 (High Court Judges, Outer House Judges of the Court of Session)	192,679	99	8	23	130	
5+ (Judge of the First-tier Tribunal (Social Entitlement Chamber) and Deputy Judge of the Upper Tribunal)	163,585	4	0	0	4	
5 (Senior Circuit Judges, Sheriffs Principal)	154,527	78	20	7	105	
6.1 (Circuit Judges, County Court Judges (Northern Ireland), Sheriffs)	143,095	728	5	124	857	
6.2 (Surveyor Members, Lands Tribunal (Scotland and Northern Ireland))	134,717	11	1	0	12	
7 (District Judges)	114,793	989	43	39	1,071	
8 (Medical Members, Members of the Scottish Land Court)	91,217	8	0	2	2	
Total		1,973	81	205	2,259	

¹ England, Wales and Northern Ireland data as of 31 March 2020.

² Scotland data as of January 2021.

Source: Evidence to the SSRB from Ministry of Justice, Northern Ireland Courts and Tribunal Service and Judicial Office of Scotland, unpublished.

5.104 Recruitment and retention allowances (RRAs) have been used since 2017:

- In 2017, the Government announced an 11 per cent temporary RRA for High Court Judges (and above) who are members of the New Judicial Pension Scheme (NJPS).
- Following the Major Review, in 2019 the MoJ increased the value of the RRA to 25 per cent. This RRA is now in place for all salaried High Court Judges and above, eligible for the NJPS, in England and Wales as well as Senators in Scotland and High Court Judges in Northern Ireland.
- The RRA for High Court Judges will be withdrawn if the proposed new judicial pension scheme is enacted.
- Additionally, in 2019 a 15 per cent RRA was introduced for Circuit Judges, Upper Tribunal Judges and other specific roles in salary group 6.1 (as was) who were eligible for the NJPS. Following the changes to the annual allowance pension taxation taper in the March 2020 Budget, the Government withdrew RRAs for this group; our modelling of the effect of the pension tax changes endorsed the case for this decision.
- District Judges have not received any RRA.

Annex 2: Judicial pension schemes

- 5.105 Our Major Review highlighted the significant impact that pension scheme reform, and specifically the introduction of the tax-registered pension scheme from 2015, had on judicial recruitment and retention. This was particularly through exposure to the increasing impact of pension tax charges, for both the annual and lifetime allowances. Because all judicial posts are filled by recruitment from an external labour market of relatively well-paid legal professionals, many of our remit group members are affected by the pension lifetime allowance taxes, though we do not have individual-level data about this. Taken together, the introduction of the 2015 New Judicial Pension Scheme (NJPS) and changes to the tax allowance thresholds in successive years resulted in a large reduction in total net remuneration offered to the judiciary for all levels of the judiciary – reductions that were much larger than for any other of our remit groups.
- 5.106 To reflect the impact of this on higher-earning members of the NJPS, in the Major Review we recommended pay increases of 32 per cent for a High Court Judge, 22 per cent for a Circuit Judge, and 8 per cent for a District Judge. These would not have compensated for the reductions of total net remuneration for the judiciary that our models estimated but were our judgements at that time of the minimum degree of uplift that would have been needed to begin to redress the balance. These recommendations for pay increases were not accepted; instead, Recruitment and Retention Allowances (RRAs) worth 25 per cent for a High Court Judge and 15 per cent for a Circuit Judge in the NJPS were introduced as a temporary measure, pending pension reform.
- 5.107 A consultation⁷⁵ on a new judicial pension scheme concluded in October 2020, and the Government's response was announced in February 2021, and reaffirmed in the legislation proposed in the Queen's Speech, 2021.⁷⁶ Many of the features of the proposed reformed scheme will follow the main principles of the 2015 pension reforms. This entails a career average accrual model, no restriction on the number of accruing years in service and linking the normal pension age to State Pension age (or 65 years if this is higher). Members will also be allowed to commute part of their annual pension in exchange for a one-off lump sum on retirement.
- 5.108 The reformed scheme will, however, retain its tax-unregistered status. The key benefit of tax-unregistered status is that lifetime and annual allowance tax charges, which we identified as a significant driver of the recruitment and retention issues in the Major Review, will not apply. Several features flow from this change in tax status: member contribution rates will be lower than those of the 2015 NJPS to reflect the fact that members will not receive tax relief on their contributions, and a commutation supplement would also be paid to members who commute their pension in exchange for a lump sum to compensate for the tax-unregistered status of the scheme. In line with JUPRA, the accrual rate will be set at 2.50 per cent, an increase from the 2.32 per cent rate in NJPS. There will be a uniform contribution rate of 4.26 per cent.
- 5.109 A consultation on the judicial response to the McCloud ruling (that the public sector pension reforms unlawfully treated existing pension scheme members differently based on members' age on the 1 April 2012) has also concluded. All judges in scope will be given a retrospective choice over whether to have accrued benefits in JUPRA/FPJPS or NJPS for the remedy period (2015 to 2022). This choice will be made through a formal 'options exercise' following the introduction of the reformed pension scheme in April 2022.

⁷⁵ See: <https://www.gov.uk/government/consultations/consultation-on-a-reformed-judicial-pension-scheme>

⁷⁶ See: <https://www.gov.uk/government/publications/queens-speech-2021-background-briefing-notes>

5.110 All salaried and fee-paid judicial office holders who are eligible for a judicial pension will join the reformed scheme automatically unless they decide to opt out of the scheme.

Table 5.17: Key features of the judicial pension schemes

	JUPRA/FPJPS (before 2015)	NJPS (from 2015)	Proposed reformed scheme
Accrual model	Final salary	Career average	Career average
Service cap	20-year limit	No limit	No limit
Retirement age	65 years of age	State pension age	State pension age
Tax status	Tax-unregistered	Tax-registered	Tax-unregistered
Accrual rate	2.5%	2.32%	2.5%
Contribution rate	2.76% – 4.83%	4.6% – 8.05%	4.26% (optional reduction to 3% for the first three years of the scheme)
Lump sum and supplement arrangements	Automatic lump sum on retirement (2.25 x annual pension) plus a Judicial Service Award payment to compensate for the tax payable on the lump sum due to the tax-unregistered status of the scheme.	Option to commute part of earned pension as a tax-free lump sum at a rate of 12:1.	Option for members to commute part of their earned pension into a lump sum at a rate of 12:1, with a commutation supplement to compensate for the tax-unregistered status of the scheme.

5.111 Concerns have been raised about the effect of the proposed reformed judicial pension scheme on the take-home pay for judges in salary group 7. With the contribution rate set at 4.26 per cent, group 7 judges moving from NJPS to the reformed scheme, and some fee-paid and part-time judges, would see a reduction in their take-home pay as a consequence of the level of tax relief they currently receive on their contributions in a registered scheme. This group of judges currently benefits from a marginal tax relief rate of 60 per cent because of the reduction in the personal allowance on earnings between £100,000 and £125,000 (full-time group 7 judges earn £114,793). Following the consultation, current members of the judiciary will have the option to pay a lower contribution rate with a correspondingly reduced accrual rate for the first three years of the reformed scheme. Under this option, a judge would be able to pay a contribution rate of 3 per cent instead of 4.26 per cent, and their accrual rate would be reduced from 2.5 per cent to 2.42 per cent.

5.112 It is important to note, however, that even group 7 judges will benefit through reduced exposure to the pensions lifetime allowance under the new scheme, which will in most cases provide a substantial uplift to the value of the pension on retirement.

Take-home pay and total net remuneration

5.113 We have updated our analysis of take-home pay and total net remuneration, which tracks reward for specific roles over the last decade. This 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.⁷⁷

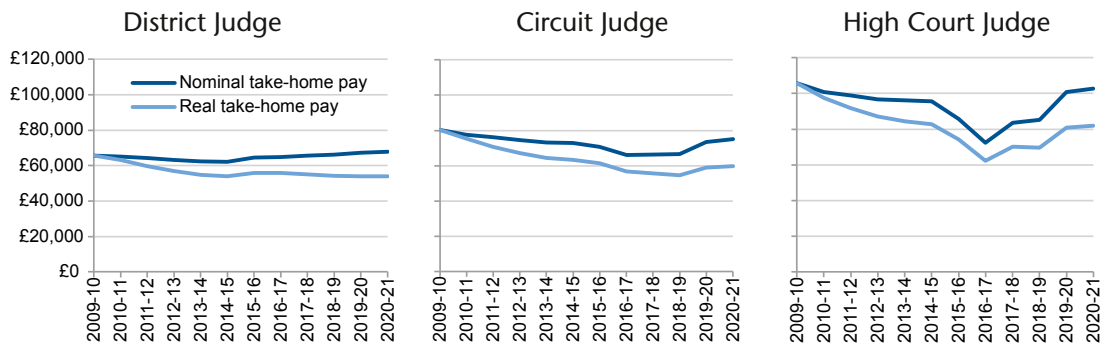
5.114 Take-home pay is defined as annual gross pay (base pay plus any allowances) less employee national insurance contributions, income tax, employee pension contributions and any annual allowance tax charge, assuming no carry over of unused allowance. Total net remuneration includes the value of pension benefits accrued in the year. Changes to the annual allowance taper were introduced in the March 2020 Budget. These changes mean that some high earners stand to benefit, by up to £13,500, while the highest earners in the remit group stand to lose out.

5.115 Take-home pay for a District Judge in the NJPS increased by 0.7 per cent over the year 2019-20 to 2020-21. This was less than the 2 per cent pay award because earnings at this level are subject to the withdrawal of the personal income tax allowance for those earning between £100,000 and £125,000. This role also just breaches the £40,000 pension annual allowance, so is subject to a small but increasing pension tax charge.

5.116 Take-home pay for a Circuit Judge in the NJPS increased by 2.0 per cent over the year. This role benefited significantly from the increased pension annual allowance, with the tax charge reducing from just over £17,000 in 2019-20 to just over £5,000 in 2020-21. However, the 15 per cent RRA was withdrawn in 2020-21, neutralising much of the benefit from the lower tax charge.

5.117 Take-home pay for a High Court Judge in the NJPS also increased by 2.0 per cent over the year. This group is still subject to the annual allowance taper, and saw a small benefit from the change, worth under £2,000.

Figure 5.1: Nominal and real take-home pay, 2009-10 to 2020-21

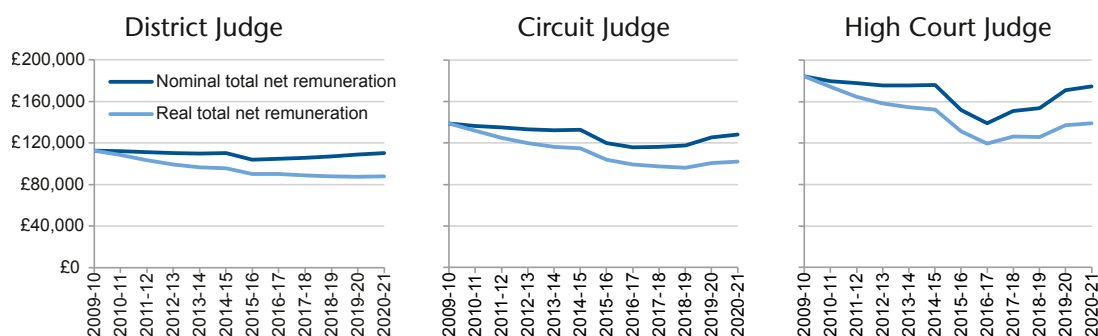


Note: Assumes switch from JUPRA to NJPS in 2015. Only looks at in-year earnings and does not include the impact of the lifetime allowance. Nominal take-home pay makes no adjustment for inflation. Real take-home pay based on the 2009 Consumer Price Index.

5.118 Taking into account the pension benefit, over the year total net remuneration increased by 1.2 per cent for a District Judge in the NJPS; 2.0 per cent for a Circuit Judge; and 2.2 per cent for a High Court Judge.

⁷⁷ 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.

Figure 5.2: Nominal and real total net remuneration, 2009-10 to 2020-21



Notes: Assumes switch from JUPRA to NJPS in 2015. Only looks at in-year earnings and does not include the impact of the lifetime allowance. Nominal total net remuneration makes no adjustment for inflation. Real total net remuneration is based on the 2009 Consumer Price Index.

Impact of the proposed new judicial pension scheme

5.119 We have used our existing method of calculating take-home pay and total net remuneration (TNR) to estimate the impact of the proposed new judicial pension scheme, though again the modelling does not take account of the lifetime allowance. Table 5.18 shows the figures using 2020-21 salaries and tax arrangements.

Table 5.18: Take-home pay and total net remuneration under the existing and proposed judicial pension schemes

	JUPRA		NJPS15		Proposed new scheme		
	Salary £pa	Take-home pay £pa	TNR £pa	Take-home pay £pa	TNR £pa	Take-home pay £pa	TNR £pa
District Judge	114,793	67,199	119,573	67,842	110,453	67,371	113,288
Circuit Judge	143,095	80,325	145,612	75,078	128,195	80,539	137,777
High Court Judge	192,679*	104,377	192,287	103,280	174,803	105,052	182,123

*£240,849 in NJPS.

Source: OME analysis.

5.120 For a District Judge, there would be a small fall in take-home pay in the proposed new pension scheme compared to the NJPS (0.7 per cent). While there is no longer a small (£1,000) annual allowance charge, there is an increase in income tax as this salary is subject to the personal allowance taper. There would be a small increase in take-home pay (0.3 per cent) compared to JUPRA due to lower pension contributions. There would be an increase in total net remuneration compared to NJPS (2.6 per cent) due to the higher accrual rate in the proposed new pension scheme. There would be a fall in total net remuneration compared to JUPRA (-5.3 per cent) due to the loss of the pension lump sum.

5.121 For a Circuit Judge, there would be a large increase in take-home pay in the proposed new pension scheme compared to NJPS (7.3 per cent) due to the loss of the (£5,000) annual allowance charge. There would be a small increase in take-home pay (0.3 per cent) compared to JUPRA due to lower pension contributions. There would be a large increase in total net remuneration compared to NJPS (7.5 per cent) due to the loss of the annual allowance charge and the higher accrual rate. There would be a fall in total net remuneration compared to JUPRA (-5.4 per cent) due to the loss of the pension lump sum.

- 5.122 For a High Court Judge, there would be an increase in take-home pay in the proposed new pension scheme compared to NJPS (1.7 per cent) as the loss of the (£27,000) annual allowance charge is not entirely offset by the removal of the RRA. There would be a small increase in take-home pay (0.6 per cent) compared to JUPRA due to lower pension contributions. There would be an increase in total net remuneration compared to NJPS (4.2 per cent) due to the loss of the annual allowance charge and the higher accrual rate (not fully offset by the removal of the RRA). There would be a fall in total net remuneration compared to JUPRA (-5.3 per cent) due to the loss of the pension lump sum.
- 5.123 The largest gains from the proposed new pension scheme (compared to the NJPS) will be through avoidance of the lifetime allowance pension tax charges. The size of this is, of course, dependent on the value of pension savings made by individuals during their previous careers. However, on a judicial pension of £75,000, equivalent to a pension pot of £1.5 million, this would be worth £235,000 in tax charges not incurred.

Annex 3: Judicial Attitude Survey 2020

- 5.124 The Judicial Attitude Survey has taken place three times – in 2014, 2016 and 2020. It covers salaried judges in the England and Wales courts and UK tribunals, salaried judges in Scotland and salaried judges in Northern Ireland. It has an extremely high response rate. It measures a range of attitudes among the judiciary, covering motivations for joining the judiciary and views on working conditions, pay and pensions, and the workings of courts.
- 5.125 This Annex provides only a brief summary, focusing on issues related to the SSRB's remit. The SSRB views these data as helpful indicators, particularly when time trends can be observed, but notes that expressed intentions about future behaviour are not necessarily an accurate guide to actual behaviour.
- 5.126 In this summary, we focus on answers given by judges in England and Wales courts and UK tribunals. Detailed analyses can be found in the published report.⁷⁸ Separate reports were published for Scotland⁷⁹ and Northern Ireland.⁸⁰

Pay and pensions

- 5.127 A majority of court-based judges said they were earning more than their judicial salary before they were appointed. In general, the higher the level of the court, the larger the proportion saying they earned more or substantially more in pay before they became a judge. Over nine in ten judges at High Court level or above reported this, as did three in five judges at Circuit level. In comparison, only 30 per cent of District Judges (civil) and 47 per cent of District Judges (magistrates) earned less than they did before becoming judges, as did 57 per cent of First-tier Tribunal Judges. These reports broadly match the findings from our Major Review.
- 5.128 While responses to many questions on pay and pensions still showed a majority of the judiciary were dissatisfied, these proportions were generally significantly lower than in 2016. Although there were no questions in the survey about the proposals for a reformed judicial pension scheme, it may be that declining dissatisfaction with pay is related to the Government's proposal for a reformed judicial pension scheme. This is supported by the fact that over three quarters of judges said they were following developments about judicial pensions closely.

Working conditions and working during the COVID-19 pandemic

- 5.129 There was still marked unhappiness among the judiciary about working conditions. Many questions ask about changes in the last two years, so in theory do not measure absolute levels of concern but only whether conditions have got better or worse or stayed the same over this period. In general, the proportions who say that working conditions have worsened over the past two years have declined since 2016. Even so, it is clear that judges in the Circuit and District Benches were more likely than other court-based or tribunal judges to say that working conditions were worse.
- 5.130 A few questions did ask for ratings of working conditions. Of those most relevant to recruitment, 30 per cent of judges said the amount of administrative support they received was poor, 38 per cent said the physical quality of the building they worked in was poor, and 47 per cent said the maintenance of the building they worked in was poor. Concerns about the adequacy of administrative support and physical building quality

⁷⁸ See: <https://www.judiciary.uk/announcements/judicial-attitudes-survey/>

⁷⁹ See: <https://www.judiciary.scot/home/media-information/media-hub-news/2021/02/25/judicial-attitude-survey-published>

⁸⁰ See: <https://www.judiciaryni.uk/judicial-attitude-survey>

were higher among Circuit and District Judges (civil), while concerns about building maintenance were more widespread.

5.131 Views on various issues to do with IT resources and digital ways of working had become more positive, though there was still room for improvement. There were two particular questions related to the ways courts work. Whereas in 2016 only about two in five judges said they were regularly required to use electronic files and bundles, that had increased to 55 per cent of judges in 2020. In 2016, only 52 per cent of judges had Wi-Fi in their courtrooms or hearing rooms; that had increased to 95 per cent in 2020. There were still concerns about the provision and support for IT for remote working outside of courtrooms or hearing rooms.

5.132 While the COVID-19 pandemic changed ways of working, this varied enormously by judicial post. Almost all District Judges (magistrates) (87 per cent), a majority of District Judges (civil) (52 per cent) and just under half of all Circuit Judges (44 per cent) were working in their courts all or most of the time. A majority of Court of Appeal Judges (55 per cent) and First-tier Tribunal Judges (54 per cent) were not working in their court or tribunal building at all.

Recruitment

5.133 A majority of judges said that, knowing what they know now, they would still have applied to be a salaried judge. The proportions, however, differed markedly by judicial post. For instance, about four in five High Court Judges, First-tier Tribunal Judges, and even District Judges (magistrates) said they would still have applied, compared to about three in five Circuit Judges, and only about half of District Judges (civil).

5.134 Similar differences by judicial post were shown in answers to a question about whether existing judges would encourage suitable people to apply to join the judiciary. Among High Court Judges, 79 per cent said they would encourage suitable people to apply, whereas 71 per cent of District Judges (magistrates), 60 per cent of Circuit Judges, and only 41 per cent of District Judges (civil) gave this response. Indeed, among District Judges (civil), the proportion saying they would encourage suitable people to apply actually fell between 2016 and 2020, the only judicial group to show this trend.

Chapter 6

Senior Leaders in the NHS in England

Summary

- 6.1 The Senior Salaries Review Body (SSRB) has previously made recommendations regarding the pay of Executive and Senior Managers (ESMs) in the English NHS. Our work led us to conclude that the ESMs alone do not form a practical or sensible remit group. We were pleased, therefore, that in his remit letter for our 2021 Report, the Secretary of State asked us to look at the pay of Very Senior Managers (VSMs) in the NHS as well as ESM pay. As he requested, we make observations rather than formal recommendations, which we hope to be asked to provide in future years.
- 6.2 We have undertaken our work during a period when the NHS has been under great pressure because of the COVID-19 pandemic. It is also embarking on a major programme of change including the introduction of integrated system working.⁸¹
- 6.3 We found that the levels of pay for senior health leaders are broadly appropriate. Recruitment and retention data suggest that it is usually possible to fill posts. They do not point to any widespread retention problems. However, we also note:
- There are risks of a loss of leadership capacity. In discussion groups, we heard on a number of occasions that some leaders are reflecting on their future in light of their experience during the pandemic. We note that around 40 per cent of chief executives are 55 or older.
 - While in general terms the recruitment and retention position is satisfactory, there are some specific areas of difficulty and concern. This is the case for certain roles and specialist skills which are in demand across both the public and private sectors. Among VSMs, it is finance director posts which are most often vacant and we heard from the ESMs we met that it is increasingly difficult to attract and retain senior specialists in digital, data and analytics.
- 6.4 In our view, ESMs and VSMs are a single leadership group. Together, they head a service with a clear common purpose, multiple interactions and aligned leadership requirements. There is significant movement of senior leaders between trusts, Clinical Commissioning Groups (CCGs) and Arm's Length Bodies (ALBs) of the Department of Health and Social Care (DHSC). Over 80 per cent of entrants to the VSM cohort in the year to September 2020 came from the health sector. We note, moreover, that the majority of those working in organisations led by ESMs and VSMs are covered by the same Agenda for Change (AfC) pay framework.
- 6.5 We therefore believe that the case for entirely separate pay frameworks for ESMs and VSMs should be reviewed. A single framework, or at least, a formal coordination of the arrangements between the two frameworks, would recognise the commonality of purpose and the many similar leadership requirements. It would also enable extended talent management arrangements and easier movement between ESM and VSM roles.
- 6.6 We also suggest examining further the relationship between ESM and VSM pay and the top of the AfC pay framework. Although the data indicate that the great majority of ESMs and VSMs are paid above the highest (band 9) AfC range, we were repeatedly

⁸¹ Integrated system working involves the removal of traditional divisions between hospitals and family doctors, between physical and mental health, and between the NHS and council services.

told that the rise in pay does not match the increase in job complexity, challenge and accountability.

- 6.7 Salary levels for VSMs are primarily determined by their role, the budget of their employing organisation and the nature of its activity, for example, acute, mental health or community care. We do not believe that this is the right basis for setting pay. It is founded on presumptions which may not be valid. It does not necessarily encourage experienced and able leaders to move to organisations which would particularly benefit from their skills. We therefore believe there is merit in exploring a reward model which also takes account of factors such as complexity, challenge and accountability. We do not believe this would require detailed evaluation of every individual post.
- 6.8 We would also encourage careful assessment of the best combination of central and local decision-taking in relation to the determination of individual pay. Optimising this balance will require clear principles, standardised operating arrangements and local capabilities. More effective local decision-making within the context of a clearer national framework will have many benefits. Specific local circumstances will be appropriately recognised. The requirement for national approval of salaries above defined, arbitrary thresholds could also be reduced. To strengthen local capabilities, we suggest actions such as a development or support programme for remuneration committees. They play an important role but we observed variability in the quality of their practice.
- 6.9 Salary is not the only element of reward for health leaders. We heard how much the satisfaction of interesting and important public service roles is valued. There is also considerable job security and excellent pension provision.
- 6.10 However, pension taxation is a source of discontent. We note that while the 2020 Budget has significantly improved the position on pension taxation for most people, this is not yet widely understood. We would like to see clearer communication about exposure to pension taxation and the value of the pension as a staff benefit. We also suggest there should be greater flexibility for employees who would like to reduce their tax liabilities by taking some of their remuneration as non-pensionable pay.
- 6.11 Overall, we believe that senior pay in the health service needs appropriate evolution and development rather than a fundamental overhaul. We look forward to contributing to this over the next 12 months.

Context

Senior health leaders

- 6.12 We have greatly welcomed the opportunity, enabled by our extended remit, to make observations about the reward arrangements for all senior managers and leaders in the health sector. Our analysis of relevant evidence and our interactions with these leaders have provided a clear understanding of the distinctive nature of the roles they carry out. We appreciate the inherent complexity, the high levels of accountability and the underlying obligations of public service. We have been impressed by the strong values, commitment and flexibility of those filling these roles and their determination to maintain appropriate standards of care even in the most testing circumstances.
- 6.13 We are also now better aware of the nature of the job market for senior leaders in health. Traditionally, the emphasis has been on internal development and progression, recognising the specialist nature of many roles and the requirement for considerable NHS experience. This is most obviously the case for clinical roles⁸² but is also relevant to other functional and generalist leadership posts. The position for ESMs is more

⁸² Roles requiring medical experience and expertise, such as medical director or nursing director.

varied, with a blend of internal progression and movement from the NHS or from external organisations.

- 6.14 We have undertaken our work at a time of unique challenge and change for the NHS and the wider health sector. The most notable challenge relates to the management of the COVID-19 pandemic. This has placed unprecedented pressure on the NHS for an extended period. All parts of the wider health and care workforce have played a part in mobilising the response to the crisis. However, we would particularly note the contribution of senior health leaders. Many lessons have been learned about a wide range of issues, including partnership working, innovation, staff well-being, inequalities and leadership. We are also very much aware that the challenges will continue as the vaccination programme is rolled out and the work on recovery proceeds.
- 6.15 The health and care sector is, moreover, entering a period of significant change. This is set out in the White Paper: *Integration and Innovation: working together to improve health and social care for all* published in February 2021.⁸³ The paper describes a rapid movement to integrated system working propelled by collaboration rather than competition. The emphasis is on transformational change in care delivery and collective work with local government and other parties to reduce health inequalities. This will have important implications for leaders in the NHS and, to an extent, the ALBs. CCGs will be dissolved and their functions will be transferred to Integrated Care Systems.⁸⁴ Provider Collaboratives will evolve, bringing together a number of currently separate entities, and new relationships between local, regional and national bodies will be forged.⁸⁵ The current leadership landscape will therefore change and new leadership competencies will be required.
- 6.16 We also note the publication of *We are the NHS: People Plan for 2020-21 – action for us all* in July 2020.⁸⁶ This sets out the goal to develop compassionate and inclusive leadership across the NHS and clarifies plans for enhanced leadership development and talent management.
- 6.17 Finally, as a matter of context, we would highlight the distinctive age profile of NHS leaders. It is significant, for example, that almost half of trust chief executive officers (CEOs) are over 55 years old.

Our expanded remit group

- 6.18 We have previously noted that the ESMs in the ALBs of the DHSC do not alone form a practical or sensible remit group. We are pleased, therefore, that in his remit letter for our 2021 Report, the Secretary of State asked us to make observations on the levels of pay of VSMs in the NHS as well as ESM pay – in other words for the health leadership cadre across all organisations, rather than only one part of it and to provide a baseline for recommendations in future years.
- 6.19 It is estimated that there are 2,788 VSMs – 2,049 in trusts and foundation trusts and 739 in CCGs. Data from NHS Digital indicate that there has been substantial growth in the size of the VSM cohort over recent years – by 9.6 per cent over the year to September 2020. There are an estimated 470 ESMs working in health executive agencies and ALBs.

⁸³ See: <https://www.gov.uk/government/publications/working-together-to-improve-health-and-social-care-for-all/>

⁸⁴ Where care is joined up across the traditional divisions between hospitals and family doctors, between physical and mental health, and between NHS and council services.

⁸⁵ An NHS-Led Provider Collaborative is a group of specialised providers in mental health, learning disability and autism services who have agreed to work together to improve the care pathway for their local population.

⁸⁶ See: <https://www.england.nhs.uk/publication/we-are-the-nhs-people-plan-for-2020-21-action-for-us-all/>

6.20 In carrying out our work, we have drawn on analysis of evidence provided to us, particularly by NHS England and NHS Improvement (NHSE/I) and DHSC. Our work has also been informed by our experience of other senior leadership groups in the public sector and our meetings with senior health leaders. In these discussion groups, we have met over a hundred people, both VSMs and ESMs, HR directors, remuneration committee chairs and members, senior officials in DHSC and NHSE/I and others. The overwhelming majority have been positive about our expanded remit. We are very grateful for the time which these colleagues have given to talk to us and respond to our questions.

Themes and observations

6.21 In this section, we present our findings by theme, including our observations which are in bold type.

Total reward

6.22 Salary is an important element of reward for senior health leaders but not the only one. Job security is relatively good and key terms and conditions compare well with other sectors, particularly the excellent pension provision. There are notable non-financial benefits to health leadership too. Leaders described a high level of professional satisfaction and a sense of fulfilment derived from making a difference by leading a key public service. **It is important that the approach to remuneration for health leaders recognises the total reward package including the significant non-financial aspects.**

Levels of pay

6.23 The Secretary of State's remit letter asked us for our observations on levels of pay. **The evidence suggests that levels of pay are broadly appropriate.** The recruitment and retention data we have set out below indicate that it is usually possible to fill posts, though we heard that large fields of strong candidates are rare. The evidence does not point to any widespread retention problems. There are, however, nuances within the overall picture, including difficulty in recruiting to specific roles and attracting certain types of expertise, which we discuss at paragraphs 6.25-6.29 below. Finally, we note that salary levels were not raised as a source of concern or discontent in our discussion groups.

Motivation and morale

6.24 We have not received comprehensive or quantitative evidence on motivation and morale among senior health managers, although we heard views from the individuals we met. This is largely because VSMs and ESMs cannot be identified as separate groups in staff surveys. This would be a valuable source of insight. **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 VSMs and ESMs as separate groups in staff survey data.**

Recruitment and retention

6.25 The current pay framework does not include regional pay and the data indicate VSM remuneration levels are similar across the country. We would welcome further evidence ahead of our next report to allow us to understand if, as some remuneration committee chairs and members suggested to us, there are regional or more local differences in the ability to attract appointable candidates.

6.26 For roles where there is competition with employers in other sectors, there may be inadequate flexibility at local level to respond to market pressures for relatively scarce skills. In our discussion with ESMs, we heard that it is increasingly difficult to recruit and retain IT and data specialists because of the inability to pay competitive rates. On trust boards, finance director roles are the ones most likely to be unfilled.

- 6.27 Nursing and medical director posts are also among those more likely to be vacant. Clearly, these are subject in the main to internal recruitment, suggesting a need to review not only reward aspects but also talent management and leadership development opportunities.
- 6.28 **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.**
- 6.29 The recruitment and retention picture may change significantly as the pandemic recedes. On a number of occasions, we heard the view that the sustained professional and personal pressure experienced since spring 2020 has led senior leaders to think of leaving the NHS at an earlier point than otherwise. **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 best use of leadership talent.**
- 6.30 In discussion groups, we heard of individuals who have 'retired and returned' to a similar job, drawing down pension benefits at the same time. DHSC's evidence referred to clamping down on this practice in 2015. We would like to understand better to what extent it continues and what impact it has.

The ESM/VSM leadership group

- 6.31 We have welcomed the extension of our remit to include VSMs as well as ESMs. Although there are some differences of role between VSMs and ESMs, we continue to hold the view that they should be seen as a single leadership group. This was reinforced by the health leaders we met in discussion groups. VSMs and ESMs share the collective leadership of a service with a clear sense of common purpose and there is an increasing emphasis on working across the boundaries of individual organisations. We note the commonality of the pay arrangements for less senior staff in organisations led by VSMs and ESMs through the AfC pay system.
- 6.32 There is, moreover, significant movement of senior leaders between trusts, CCGs and ALBs. Of the new joiners to the VSM cohort in the year to September 2020, 67 per cent were from within NHS hospital and community health services and a further 16 per cent were from other parts of the NHS (such as outside England, ALBs, or general practice). Only around one in ten joiners was identified as not being from within the public health sector. We have also received data which indicate a significant proportion of those recruited to senior roles in ALBs are from the wider NHS. Finally, we would observe that the majority of leadership competencies required by VSMs and ESMs appear to be broadly common. **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.**
- 6.33 This shared purpose and interchange of senior staff is not mirrored in the pay structure: ESMs and VSMs have separate remuneration systems. **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.**

Coherence of pay frameworks

- 6.34 The existing VSM, ESM and AfC pay frameworks have different origins and we heard that they have not moved in step with each other, resulting in a lack of alignment and

cohesion. We were told that the overlap is growing between the top of the AfC scale (band 9) and the bottom of the VSM and ESM pay ranges. Based on an analysis of 27 sets of VSM pay data received from CCGs and trusts, currently 9 per cent of VSMs earn less than the top of the AfC range. This year, AfC band 9s will move closer to VSMs if there is a pay increase for the former and the latter are subject to the public sector pay pause. **The data suggest the great majority of our remit group is paid above the top of the AfC scale. 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.**

Basis for setting pay

- 6.35 A revised pay framework was introduced for newly appointed ESMs from 1 January 2018. Roles are allocated to one of four pay bands based on a job evaluation using a similar methodology to that in the civil service. An operational maximum was established at the midpoint of each band.
- 6.36 A revised pay framework was introduced for VSMs in 2018. This is mandatory for VSM roles in non-foundation trusts and provides guidance for foundation trusts. The DHSC's written evidence said that the framework aims to reduce 'excessive pay' above the upper quartile of the relevant range and remove outlying salaries, reducing the overall range for each role. In doing so, it aims to bring all pay closer to the median for the relevant range, in effect establishing a 'going rate' for the job. It introduced ranges, based on the interquartile range of existing salaries, against which trusts are expected to set pay for appointments. The ranges are detailed by role, type of trust (for example, acute or mental health) and budget size.
- 6.37 The current framework is based on average salary levels which reflect a range of historic factors. Not all of these may still be valid and there could be a degree of incoherence or inequity. One example of this relates to the relativities between the salary levels of different executive director roles. **We suggest these 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.**
- 6.38 We are not sure that the current VSM pay framework recognises all the key factors which should, together, lead to a determination of salary. Moreover, it could discourage experienced and able leaders from moving to organisations which particularly would benefit from their skills. **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).**
- 6.39 We doubt that organisational turnover alongside type of trust is the right basis for setting leaders' pay. We think factors such as degree of complexity, challenge and accountability are important. On the other hand, based on our discussion groups and our experience of other public sector senior leadership, we do not favour detailed evaluation of individual posts. **We would encourage DHSC and NHSE/I 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.**

Central and local roles in determining pay

- 6.40 Most of those we met felt that the best balance between prescription of pay rates from the centre and local autonomy has yet to be found. We agree. The challenge is to craft the best combination of central and local decision-taking. The centre should construct a coherent national structure which recognises the need for decision-making reflective

of distinctive local circumstances. Effective local processes will minimise the requirement for referrals of individual cases for clearance. **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.**

- 6.41 Trusts are required to secure DHSC approval for annual salaries over £150,000 even if they are in line with the framework. In discussion groups with leaders and remuneration committee chairs and members, we heard considerable resentment about this. Remuneration committee chairs felt the arrangements conveyed a lack of trust and created delay. Some told us that they had come close to losing good candidates while waiting for approvals. Although DHSC explained that the great majority of cases are cleared within 20 days where they are within pay framework parameters and without need to refer to Ministers, there is evidently a widespread dissatisfaction with the arrangements. **The requirement for central approval of salaries over £150,000 which are compliant with the framework appears difficult to justify.**

Pay progression

- 6.42 There is no routine pay progression for senior health leaders, although it may happen where individuals have been recruited below the median of their pay range and the decision to increase their salary is taken locally. In discussion groups, we heard that the absence of progression creates incentives to move jobs to earn more, with adverse effects on leadership stability.
- 6.43 Pay progression appears to us to be an under-used tool. The impact and effectiveness of individuals usually grow during the initial period in a post, particularly in their first director or CEO role. **An element of pay progression, conditional on good performance, could beneficially recognise an individual's development as their experienced-based competencies improve.**

Performance-related pay

- 6.44 DHSC said that it would welcome the SSRB's observations on the use of and best practice for performance-related pay. At present, nationally endorsed performance reward includes the application of 'earn-back'. This is an arrangement whereby at least 10 per cent of base salary of executive leaders may be withheld if agreed performance targets/objectives are not met. We heard that earn-back is widely regarded as punitive and demotivating. It is, moreover, not universally applied in practice, even though the Secretary of State's expectation is that this should be the norm. **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.**
- 6.45 In relation to performance bonuses, we heard a strong antipathy to the notion that financial incentives generate additional effort or better individual performance in health. The critical importance of team and collective working was highlighted, as were the challenges of defining clear relevant outcome metrics. In general, we heard a very strong message that individual performance-related pay could be divisive and that previous attempts to introduce it had not been successful.
- 6.46 We see very little evidence to support the earn-back arrangements. **We are also 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.**

Medical directors

6.47 In discussion groups, we heard about varied arrangements for medical directors' remuneration. This creates a complex reward environment. Medical directors' pay can, typically, combine base salary, management allowances, clinical excellence awards and payment for continuing clinical duties. **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.**

Equity

6.48 The health leaders with whom we spoke emphasised the importance of equity noticeably more than we have found among our other remit groups. This is expressed in relation to a number of areas including talent management, promotional opportunities and pay levels.

6.49 The data indicated that the gender pay gaps in our health remit group are relatively low: among ESMs, the gender pay gap for total pay was 3.3 per cent, down from 5.2 per cent a year earlier. For a sample of VSMs, we estimate a gender pay gap of 4.3 per cent. Data on pay gaps by ethnicity are weaker, which is significant given the importance of increasing diversity among senior leaders. **We hope that data on pay gaps by ethnicity can be collected and reported in future.**

Remuneration committees

6.50 In our meetings with chairs and members of remuneration committees, we heard about some very impressive practice, characterised by a strategic focus on supporting effective leadership and the use of relevant information and data. However, we also observed weaknesses, where tactical questions seemed to crowd out strategic thinking or efforts to set remuneration in the context of the relevant labour market. Remuneration committees perform an important role, which increases in proportion to the extent of local flexibility within the overall pay framework. **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.**

Timely payment

6.51 In discussion groups, we were told repeatedly that pay increases often arrive many months after their effective date. We were not given reasons why this is the case. **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.**

Pension taxation

6.52 DHSC's evidence also commented that the NHS Pension Scheme is one of the best pension schemes available. Despite this, we heard of a widespread sense of unfairness about the way pension tax rules have operated, in particular in giving rise to large and often unpredictable tax bills, particularly on promotion. It was suggested that pension taxation can be a disincentive for those applying for promotion to higher-paying positions. Although changes in the 2020 Budget have mitigated the tax charges for higher earners, the sense of uncertainty and resentment persists, as does the potential for some individuals to receive a large tax bill on promotion.

6.53 There is some tension between the concern that pay increases on promotion are large enough to trigger significant tax charges and that the pay rise from AfC (band 9) to ESM/VSM can be too small to incentivise promotion. It is, however, easy to see why neither a modest pay rise nor a bigger one with a large tax bill is an incentive to seek promotion.

- 6.54 We would like to understand better how far there is a continuing pension taxation issue. **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.** This can help reduce some of the detrimental impacts of the pension tax regime on retention and the incentives for promotion. Details of pension taxation and its impacts are given in Appendix A.

Talent management

- 6.55 Understandably, the pandemic has impacted the work previously underway to strengthen talent management in the NHS. We heard there is more to do to establish systematic talent development arrangements that will create a good supply of the diverse leaders ready and ambitious to move into VSM/ESM roles. We heard the talent management work is now being re-energised with an emphasis on high potential rather than readiness. There is also an intention to adopt an approach which extends deeper into organisations, creating extended development pathways. In addition, there is an emphasis on system working and the leadership capabilities required to drive forward improvement in complex settings.
- 6.56 This is an important agenda. While organisations benefit from some external recruitment to bring fresh thinking, appointments from within the sector are likely to continue to provide the majority of VSMs and ESMs, especially for roles requiring medical expertise or health organisation experience. The requirement for increased system leadership is also critical as the future leadership communities are developed.
- 6.57 **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.**

System working

- 6.58 The scale of change entailed in the system-working model set out in February's White Paper is not to be underestimated. As Integrated Care Systems acquire a statutory footing (expected in April 2022), new roles and working models will be required, not only for those in formal system roles but also for leaders of all other organisations. These roles will become much more system-orientated with enhanced obligations to work more closely with others. The White Paper also heralds a significant extension of collaboration among providers. It may lead to trusts working together, for example as chains, possibly having fewer leaders with extended responsibilities. In general, there will be a greater emphasis on the skills and behaviours necessary for leaders to have positive impact across and between multiple organisations and sectors.
- 6.59 The specific competencies of those in formal Integrated Care System leadership roles has not yet been clarified. These will, however, reflect the critical importance of effective system leadership in establishing the new bodies and in responding to wide-ranging strategic and operational challenges. It should be expected that those appointed are likely to come from both CCG and trust roles. There should also be scope for appointments from outside the NHS, particularly from local government. **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.

Data and evidence

Overview of the data

6.60 Details of the data and evidence that we have received are set out in Annex 1. The key points from the data are as follows:

- It is estimated that there are 2,788 VSMs – 2,049 in trusts and foundation trusts and 739 in CCGs.
- There are an estimated 470 ESMs working in health executive agencies and ALBs.
- The size of the VSM cohort has increased significantly over recent years and by 9.6 per cent over the year to September 2020. Equivalent figures are not available for the ESM cohort.
- The balance of men and women in the workforce is better than for other SSRB remit groups. There is close to gender balance (48 per cent of the VSM cohort and 52 per cent of the ESM cohort are female). The estimated gender pay gap is relatively low: 3.3 per cent for ESMs and 4.3 per cent for VSMs.
- VSMs received a pay increase of 1.03 per cent last year in line with the top of AfC band 9. ESMs received increases from a paybill uplift of 2 per cent. This was similar to the SCS award.
- Average VSM earnings were £141,806 with limited regional variation.
- Average total pay for an ESM was £126,990.
- Additional payments made up a small part of total pay: 3.9 per cent for VSMs, 1.2 per cent for ESMs.
- There is declining pension scheme membership for the highest earners: 89 per cent of these earning £100,000 to £125,000 are pension scheme members, compared to 62 per cent of those earning above £150,000.
- Recruitment is typically from within the health sector. In the year to September 2020, 67 per cent of recruits to VSM roles were from within NHS hospital and community health services and a further 16 per cent were from other parts of the NHS. Only around one in ten joiners were from outside the public health sector.
- There was a vacancy rate of 7.5 per cent among NHS providers and CCGs in October 2020. The finance director role had the highest number of current vacancies.
- Among VSMs, an estimated 11.5 per cent left the NHS in the year to September 2020. A further 13.3 per cent left their organisation but remained in the NHS provider sector.

Annex 1: Data and evidence on ESMs and VSMs

The remit group

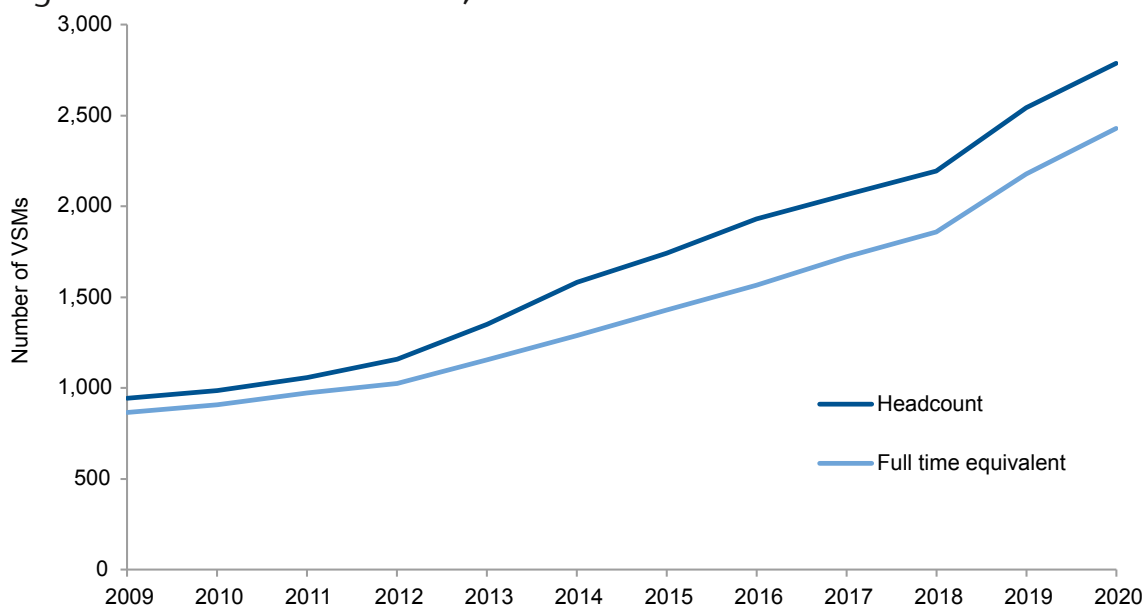
Definitions

- 6.61 The Department of Health and Social Care (DHSC) defines a Very Senior Manager (VSM) 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 executive officer, finance officer, chief nurse and similar senior staff employed by Clinical Commissioning Groups (CCGs) are also VSMs. VSMs are employed on locally agreed contracts not subject to national collective bargaining for pay frameworks or other terms, although many generic terms such as annual leave and redundancy are linked to Agenda for Change (AfC) terms. Medical directors may be employed on consultant contracts, whose pay framework and other terms are subject to national collective bargaining.
- 6.62 An Executive and Senior Manager (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.

Remit group numbers

- 6.63 It is challenging to identify the VSMs using national workforce data systems as staff are employed under local terms and conditions and are not separately identified in the payroll system. As there is no single way to identify VSMs, NHS Digital have estimated the size of this workforce using other data fields, such as occupation code, job role and actual earnings, to identify the records most likely to relate to VSMs.
- 6.64 It is estimated that there are 2,788 VSMs – 2,049 in trusts and foundation trusts and 739 in CCGs. This represents just over 0.2 per cent of the 1.05 million staff working in this sector of the NHS. Data from NHS Digital indicates that there has been substantial growth in the size of the VSM cohort over recent years – by 9.6 per cent over the year to September 2020 and by 183 per cent over the last ten years (see figure 6.1).

Figure 6.1: Size of VSM cohort, 2009 to 2020



Source: NHS Digital.

Notes: Very Senior Managers in NHS trusts and CCGs at 30 September each year. Very Senior Managers are defined as: staff who are not on Agenda for Change, earn over £110,000 a year and have one of the following job roles; board level director, chief executive, clinical director, clinical director – dental, clinical director – medical, director of nursing, finance director, medical director or other executive director. Or non-medical staff who are not on Agenda for Change, earn over £110,000 a year and do not have one of the job roles listed above.

6.65 There are an estimated 470 ESMs working in health executive agencies and ALBs.

Employing organisations

6.66 VSMs work in one of 321 NHS trusts, foundation trusts or CCGs. The median number of VSMs in an organisation is seven, with a range from one to 57.

6.67 ESMs are employed in one of 12 ALBs.⁸⁷ By far the largest employer of ESMs is NHSE/I, which employs around 70 per cent of all these roles. The number in other organisations ranges from three to 34.

Workforce diversity

6.68 In the VSM cohort, 47.5 per cent were female. Of those who stated their ethnicity, 11.3 per cent were from an ethnic minority; 7.8 per cent of the workforce was from an Asian or Asian British background.⁸⁸

6.69 In the ESM group, 52 per cent were female. Of those who stated their ethnicity, 8 per cent were from an ethnic minority.

6.70 Among ESMs, the gender pay gap for total pay was 3.3 per cent, down from a reported 5.2 per cent a year earlier. Data on a sample of VSM roles indicate a gender pay gap of 4.3 per cent for total pay.

⁸⁷ Care Quality Commission, Health Education England, Health Research Authority, Human Fertilisation and Embryology Authority, Human Tissue Authority, National Institute for Health and Care Excellence, NHS Business Services Authority, NHS Digital, NHS Blood and Transplant, NHS England and Improvement, NHS Resolution, Public Health England.

⁸⁸ The proportion of those in employment in the UK in 2019 from an ethnic minority was 12.1 per cent.

Existing pay arrangements

Paybill

6.71 The total paybill, including employer pension and National Insurance contributions, in 2019-20 was around £430 million for the VSM/ESM group. This includes £360 million for VSMs working for NHS Trusts and CCGs and £70 million for ESMs working in ALBs and central support organisations.

Pay framework for ESMs

6.72 A revised pay framework was introduced for newly appointed ESMs from 1 January 2018. Roles are allocated to one of four pay bands based on a job evaluation. An operational maximum was established at the midpoint of each band. These ranges have not been revised since 2016.

Table 6.1: ESM pay bands from 1 April 2016

Grade	Minimum £pa	Operational maximum £pa	Exception zone maximum £pa ²
1	90,900 ¹	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

¹ With the approval of the DHSC remuneration committee, where organisations operate AfC, for advertising purposes ALBs may use £100,000 as the band minimum for grade 1.

² Appointment salaries are typically between the minimum and the operational maximum. Appointments can be made between the operational maximum and the exception zone where there is clear market data and with the agreement of the DHSC ALB remuneration committee.

6.73 The guidance intends that all appointments will be at the salary range minimum or within the range up to the operational maximum. There is no further provision under this framework to pay recruitment and retention premia.

6.74 All roles with a salary in excess of £150,000 require both Secretary of State and DHSC remuneration committee approval prior to appointment.

Pay framework for VSMs

6.75 A revised pay framework was introduced for VSMs in 2019. This covers VSM roles in NHS ambulance and community trusts and provides guidance for foundation trusts. The framework aims to reduce 'excessive pay' above the upper quartile of the relevant range and remove outlying salaries. In doing so, it aims to bring all pay closer to the median for the relevant range, in effect, establishing a 'going rate' for the job.

6.76 The framework has pay ranges based on existing salaries against which trusts are expected to set pay for appointments. The ranges are detailed by role, trust type and size. They include a median and lower and upper quartiles. Effectively, the lower quartile and median of existing salaries act as the minimum and maximum for appointment salaries. The guidance has nine separate sets of pay ranges for:

- i. Small acute NHS trusts and NHS foundation trusts (up to £200 million turnover).
- ii. Medium acute NHS trusts and NHS foundation trusts (£200 million to £400 million turnover).

- iii. Large acute NHS trusts and NHS foundation trusts (£400 million to £500 million turnover).
- iv. Extra large acute NHS trusts and NHS foundation trusts (£500 million to £750 million turnover).
- v. Supra-large acute NHS trusts and NHS foundation trusts (£750 million plus turnover).
- vi. Small mental health NHS trusts and NHS foundation trusts (up to £200 million turnover).
- vii. Medium mental health NHS trusts and NHS foundation trusts (over £200 million turnover).
- viii. Ambulance NHS trusts and NHS foundation trusts.
- ix. Community NHS trusts and NHS foundation trusts.

Table 6.2: Established pay ranges for VSMs, 2019 framework (examples)

Job role	Lower quartile £pa	Median £pa	Upper quartile £pa
<i>Supra-large acute NHS trusts and foundation trusts (£750 million plus turnover)</i>			
Director of corporate affairs/governance	113,000	117,500	134,000
Director of estates and facilities	129,500	137,000	146,500
Director of strategy/planning	135,000	144,000	152,500
Director of workforce	142,500	155,000	165,500
Chief operating officer	143,500	162,500	174,500
Director of nursing/chief nursing officer	150,000	163,500	168,000
Director of finance/chief finance officer	166,000	172,500	190,500
Medical director/chief medical officer	174,000	192,500	209,000
Deputy chief executive	185,500	188,000	195,500
Chief executive	236,000	250,000	265,000
<i>Community NHS trusts and NHS foundation trusts</i>			
Director of strategy/planning	89,500	94,000	97,500
Director of workforce	98,000	108,000	117,000
Director of nursing/chief nursing officer	98,000	109,000	114,000
Chief operating officer	105,000	114,000	117,000
Director of finance/chief finance officer	114,000	127,500	125,000
Deputy chief executive	116,000	127,000	127,500
Medical director/chief medical officer	126,500	131,500	136,500
Chief executive	145,000	155,000	167,000

Source: DHSC unpublished evidence.

Note: Figures for medical director/chief medical officer do not include clinical excellence awards.

6.77 Pay is not expected to exceed the existing median and approval needs to be sought for all salaries above £150,000. There is scope for a 'challenged trust premium', in which

case pay can be set at the upper quartile or the median plus 10 per cent, whichever is the greatest.

- 6.78 In discussion groups with remit group members and chairs of remuneration committees, it was felt that the existing VSM framework needed to be updated. It was also thought that it should offer more local flexibility.
- 6.79 A new framework has been under development for the last two years and is expected to be published later this year.

£150,000 cap

- 6.80 Since February 2018, any VSM pay proposal at or above the £150,000 threshold that adheres to the VSM pay framework principles can be cleared at senior official level. Prior to this, ministerial approval was required. Under a comply or explain process, proposals that do not adhere to the draft framework are either supported, because the evidence provided is strong enough to justify the proposed higher salary, or not supported because NHSE/I and/or officials do not believe the request can be justified.
- 6.81 DHSC reported to us that a total of 140 cases were received through NHSE/I for VSM salaries above £150,000 in 2019 and 2020. Of the 140 cases, 112 were routine (such that the case sat within the parameters of the VSM pay framework) and were signed off at senior official level, while 28 were non-routine and therefore went to Ministers. Of these, eight were supported and 20 were not supported and received Ministerial comments. Legislation empowers Ministers to approve pay proposals for appointments to NHS trusts but not to foundation trusts or CCGs where Ministers can only comment.

Recent pay awards

- 6.82 Since 2018-19, the Secretary of State has recommended annual pay increases for VSMs in line with the increases received by staff at the top of AfC band 9 as part of the three-year pay and contract reform deal. This led to a recommended increase of 1.03 per cent for all VSMs from 1 April 2020.
- 6.83 It was noted in VSM discussion groups that the timing of pay awards was very delayed and not implemented until around nine months after the effective date. Frustration on this issue was shared by chairs of remuneration committees.
- 6.84 For 2020-21, the DHSC remuneration committee agreed to a 1 per cent pay award for ESMs with salaries below the exception zone maximum. There was also a pot of up to 1 per cent of the ESM paybill to address pay progression and pay anomalies. These awards depended on demonstration of sustained high performance and increased effectiveness and expertise and took account of the individual's position in the pay range.

Data on existing pay levels

- 6.85 Data on VSM earnings have been provided by NHS Digital (see figure 6.2). This shows limited variation in average salaries by region, with London paying below the national average. Overall, additional payments amounted to 3.9 per cent of basic pay.

Figure 6.2: Average earnings for VSMs by region, September 2020



Source: NHS Digital, unpublished evidence.

- 6.86 To collect this information for the 2021-22 pay round, NHSE/I undertook a data collection exercise of a representative sample of 22 trusts and five CCGs, together employing 207 senior managers or around 7 per cent of the cohort.
- 6.87 As part of the work to develop an evidence base for the SSRB for the 2020-21 pay round and beyond, DHSC issued a data template to its 12 executive agencies and ALBs for them to return to provide in-depth detail on the ESMs they employ. Data were received on 11 ALBs employing 470 ESMs. The average basic pay was £125,470 and the average total pay was £126,990. This indicates that variable pay and allowances account for just 1.2 per cent of the overall package.

Allowances for specific roles

- 6.88 Under the ESM pay framework, there is no scope to pay recruitment and retention premia but there is some flexibility over setting pay between the operational maximum and the exception zone. Appointments can also be made above the exception zone where a very strong case is made. It requires both DHSC remuneration committee and Ministerial approval, and HM Treasury approval in some cases.
- 6.89 The VSM pay framework provides for a 'challenged trust premium'. This allows pay to be set at the upper quartile or the median plus 10 per cent, whichever is the greater. A 'challenged trust' is likely to be, but is not limited to, an organisation subject to either financial and/or quality special measures.

Medical directors

- 6.90 According to data returns received from NHS trusts and CCGs, medical directors were paid £184,000 on average on an FTE basis. A significant proportion (roughly 58 per cent) of medical directors are in receipt of additional payments, which average just under £60,000 though can be as high as £140,000. These additional payments often bring medical directors' salaries up to a similar level to chief executives' salaries. In the trusts on which we were given data, 30 per cent had a medical director paid more than the chief executive.

- 6.91 Within the ESM cohort, a small number of posts (six out of 470) were on medical consultant contracts and in receipt of clinical excellence awards, payments for additional programmed activities and/or management allowances.

Overlap with Agenda for Change

- 6.92 Staff in AfC bands 8 and 9 are the feeder group for senior managers across the NHS. It is therefore important that we understand this group and explore the interactions between the pay systems.
- 6.93 The AfC 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. For those in the AfC management groups (bands 8 and 9), the 2020-21 basic pay rates are set out in table 6.3. Progression to the top of the pay band is expected within five years of entering the first pay point. At March 2020, just over half of band 9 staff (58 per cent) were on the top of their pay band, as were 46 per cent of band 8 staff.

Table 6.3: Agenda for Change band 8 and 9 pay rates in England, from 1 April 2020

	Minimum £pa	Maximum* £pa	Number of staff in band at November 2020
Band 8a	45,753	51,668	44,639
Band 8b	53,168	62,001	17,235
Band 8c	63,751	73,664	8,651
Band 8d	75,914	87,754	4,507
Band 9	91,004	104,927	1,930

Source: Department of Health.

*Expected to be reached after five years in role.

- 6.94 The AfC pay arrangements include additions to basic pay, such as overtime, unsocial hours and on-call payments and recruitment and retention premia (RRP). These should not normally exceed 30 per cent of basic salary and are non-pensionable. Awarding an RRP is a decision for the local employer. In 2020, 1.2 per cent of senior managers received RRP, compared to 0.6 per cent of all staff. Pensionable high-cost area supplements are also payable with separate rates for inner London, outer London and fringe areas. The supplements have a minimum and maximum, driven by changes in salaries. The 2020-21 maximum rate for inner London was £6,890.
- 6.95 Data from NHS Digital indicate that the average annual basic pay for band 9 staff was £98,228 last year. Additional payments added 5.1 per cent to salary on average – these were most likely to be location allowances, with no overtime paid.
- 6.96 The three-year pay agreement, which covered the period April 2018 to March 2021, saw cumulative increases for bands 8 and 9 staff (from restructuring, progression and annual uplifts) of between 4.5 per cent and 22.4 per cent. The lower percentage increases were for those at the top of their pay bands. This resulted from the cap on the value of increases. The cumulative change in band 8 and 9 starting pay was 12.5 to 14.6 per cent over the three years. Staff at the top of band 9 saw an increase in basic pay of 4.5 per cent and those at the top of band 8d of 5.4 per cent.

- 6.97 The three-year agreement also introduced a new pay progression framework. This reduced the number of steps in each pay band to allow quicker progression. For bands 8 and 9, the previous structure contained six annual incremental points which reduced to two pay points by 2020-21. However, the previous expected rate of progression through the pay band remained at five years.
- 6.98 Since 2013, bands 8c, 8d and 9 have included re-earnable pay under the earn-back arrangements, initially for the top two pay points but applying to the top point only since the 2018 agreement. In the year after reaching the top of the band, up to 10 per cent of basic salary becomes re-earnable subject to locally determined levels of performance.
- 6.99 The maximum of band 9 (£104,927) compares to a minimum in the VSM pay framework of £89,500 and in the ESM framework of £90,900. Around 11 per cent of the ESM cohort received base pay below the band 9 maximum. In our VSM sample, 8.6 per cent earned below the band 9 maximum.

Performance pay

- 6.100 In the VSM framework, there is an expectation of re-earnable pay where pay is above the lower quartile, termed earn-back. This means that 10 per cent of salary is made dependent on meeting agreed performance objectives. Survey returns suggested that only a small proportion of the cohort (less than 10 per cent) were covered by earn-back arrangements.
- 6.101 No one in the ESM cohort was subject to earn-back pay although all employers reported that performance was regularly measured against set objectives and reviewed by the chair or chief executive.
- 6.102 The DHSC has said that linking an element of pay to performance aims to encourage accountability and address taxpayers' concerns that highly paid managers should not be rewarded for poor performance and/or behaviours. It also said that including an option to award a corresponding amount to senior leaders who exceed objectives gives employers the flexibility to reward high performers and should help reduce the number of pay rise proposals put to Ministers.
- 6.103 Performance-related pay is included for senior managers employed at the top of AfC. However, the evidence suggests that very few performance bonuses are being paid to this group.

Pensions

- 6.104 All members of this remit group are eligible to join the NHS pension scheme. Like other public sector pension schemes, this was reformed in 2015 to a career average defined benefit scheme, with residual rights to predecessor final salary schemes for those employed before 2012.
- 6.105 Pension scheme membership among managers is high: 89 per cent of managers are members of the scheme. This has been falling slightly, down by 2.7 per cent since October 2011. Scheme membership amongst managers is similar to wider scheme membership levels. However, membership rates decline as basic pay increases, so that only 62 per cent of those earning above £150,000 are pension scheme members.

Pension taxation

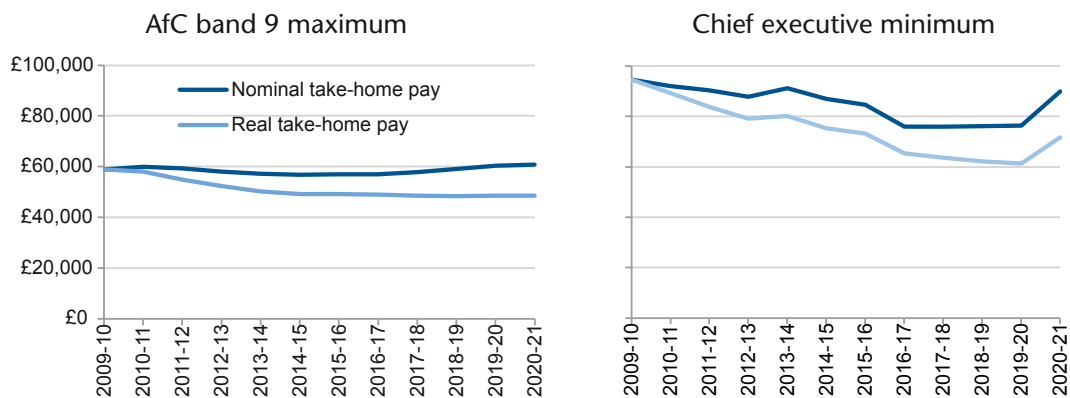
- 6.106 NHS Employers have published guidance on the approaches that employers can take locally to support VSMs affected by the pension annual allowance or who have exceeded their lifetime allowance. Employers can recycle the unused employer contribution as additional pay where a staff member opts out of the scheme because they have exceeded their pension allowance. The guidance says that this should provide no net increase to the individual's total reward package and therefore not increase costs for employers. Where a VSM opts out of the scheme, the decision to recycle the unused employer contribution as pay has no interaction with the approvals process for salaries in excess of £150,000.
- 6.107 Managers in Partnership⁸⁹ (MiP) told us that the issue of pension tax had generated widespread concern, not least because advice on how to manage pension tax liability was hard to find and expensive. Several members had reported that they would not have accepted roles with a salary rise if they had understood the impact on their pension. MiP said that measures to help staff get advice on pension tax and pension scheme flexibilities would be useful in the absence of a full-scale change to pension tax policy.
- 6.108 In VSM discussion groups, it was reported that many individuals were still affected by the annual allowance tax charge and this had an impact on individuals' decisions to stay in the NHS, take roles with higher salaries or to retire. It was not clear if the changes to the pension tax regime announced in the March 2020 Budget had led to a change in this situation. The lack of financial advice in dealing with pension tax issues was also flagged.

Remuneration analysis

- 6.109 We have extended our analysis of total net remuneration to include senior health managers in the NHS pension scheme. This analysis aims to track the reward for a specific role at recruitment, rather than look at the experiences of individuals over the period. Tracking the salary for a particular role for this remit group is difficult given the changing use of pay frameworks. We have used the minimum salary for a chief executive of a large special health authority or ALB (the minimum of the highest pay band in the ESM pay structure) and the top of AfC band 9. These roles may not be fully representative of salary changes over the period but do enable us to track changes to NHS pension provision and the value of the overall package. This 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.
- 6.110 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. Total net remuneration includes the value of pension benefits accrued in the year. Further details of this analysis are in Appendix A.

⁸⁹ Managers in Partnership is the union that represents managers in health and care. Its overall membership is around 6,000, covering NHS managers in AfC bands 8 and 9, as well as VSMs and ESMs. This represents around 5 to 10 per cent of the senior NHS workforce.

Figure 6.3: Nominal and real take-home pay, 2009-10 to 2020-21

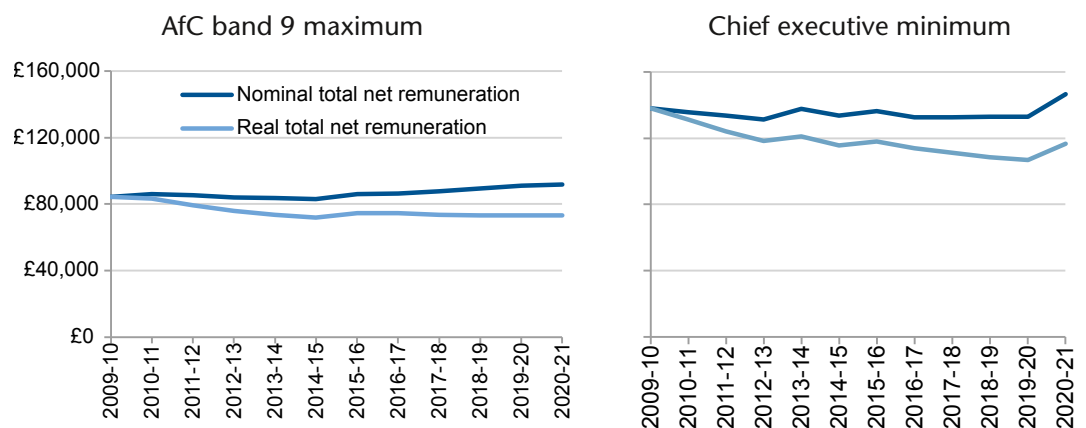


Source: OME analysis.

Note: Nominal take-home pay makes no adjustment for inflation. Real take-home pay is based on the 2009 Consumer Price Index.

6.111 Take-home pay at the band 9 maximum has increased by 1.5 per cent over the last ten years (see figure 6.3). Increases in the last three years have offset the higher pension contribution rates introduced from 2012. Taking inflation into account, take-home pay has fallen by 16.5 per cent over the last 10 years. At the chief executive level, take-home pay has fallen by 2.4 per cent over the last 10 years, which is despite an increase of 17.7 per cent over the last year, as this role received the maximum benefit from the increase in the annual allowance taper, reducing the tax charge by £13,500. Taking inflation into account, take-home pay at this level has fallen by nearly 20 per cent over the last 10 years.

Figure 6.4: Nominal and real total net remuneration, 2009-10 to 2020-21



Source: OME analysis.

Note: Assumes switch from to new pension scheme in 2015. Only looks at in-year earnings and does not include the impact of the lifetime allowance. Nominal total net remuneration makes no adjustment for inflation. Real total net remuneration is based on the 2009 Consumer Price Index.

6.112 Taking into account the pension benefit, total net remuneration at the band 9 maximum has increased by 6.9 per cent in nominal terms over the last ten years, (but fallen by 12.1 per cent in real terms). Total net remuneration at the chief executive level has increased by 8.2 per cent over the last ten years in nominal terms (all of which was over the last year). In real terms, chief executive total net remuneration has fallen by 11.0 per cent (see figure 6.4).

Recruitment and retention

Recruitment

- 6.113 There were 621 joiners to the VSM cohort between September 2019 and September 2020. Of these, 67 per cent were from within NHS hospital and community health services and a further 16 per cent were from other parts of the NHS (such as outside England, ALBs, or general practice). Only around one in ten joiners were identified as not being from within the public health sector.
- 6.114 Data collected from NHS providers and CCGs in October 2020 indicated that there were 85 current vacancies out of 1,126 board roles (a vacancy rate of 7.5 per cent). This was a decrease from 115 vacancies reported in February/March 2020. Of the current vacancies, 47 (55 per cent) were 'true' vacancies that were actively being recruited. The finance director role had the highest number of current vacancies and nursing director had the highest number of predicted vacancies in the next 12 months, followed by medical director.

Retention

- 6.115 In total, 306 VSMs left the NHS⁹⁰ between September 2019 and September 2020. This indicates turnover of 11.5 per cent. This typically represented one VSM per trust. Retirement accounted for 22 per cent of leavers. In addition, 354 VSMs left their organisation but remained in the NHS (again, typically one per trust).⁹¹ This gives an internal turnover rate of 13.3 per cent.⁹²

Motivation and morale

- 6.116 Survey evidence from MiP indicated that 58 per cent of respondents said they would recommend a career in NHS management to a family member or friend.⁹³ This represented a significant drop from previous member surveys over the last ten years. Nearly 70 per cent said they had seriously considered leaving the NHS in the last 12 months, 37 per cent said they would like to leave the NHS as soon as possible and 57 per cent said they were more inclined to look for a job outside the NHS than 12 months ago. Half of respondents said they were looking at bringing forward their retirement plans.
- 6.117 Overall, 55 per cent of respondents said they were dissatisfied or very dissatisfied with their pay. MiP told us that there is a widespread view among members that, partly through government policy and partly through employer anxiety about executive pay, the value of salaries and of the overall package had been depressed relative to other NHS staff and the wider economy. This was thought to be unfair and counterproductive for motivation and future recruitment.

⁹⁰ NHS hospital and community health services.

⁹¹ This includes 40 people who transferred out of a CCG to another body.

⁹² Using an average of the number of VSMs at the start and end of the period.

⁹³ Covering its wider membership of senior managers among VSMs, ESMs and in bands 8 and 9 of Agenda for Change, with basic salaries of £45,000 or more.

Annex 2: The SSRB remit group for senior managers in the NHS

Table 6.4: The SSRB remit group for senior managers in the NHS, 2007 to 2020

Year	NHS remit group
2007	None
2008	The SSRB is given the remit of Very Senior Managers (VSMs). The remit group was 1,400 people from around 180 NHS organisations in England only. These include chief executives and executive directors (excepting medical directors) from strategic health authorities, special health authorities, primary care trusts and ambulance trusts. Other senior managers with board level responsibility who report directly to the chief executive are covered if their posts hold a sufficient level of responsibility. This description holds until 2012, after which the description is changed.
2009	The remit was the same as 2008. However, trusts that did not 'reconfigure' could choose whether to join the new pay framework or remain on local contracts, so the number within the remit pay framework fell to 1,120 from 183 organisations.
2010	The same as 2009.
2011	Decline in remit size to 1,100 across 175 organisations. This is due to an increased number of organisations dropping out of the pay framework, establishing as NHS foundation trusts or merging.
2012	Decline in remit size to around 500 across 70 organisations. This is due to the phasing out of strategic health authorities and primary care trusts and the establishment of all ambulance trusts as NHS foundation trusts.
2013	Remit size is 497 across 21 organisations. Compared to the 2007 description of the remit, primary care trusts and strategic health authorities are abolished and thus removed from remit. Ambulance trusts not yet transitioned to foundation trusts remain but are anticipated to leave the remit once they transition. Executive non-Departmental Public Bodies (ENDPBs) are added to the remit group. Some of these are reclassified special health authorities.
2014	Remit size is 424 across 18 organisations. The description of the remit is unchanged from 2013 but the names and size of the remit organisations changed with the reorganisation of the NHS. NHS England is now the largest VSM employer, replacing the NHS Commissioning Board.
2015	Remit size is 485 across 18 organisations. The remit is otherwise unchanged.
2016	Remit size is 408 across 18 organisations. The description of the remit is unchanged. The phrase arms-length body (ALB) replaces ENDPB to describe the 13 non-trust organisations within the remit.
2017	Remit size is 360 across 13 organisations, with ambulance trusts excluded from the recommendation in this year. The remit is renamed Executive and Senior Managers (ESMs) to distinguish them from the larger number of senior managers in NHS Trusts, foundation trusts and Clinical Commissioning Groups.
2018	ESMs were suspended as part of the SSRB remit group at the SSRB's request.
2019	ESMs still suspended. The remit size had grown to 392.
2020	SSRB is not asked for pay recommendations but requests an extended remit to cover the ESM and VSM groups in future, with the latter encompassing senior managers across NHS trusts and foundation trusts.

Chapter 7

Senior Leaders in the NHS in Wales

Summary

- 7.1 We were pleased to be invited to comment on the remuneration of senior health leaders in Wales by the Director General for Health and Social Services, on behalf of the Welsh Government.⁹⁴ In carrying out this work, we have learned much about the distinctive character of the Welsh NHS, its experience of integrating health and social care and how its scale allows the leaders of its major organisations to work together as a team. This has been particularly important during the enormous challenge of the COVID-19 pandemic.
- 7.2 There were 126 holders of Executive and Senior Posts (ESPs) in NHS Wales in August 2020.⁹⁵ They are employed across seven regional health boards, three NHS trusts, two special health authorities and a shared services partnership.
- 7.3 We have found no general problem in the recruitment and retention of senior health leaders. However, filling specialist posts can present difficulties and employers have commented that shortlists often contain only a few good candidates.⁹⁶
- 7.4 Most senior posts requiring health expertise and experience are filled from within the Welsh NHS, though there is some recruitment from elsewhere, particularly from England. We found little evidence of leaders joining the NHS from other parts of the public sector and observe distinctive characteristics in the leadership requirement for those working in health.
- 7.5 Through our analysis of relevant data, particularly that relating to recruitment and retention, and from our discussion groups, we conclude that senior salary levels in the Welsh health sector are broadly appropriate.
- 7.6 However, we note that there are challenges in attracting candidates for certain posts. In particular, we heard of difficulties attracting directors of finance and medical directors. We suspect the response to these difficulties may need to be based on specific backgrounds and circumstances. For finance directors and possibly for others where the skills are relatively scarce and transferable across both the public and private sectors, there could be justification for targeted pay. This would provide appropriate managed flexibility and avoid the need for the persistent use of approval processes for exceptional cases. We believe the solutions to address difficulties in attracting medical directors will be different and are likely to include enhanced talent management and leadership development programmes.
- 7.7 Although we believe that salary ranges are broadly appropriate, we are less convinced that the basis for determining the salaries of individual posts is satisfactory. Pay for ESPs is set using a model developed for the senior civil service. Our view is that these arrangements should be reviewed and the option of introducing a separate system for the determination of salary levels for health leaders considered.
- 7.8 We suggest too that any adjustment of the model for setting ESP pay should consider an element of pay progression. The impact and effectiveness of individuals usually increase during the initial period in post, particularly in a first director or chief executive officer

⁹⁴ Dr Andrew Goodall CBE, Director General for Health and Social Services and the NHS Wales Chief Executive.

⁹⁵ Executive Senior Posts comprise all the senior leader posts in the NHS in Wales.

⁹⁶ In this Chapter, 'employers' refers to the employing organisations mentioned in paragraph 7.2.

role. Pay progression is already part of the Agenda for Change (AfC) framework. If applied appropriately, it could support the development of ESPs and help reduce over-frequent churn.

- 7.9 The reliance on the Welsh NHS as a source of future leaders makes it important to nurture talent. We were impressed by the approach to talent management outlined in the Welsh Government's evidence and would encourage that continued priority be given to this work. While it is desirable that some appointments are external, bringing in wider experience and different thinking, there should be a sufficient pipeline of internal candidates to fill the majority of posts.
- 7.10 Salary is not the only element of reward for health leaders. We heard how much the satisfaction of interesting and important public service roles is valued. There is also considerable job security and excellent pension provision.
- 7.11 However, pension taxation is a source of discontent. We would like to see clearer communication about it, including how exposure to pension taxation has changed since the 2020 Budget. There should also be consideration of options to introduce greater flexibility for employees who would like to reduce their tax liabilities by taking some of their remuneration as non-pensionable pay.

Context

- 7.12 We were very pleased to be asked to comment on the reward and remuneration of senior health leaders in Wales. In our work, we have learned much about the distinctive character of the Welsh NHS. We have gained an understanding of how it is not only a major public service supporting the health of millions of people but also a closely connected system where the leaders of its major organisations work together as a team on common challenges. There is now 12 years' experience of pursuing a policy based on prevention, collaboration and integration across Wales. This was re-emphasised in *A Healthier Wales* published in 2018.⁹⁷
- 7.13 We have heard about and reflected on the implications of this policy for those leading the NHS in Wales. Our discussion groups highlighted a strong sense of support for an approach based primarily on co-operation and integration rather than competition. We also became aware of the distinctive challenges of managing very large, multi-sector, multi-site entities, requiring distributed leadership and sophisticated governance and oversight arrangements.
- 7.14 The NHS in Wales draws its leaders from several sources. Most, however, are attracted from within the Welsh health service. There are also external entrants from health roles elsewhere in the UK and internationally and some who join from other sectors to take roles not requiring health expertise. The majority of individuals (52 out of 61) recruited into NHS roles over the last three years came from other parts of the NHS.
- 7.15 The COVID-19 pandemic has placed intense pressure on the NHS and on its leaders and these impacts will be felt for a long time after the pandemic itself recedes. We have observed a strong and impressive emphasis on supporting the health and well-being of staff.

Themes and observations

- 7.16 In this section, we present our findings by theme, including our observations which are in bold type.

⁹⁷ See: <https://gov.wales/healthier-wales-long-term-plan-health-and-social-care>

Total reward

7.17 We noted a strong emphasis on a broad, joined-up view of reward, looking wider than salaries, good pensions and job security. Reward is also derived through the leadership of a critical public service and the satisfaction of working within the Welsh system with its integrated health and care approach. We heard, moreover, of the opportunities to contribute to national work programmes and to adopt a very connected approach to the planning and delivery of services. It was also pointed out that the cost of living is lower than in much of the UK. **It is important that the approach to reward for health leaders recognises the total reward package, including key non-financial aspects.**

Levels of pay

7.18 **There does not appear to be a general problem in the recruitment and retention of senior leaders.** However, filling specialist posts can present difficulties and we note comments from employers that shortlists sometimes contain only a few good candidates. We discuss this further in the section on recruitment and retention below.

7.19 In evidence, we heard concerns about the comparability of pay for leaders in Wales and in England. Data provided in evidence suggest that salaries for the highest paid positions in the five largest health boards in Wales were in the range £200,000 to £220,000. Our sample of VSM data for England indicates a median chief executive salary of £190,000, with chief executives in the largest trusts in England typically paid £240,000.

7.20 However, pay is only one factor in attracting applicants to opportunities in Wales and we would not recommend an uplift in salary levels to improve the chances of recruiting from other health systems. We believe an approach which promotes the distinctive benefits of working (and living) in Wales could be more productive. There are also greater opportunities to target recruitment activity at those at a particular phase in their career who would benefit from the experience of working in a fully integrated system.

7.21 We examined the salaries of other public sector leaders in Wales. Published data indicate that pay for NHS chief executives is typically above that of chief executives in other areas of the Welsh public sector, except higher education.⁹⁸ We saw little evidence of leaders moving between these other areas and the health sector. Indeed, we would observe significant differences in the leadership requirement for those working in health.

7.22 Around one in five recruits to ESP roles in the past three years had been from the NHS in England. We heard that there is awareness of pay levels in England which influences leaders' sense of equity of treatment. Salary levels in England are one factor in the ability of NHS Wales to recruit some of its leaders externally. **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. As discussed above in paragraph 7.20, 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.**

Motivation and morale

7.23 Results for ESPs were not separated out in staff surveys, as the group was so small there was a risk that individuals could be identified. The Welsh Government says that the establishment of Health Education and Improvement Wales and the additional resources allocated to it should allow for more granular interpretation of survey results in future. **It is important to have data which can show ESPs' views and morale through a more detailed breakdown of staff survey results and, if need be, through specific surveys of ESPs.**

⁹⁸ See figure 7.6.

Recruitment and retention

- 7.24 The Welsh Government's evidence reported that six out of 12 organisations had current ESP vacancies. A total of 73 ESPs had left their posts in the last three years. This suggests an annual turnover rate of close to 20 per cent. We do not have the information to judge whether this is due to age profile and is, therefore, unlikely to continue at this level, or to some other cause. Because of the consequential recruitment challenges and the loss of organisational knowledge, it would be a concern if this high rate were to be maintained.
- 7.25 The Welsh Government sets a pay band for each ESP role. If an organisation believes it needs to pay a salary above this band, it must submit a business case for approval. We heard that there is sometimes a need for approval to offer a salary above the applicable ESP band minimum because of market conditions. In the last three years, 13 approvals have been sought.
- 7.26 We were told that it is difficult to attract good candidates for medical director posts and that finance director roles are also challenging to fill. We understand that for roles like finance directors, where skills are scarce and transferable to other sectors, a case is most often made to pay above the band minimum. Elsewhere among our remit groups, for example in the SCS, targeted pay may be used to recruit where certain kinds of expertise command higher market rates. The position for medical directors is different and it is unlikely that increasing salary levels will secure more candidates. **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.**

ESP and AfC pay frameworks

- 7.27 The ESPs we met and the employers quoted in the Welsh Government evidence both referred to an erosion of the differentiation between the top of the AfC pay range (band 9) and the bottom of the ESP range. The Welsh Government's evidence advised that ESPs have had the same salary uplifts as AfC band 9s in recent years. **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 rise does not match the increase in size and accountability of role.**

Basis for setting pay

- 7.28 ESP pay is set using the JESP 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.
- 7.29 In discussion groups and oral evidence, we heard that this basis for setting pay is quite often unsatisfactory in practice. We heard concerns that it does not always recognise the nature of NHS roles, that it is insensitive to matters relating to specific leadership challenges and that it leaves smaller organisations struggling to attract and retain good leaders. **The key leadership attributes of senior NHS managers and of the senior civil servants for whom JESP 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.**

Pay progression

- 7.30 The ESP framework does not include provision for pay progression. We would encourage a review of this position. We are particularly mindful of the benefits of providing progression for individuals during the early phase of their tenure in a new role. During this period leaders are developing competencies, building experience, forging relationships and enhancing effectiveness. To recognise this development by appropriate salary improvement is, in our experience, positive good practice. Pay progression is, moreover, part of the AfC framework which governs the remuneration of most of those in the organisations in the NHS. **An element of pay progression where experienced-based competence is rewarded, conditional on good performance, could support development and enhance individual and organisational effectiveness.**

Equity

- 7.31 We did not receive any data on gender pay gaps within the remit group. We look forward to receiving these data in future years. We welcome the commitments made in the *Race Equality Action Plan for Wales*,⁹⁹ including the implementation of the Diversity and Inclusion Strategy and the Action Plan for Public Appointments. Data will be a key part in measuring the implementation and success of these strategies.

Remuneration committees

- 7.32 The role of remuneration committees has not featured very much in our work. We recognise that their scope is limited because the size and structure of the NHS in Wales allows for a high degree of national consistency. However, our assumption is that they should play a significant role in ensuring the quality of decisions and that local considerations are taken into account. **In any future review, we would welcome evidence to help us understand how far remuneration committees are fully equipped to perform their role effectively.**

Pension taxation

- 7.33 In our discussions with ESPs, we heard of discontent over the impact pension taxation may have on promotion. We heard of individuals who received large bills they did not expect and how the impression that there is a high but uncertain risk of such bills may be a disincentive to apply for promotion. It is not clear to us how far the changes in the 2020 Budget have dealt with the source of this discontent. **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.**

Talent management

- 7.34 *A Healthier Wales* commits to “strengthening our talent and leadership, and planning on a national basis to ensure that good practice is widely shared”. The Welsh Government’s written evidence described how the NHS Wales Talent Management Board provides a mechanism to oversee the *Succession Strategy* intended to ensure a pipeline of outstanding future leaders. We were impressed by the holistic approach to talent management and the aim of developing leaders for the next decade as well as the near future. Among those we met, the importance of talent management was widely recognised. **We support the emphasis on strengthening talent management.**

⁹⁹ See: <https://gov.wales/race-equality-action-plan-anti-racist-wales>

In any future review, we would like to understand how the ongoing work will develop more diversity in the pipeline of future leaders. While it is desirable that some appointments are external to bring in wider experience and different thinking, the overriding emphasis should be on the identification, support and advancement of internal talent.

Data and evidence

Overview of the data

7.35 Details of the data and evidence that we have received are set out in the Annex. The key points from the data are as follows:

- There were 126 ESPs in NHS Wales in August 2020, around 0.1 per cent of the overall workforce. They are employed across seven regional health boards, three NHS trusts, two special health authorities and a shared services partnership.
- An estimated 49 per cent of the remit group is female.
- Roles are allocated through job evaluation to one of 14 pay points. ESP roles received a pay increase of 2 per cent from April 2020.
- Around 80 per cent of ESP roles are paid between £90,000 and £150,000. The median salary is close to £125,000.
- Pay for NHS chief executives is typically above other areas of the public sector, except higher education. However, chief executive roles appear to be paid less in Welsh Health Boards than in NHS trusts of a similar size in England.
- There are no widespread recruitment or retention problems but there has been difficulty with some specialist posts and a limited field of appointable candidates for some vacancies. The vast majority of recruitment (85 per cent) is from within the NHS.
- There is no specific evidence on motivation or morale for this group.

Annex: Data and evidence on ESPs

The remit group

7.36 Senior posts are defined by NHS Wales as all staff who are not covered by Agenda for Change (AfC) or medical and dental contracts. This cohort of staff are referred to as Executive and Senior Posts (ESPs). There were 126 ESPs in August 2020, out of an overall NHS workforce of 97,470, making up just over 0.1 per cent of the workforce. ESPs are employed across seven regional health boards, three NHS trusts, two special health authorities and a shared services partnership. Around 49 per cent of the remit group is female.

Pay for ESPs

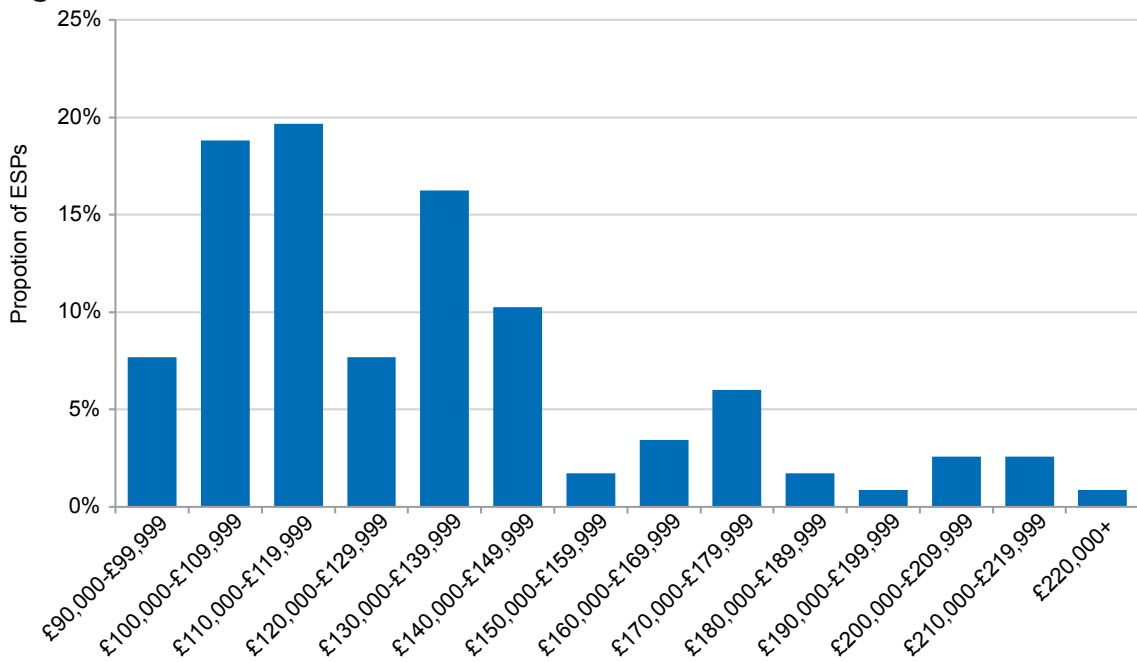
7.37 The ESP pay framework was implemented in stages from 2009 with the aim of ensuring consistency of salary levels across health boards for senior staff within NHS Wales. All chief executive and executive director roles are job evaluated to one of 14 pay points, each allocated to a narrow salary band (see table 7.1). All jobs are allocated a spot salary. Posts are appointed to the minimum of the salary range, with remuneration above the minimum, but within the range, where responsibilities are added. There are no incremental increases, allowances or performance pay. Any annual uplift is determined by the Welsh Government and its approval is needed for remuneration above the pay band maximum. Over the last three years, 13 such requests have been made.

Table 7.1: Pay for ESPs, 2020-21

Pay point	Minimum £pa	Maximum £pa
7	91,105	95,393
8	96,464	100,752
9	101,823	106,111
10	107,182	111,470
11	112,541	116,829
12	117,900	122,188
13	123,259	132,906
14	133,977	143,625
15	144,697	154,343
16	155,415	159,702
17	160,773	170,420
18	171,492	182,138
19	182,210	197,215
20	198,287	214,365

7.38 Figure 7.1 shows how the salaries of ESP roles are distributed. Around 80 per cent of ESP roles are paid between £90,000 and £150,000. The median salary is close to £125,000.

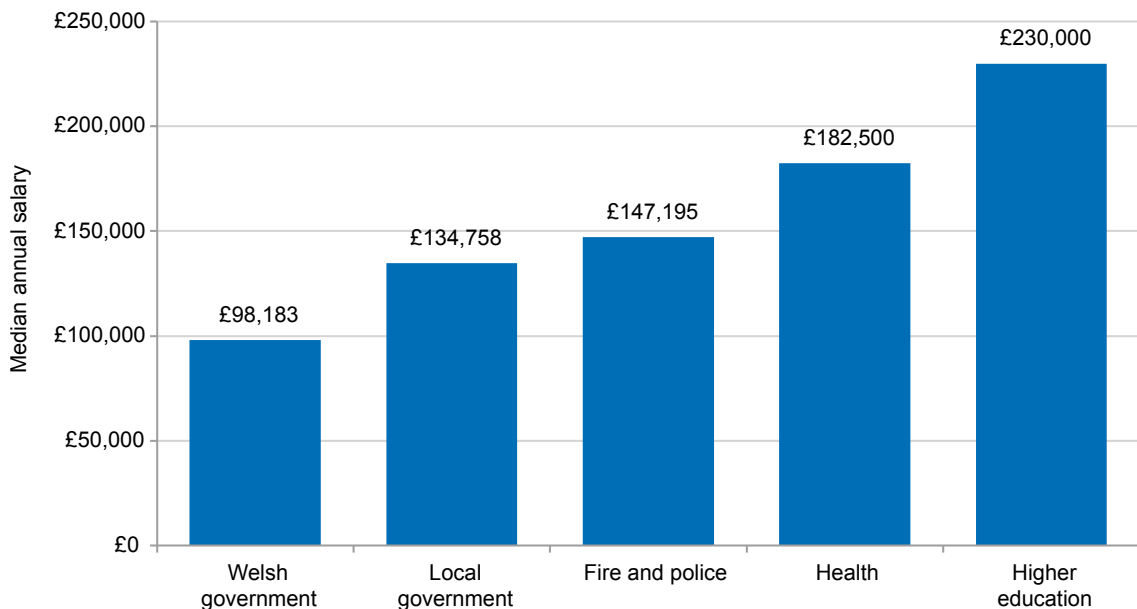
Figure 7.1: Distribution of salaries for ESP roles



Source: Welsh Government written evidence, unpublished.

7.39 Published data indicate that pay for NHS chief executives is typically above other areas of the public sector, except higher education (see figure 7.2). A comparison with England indicates that chief executive roles are paid less in Welsh Health Boards than in NHS trusts of a similar size in England.

Figure 7.2: Median chief executive salaries in the public sector in Wales, 2018-19



Note: Higher education salaries from 2017-18. Local government excludes parks.

Source: Senior management pay in devolved public services 2015 to 2019.

See: <https://gov.wales/senior-management-pay-devolved-public-services-2015-2019>

- 7.40 Pay for ESP staff has been uplifted in line with the award for AfC or medical and dental staff groups. This gave an increase of 2 per cent from 1 April 2020.
- 7.41 The Welsh Government has said that it does not support the use of targeted pay to specific staff groups. This was because the evidence showed that shortages of staff in specific specialities were UK-wide issues and related to the numbers of staff training in these areas, rather than the financial rewards. Where possible, Wales aims to maintain pay parity with the other nations as any deviations could create difficulties in recruiting staff across borders. The Welsh Government wants to see continuity of this approach.
- 7.42 The Welsh Government has said that the challenge of recruiting to particular specialities should be addressed through workforce planning and recruitment initiatives, as well as changing the way roles are designed. It does not wish to consider the use of targeted pay until it has evaluated the impact of some of its wider measures designed to address the underlying causes of recruitment challenges.
- 7.43 There are separate salary points for medical directors. These vary by health board and are worth £123,236 to £186,461. In addition to their salaries, medical directors may also apply for clinical excellence awards which are awarded for a five-year period and are worth £36,924 to £78,866.
- 7.44 Employers have voiced concerns that the gap between the ESP rates and the band 9 posts under AfC or the medical consultant scales have significantly closed over the last three years, with the risk that this could make the ESP roles less attractive.

Recruitment and retention

- 7.45 The vast majority of recruitment to the ESP cohort over the last three years has been from within the NHS: 52 out of 61 appointments (85 per cent). Of the recent appointments, 13 (21 per cent) were from NHS England. There were a reported 13 vacant ESP posts (a vacancy rate of 10 per cent). The evidence suggests that recruitment is not a problem in general but that there has been difficulty with some specialist posts and a limited field of appointable candidates for some vacancies.
- 7.46 In total, 73 ESPs had left their posts over the last three years. This suggests an annual turnover rate of close to 20 per cent. In discussion with postholders, there was concern about retaining senior managers in some of the smaller trusts.
- 7.47 The NHS Wales Talent Management Board has an aim of ensuring a future pipeline of outstanding performers across NHS Wales, with at least three shortlisted applicants for every Board level position by 2025. The succession planning strategy includes management and leadership skills development, appraisal processes to identify future leaders and processes to increase diversity within the leadership cohort.

Motivation and morale

- 7.48 The employee well-being survey does not specifically differentiate ESP staff but identifies those at pay band 8d and above. This does not suggest any significantly different indicators on morale than for other staff groups. ESP staff are not separated out for the NHS staff survey, largely as the staff group is so small that responses may be identifiable.

Chapter 8

Police and Crime Commissioners

Introduction

The remit group

- 8.1 There are currently 39¹⁰⁰ directly elected police and crime commissioners (PCCs) in England and Wales. Of these 39, four also hold responsibility for fire services in their areas.
- 8.2 PCCs are elected for a four-year term. Elections were held in May 2021. The Government postponed the elections due to take place in May 2020 by a year on account of the COVID-19 pandemic.

Previous SSRB review

- 8.3 We were last asked to review PCC salaries in 2018. This was the first substantive review since the pay structure for PCCs was put in place in May 2012.
- 8.4 Our 2018 Report set out our recommendations and our 2019 Report noted the disappointment we felt at the Government's response which mostly ignored them. No explanation of the Government's reasons was given. In our 2020 Report we commented that we remained unclear as to why our advice was sought and then not followed.
- 8.5 In November 2020, the Home Secretary wrote to the SSRB Chair stating that the next annual review of PCC pay would not be commissioned until after the postponed PCC elections due in 2021 had concluded.
- 8.6 She also said that the delay would enable the SSRB to consider the outcome of part one of a two-part review of PCCs focusing on changes required to strengthen the PCC model and map out the longer-term ambition for expansion of the role. This was published in March 2021.¹⁰¹

Timing of the next pay award

- 8.7 We would welcome confirmation from the Home Office of the effect of the decision to delay the PCC elections to May 2021 on the timing of the next PCC pay review.
- 8.8 If the decision is made to delay the next PCC pay review, the earliest any pay awards could be given will be in May 2023 at the earliest, a five-year gap since the last pay award.

Looking forward

- 8.9 As previously noted in our 2018 Report, we do not think it is necessary or proportionate to conduct a full review of the remuneration of this remit group every year. However, we stress the importance of the Home Office considering how best it can use the SSRB's expertise in relation to PCCs and clarifying what it expects of us before commissioning the next formal review of their pay.

¹⁰⁰ The responsibilities of the Police and Crime Commissioner for West Yorkshire have been taken over by the recently elected mayor (May 2021).

¹⁰¹ See: <https://questions-statements.parliament.uk/written-statements/detail/2021-03-16/hcws849>

8.10 It is difficult to carry out a review without sufficient evidence. We reiterate that the following issues would need to be considered:

- Currently the evidence base for this remit group is limited. Further information should be provided in relation to the career history of PCCs, both before taking on the post and after leaving it.
- More 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 who chose to step down from the role at the May 2021 elections. We understand that the APCC are planning to conduct a survey to collect information from those who stepped down this year. We welcome this.
- 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

Take-home pay, total net remuneration and pensions

Introduction

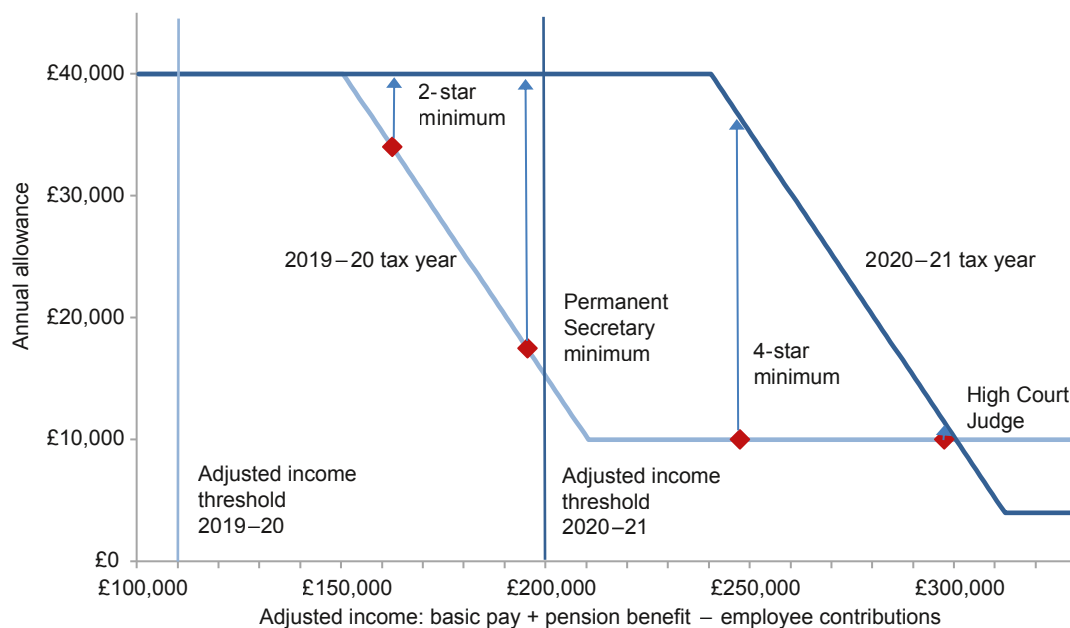
1. This appendix sets out in detail the analysis conducted on take-home pay and total net remuneration referred to in Chapters 3, 4, 5 and 6. It constitutes an update of the analysis contained in the 2020 Report.
2. Our previous analysis showed that some remit group members were facing very high marginal tax rates due to the pensions annual allowance. Many had seen falls in both take-home pay and total net remuneration since 2009-10 when inflation was taken into account. Members of the judiciary saw particularly sharp falls in total net remuneration following the move to a tax-registered pension scheme in 2015. These were only partly offset by the introduction of recruitment and retention allowances for some judges in 2019.
3. Changes to the annual allowance taper announced in the March 2020 Budget will have increased take-home pay and total net remuneration over the last year for many of the remit group members hardest hit by annual allowance charges. However, these changes also mean that the very highest earners will have lost out.

March 2020 Budget changes to pension taxation

4. Reductions to the pensions annual allowance since 2011, and in particular the introduction of a taper in 2016, created high marginal tax rates for high earners in employer pension schemes including public sector workers. This led to 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.
5. The Budget implemented three separate changes which took effect at the start of the 2020-21 tax year:
 - The threshold at which adjusted income,¹⁰² 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.
6. The effects of these changes are shown in figure A.1.

¹⁰² Adjusted income is defined as all taxable income plus the value of pension benefits.

Figure A.1: Annual allowance before and after Budget changes, by level of adjusted income



Note: High Court Judge in NJPS with RRA. 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.

7. Everyone with an adjusted income lying in the part of the chart where the dark blue line is above the light blue line stood to benefit from these 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 chart, with arrows indicating how their annual allowance will have increased.
8. The maximum an individual could gain 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). These earners are those with adjusted incomes between £210,000 and £240,000, having moved from a fully tapered annual allowance of £10,000 to an un-tapered annual allowance of £40,000. Those likely to have gained most included Permanent Secretaries, 4-star officers and Circuit Judges in the New Judicial Pension Scheme (NJPS). However, the latter had a recruitment and retention allowance (RRA) introduced to compensate for the annual allowance charge removed from 1 April 2020 as a result of the Budget changes.
9. Since the March 2020 Budget changes to pension taxation, the annual allowance is 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 subject to the maximum reduction. They include:
 - 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 Defence Equipment and Support and the Government Chief Trade Negotiation Adviser.
 - The Chief of the Defence Staff (CDS) and 4-star officers at the top of their pay band.

10. Many of our remit group members will also receive tax charges under the lifetime allowance, which was increased in line with inflation to £1,073,100 for the tax year 2020-21 but has been frozen at this level until 2025-26.

Methodology and assumptions

11. 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 any performance-related pay, allowances or pay premia) less employee national insurance contributions, income tax, employee pension contributions and any annual allowance charges.
12. 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. This is calculated by multiplying pensionable pay by the accrual rate of the pension scheme, multiplied by the valuation factor of 16 that is used for calculating tax liability in a defined benefit scheme (adding in any automatic lump sums that are payable on retirement).¹⁰³
13. Total net remuneration is based on annual earnings, so does not take account of lifetime allowance charges. Many members of our remit group are likely to breach the lifetime allowance by retirement age, meaning that our in-year analysis underestimates the total burden of pension taxation on these members. Next year, we intend to develop estimates of lifetime remuneration which consider the impact of the lifetime allowance charge in conjunction with annual allowance charges.
14. Changes to income tax, national insurance, pension contribution rates and accrual rates since 2009-10 are set out in our 2020 Report (pages 198-200).
15. The definition of take-home pay includes annual allowance charges, reflecting an assumption that they are paid up front rather than through Scheme Pays. Scheme Pays, as set out in box A.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. This reflects the interest associated with deferring payment for many years and will often result in a reduction of total net remuneration in excess of the cost of paying the charges up front.

Box A.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.
- 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.
- Though Scheme Pays is often a less attractive way to pay annual allowance charges, it has implications for other forms of taxation, notably reduced liability to the lifetime allowance and income tax on future pension payments, that may make it more favourable.

¹⁰³ 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 scheme to any individual depends on how many years they expect to claim it, which may be more or less than 16.

16. Several assumptions have been made in the analysis with respect to pay, pension benefits, tax and the period analysed:
- 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 High Court Judge and Circuit Judge for 2018-19 to 2020-21 include the recruitment and retention allowances (RRAs) introduced from 2017-18. These are currently at a rate of 25 per cent for High Court Judges and were at 15 per cent for Circuit Judges in 2018-19 and 2019-20.
 - 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. The actual pension benefit will be higher or lower if an individual receives their pension for more or less than 16 years. The valuation factor differs from an actuarial valuation which would take into consideration other factors, such as age.
 - No annual allowance is carried forward.
 - Scheme Pays is not used to pay the annual allowance charge; the charge is deducted from annual pay.
 - Members of our remit groups may breach the lifetime allowance, which stands at £1.073 million in 2020-21. They will therefore incur further tax charges on their pension. As a result, our findings on the impact of pension taxation on total net remuneration would be underestimated for those members.
 - Inflation-adjusted take-home pay and total net remuneration are in 2020 prices unless otherwise stated.
 - This is an in-year analysis and thus does not factor in changes to the retirement age.
 - The analysis begins with the 2009-10 tax year and ends with 2020-21.

Take-home pay and total net remuneration analysis

17. Between 2019-20 and 2020-21, nominal take-home pay and total net remuneration increased for most of our roles (see table A.1 and figures A.1 and A.2). The increases in take-home pay range from 0.1 per cent (High Court Judge) to 19.0 per cent (Chief Constable).
18. The reasons for increases in nominal take-home pay vary across roles. Some roles saw increases in line with annual pay awards, for example SCS pay band 1. Others saw increases due to the annual allowance pension taxation changes. This affected higher-earning roles such as Permanent Secretaries and 4-star officers.
19. The very highest-earning roles, such as CDS, saw decreases in take-home pay as a result of the increase in the pension tax charge resulting from the reduced annual allowance for the highest earners.
20. Changes to total net remuneration were broadly in line with changes to take-home pay for each group.
21. For some groups, annual pay awards and the annual allowance changes have made up for the falls in nominal take-home pay that took place after 2009-10. The higher earning a group, the less likely it is that their take-home pay will have caught up with its 2009-10 level.

Table A.1: Increase in nominal and real take-home pay and total net remuneration, 2019-20 to 2020-21¹⁰⁴

	Increase in take-home pay		Increase in total net remuneration	
	Nominal %	Real %	Nominal %	Real %
SCS pay band 1 minimum	1.4	0.5	1.4	0.6
SCS pay band 3 minimum	1.6	0.8	2.7	1.8
Permanent Secretary minimum	15.1	14.1	8.2	7.4
2-star minimum	3.4	2.5	2.9	2.0
4-star minimum	17.9	16.9	11.2	10.2
CDS maximum	-0.4	-1.3	0.6	-0.2
District Judge	0.8	0.0	1.2	0.3
Circuit Judge	2.2	1.3	2.1	1.2
High Court Judge	0.1	-0.8	2.2	1.4
Band 9 maximum	1.1	0.2	1.0	0.2
Chief executive of special health authority	17.8	16.8	10.2	9.3
Chief Constable	19.0	18.0	12.1	11.2

Table A.2: Increase in nominal and real take-home pay and total net remuneration, 2009-10 to 2020-21

	Increase in take-home pay		Increase in total net remuneration	
	Nominal %	Real %	Nominal %	Real %
SCS pay band 1 minimum	14.8	-8.6	34.0	6.8
SCS pay band 3 minimum	4.6	-16.6	26.1	0.5
Permanent Secretary minimum	-13.2	-30.8	8.3	-13.7
2-star minimum	8.8	-13.3	19.7	-4.7
4-star minimum	-3.9	-23.4	10.1	-12.3
CDS maximum	-22.1	-37.9	-2.2	-22.1
District Judge	3.2	-17.8	-2.1	-22.0
Circuit Judge	-6.5	-25.5	-7.6	-26.4
High Court Judge	-4.6	-24.0	-5.3	-24.6
Band 9 maximum	3.7	-17.4	9.3	-12.9
Chief executive of special health authority	-5.0	-24.3	6.3	-15.3
Chief Constable	-4.2	-23.7	5.3	-16.1

¹⁰⁴ Real figures are calculated using 2019 prices.

- 22. When inflation is taken into account, however, all groups have seen real-terms decreases to their take-home pay since 2009-10 and most groups, except senior civil servants, have also seen a real-terms fall in their total net remuneration. Table A.1 shows the increase in take-home pay and total net remuneration in the last year. Table A.2 shows the change in take-home pay and total net remuneration since 2009-10.¹⁰⁵
- 23. Figures A.2 and A.3 display take-home pay for each of our remit groups. Figures A.4 and A.5 display total net remuneration for each of our remit groups. These figures track the evolution of take-home pay and total net remuneration from 2009-10 to 2020-21 across all our remit groups.

Figure A.2: Nominal take-home pay (SCS, senior military, Chief Constable)

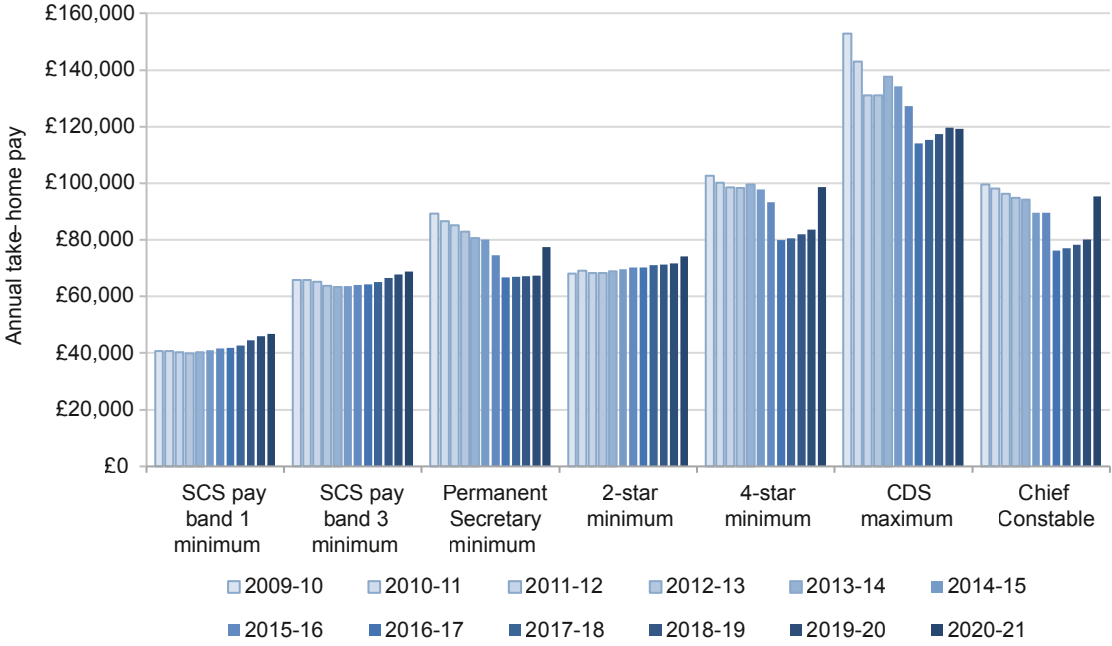
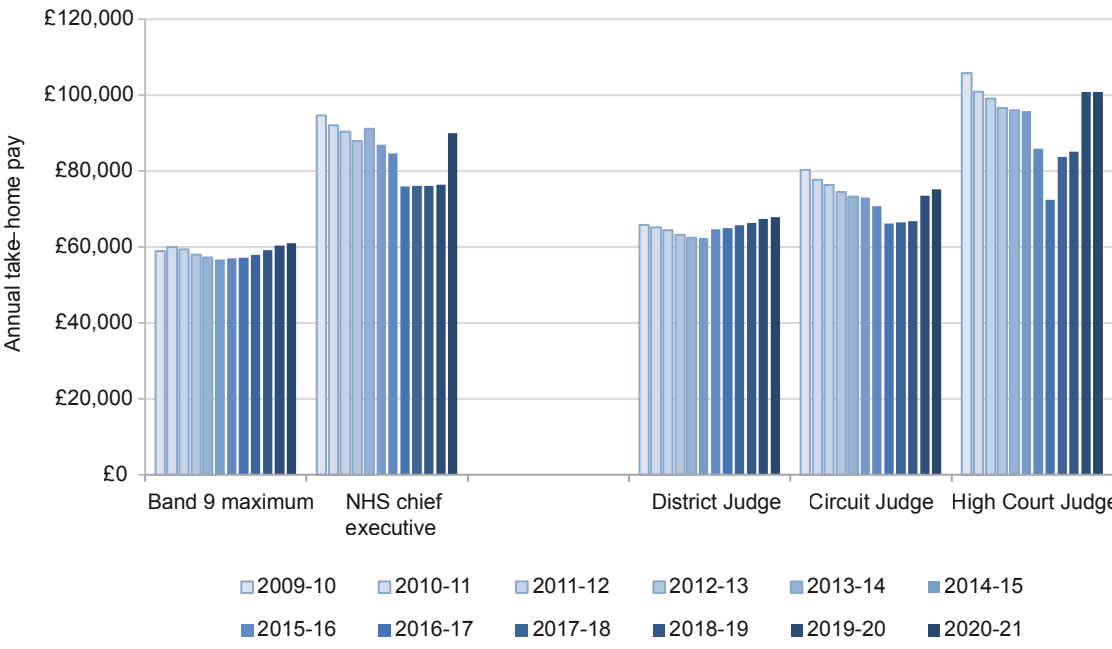


Figure A.3: Nominal take-home pay (senior health managers, Judiciary)



¹⁰⁵ All tables and charts exclude the impact of the lifetime allowance tax charge.

Figure A.4: Nominal total net remuneration (SCS, senior military, Chief Constable)

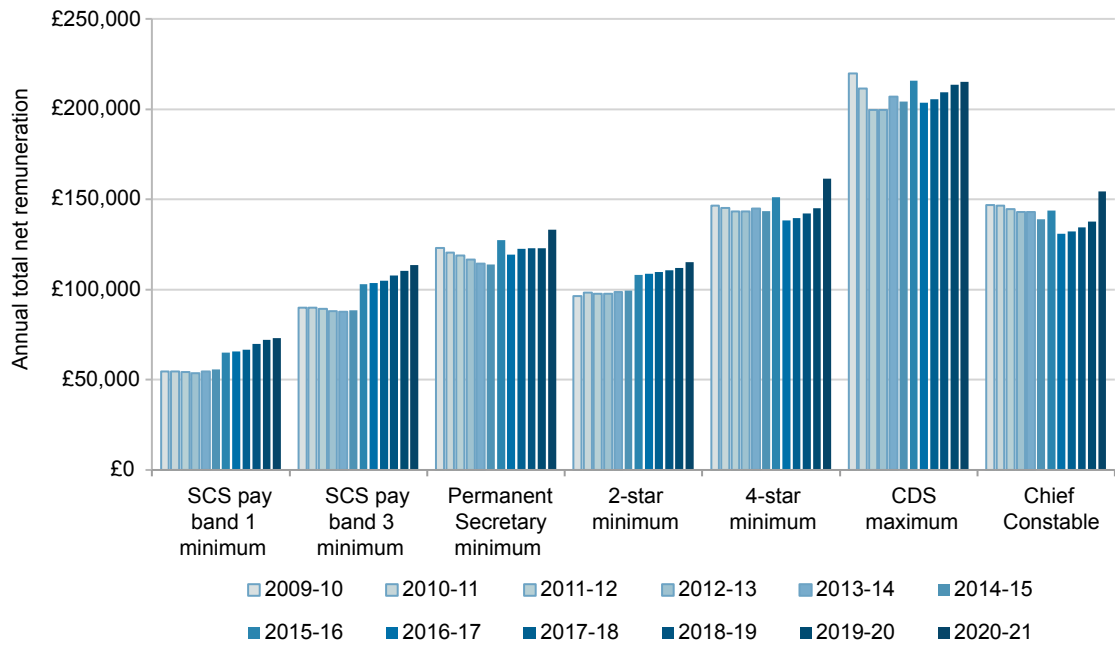
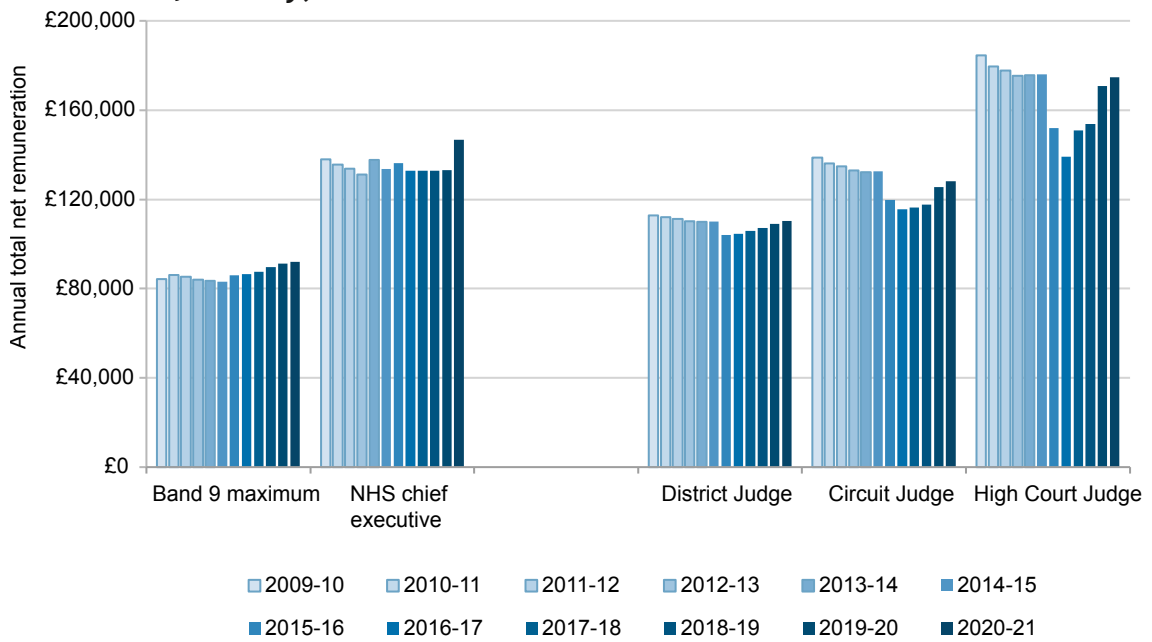


Figure A.5: Nominal total net remuneration (senior health managers, Judiciary)



Appendix B

Characteristics of the SSRB remit groups

Introduction

1. This appendix gives comparative descriptive information on our individual remit groups. Table B.1 provides a short summary of the key characteristics of each group. Tables B.2 through to B.7 give detailed information on the senior civil service (SCS), the senior military, the judiciary, senior leaders in the NHS – very senior managers (VSMs), executive and senior managers (ESMs) and executive and senior posts (ESPs), chief police officers and Police and Crime Commissioners (PCCs).

Table B.1: Summary of all remit group characteristics

	SCS	Senior military	Judiciary	NHS senior leaders	Chief police officers	PCCs
Size of remit group	5,447	128	2,259	3,384	231	39
Geography	England, Wales and Scotland.	UK wide.	UK wide.	England and Wales.	England, Wales and Northern Ireland.	England and Wales.
Pay structure	Overlapping pay bands.	Non-overlapping pay bands.	Spot rates by salary group.	Separate pay arrangements for VSMs, ESMs and ESPs.	Spot rates for Chief Constables and DCCs. Non-overlapping pay bands for ACCs 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.	ACCs 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 appoints with Board ratification and in some instances DHSC or Ministerial approval.	In England and Wales, appointed by the PCC. In Northern Ireland and London, appointed by the Home Office.	Election by relevant police force area.
Age profile	Under 35: 5% 35-39: 12% 40-44: 21% 45-49: 19% 50-54: 20% 55-59: 17% 60+: 6%	Under 40: 0% 40-49: 13% 50-59: 87% 60+: 1%	Under 40: 5% 40-49: 21% 50-59: 34% 60+: 40% Includes fee-paid judges. ¹⁰⁶	Under 30: 0% 30-39: 4% 40-49: 31% 50-59: 56% 60+: 9% ¹⁰⁸	Under 26: 0% 26-40: 2% 41-55: 93% 55+: 5%	Data unavailable.
Diversity profile	47% female 7% ethnic minority 6% disabled 6% LGBO	4% female 0% ethnic minority 0% disabled	38% female 9% ethnic minority	48% female 11% ethnic minority ¹⁰⁷	29% female 2% ethnic minority	24% female 3% ethnic minority

¹⁰⁶ 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.

¹⁰⁷ Data only apply to VSMs. Data on ESMs and ESPs can be found in Table B.5.

Table B.2: Senior civil service remit group characteristics

Size of remit group	5,447 This represented 1.2% of the civil service headcount in 2020.
Employer(s)	All government departments and some arm's-length bodies.
Geography	67.5% are London based, the remaining 32.5% are based elsewhere in Great Britain or overseas.
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. This is, from top to bottom: Permanent Secretary, Director General (pay band 3), Director (pay band 2), Deputy Director (pay band 1).
Pay structure	<p>Pay ranges from £71,000 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.</p> <p>There are three Permanent Secretary pay tiers 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.</p> <p>Additionally, there are 209 members of the Government Commercial Organisation (GCO) at SCS equivalent level. 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 October 2020, 58% of eligible candidates had taken this opportunity. GCO salaries range from £91,800 to £193,819 at SCS equivalent level. There is a performance bonus of up to 20% for people on GCO terms.</p>
Pay progression	There is currently no formal mechanism for pay progression except in Scotland. Departments are expected to make annual awards targeted towards demonstration of sustained high performance, increased effectiveness and deepened expertise while also considering position in the pay range.

Pension scheme(s)	<p>There are five defined benefit civil service pension schemes, four of which are closed to new members. SCS members may be in one (or two if they switched to Alpha post-2015). In September 2020, 84% of civil servants earning £70,000 or above were members of Alpha.</p> <p>Employee contribution rates are the same across all DB pension schemes: 4.60% for those earning up to £23,000, 5.45% for those earning between £23,001 and £45,500, 7.35% for those earning between £45,501 and £150,000 and 8.05% for those earning more than £150,000.</p> <p>Alpha: career average, 2.32% accrual rate, state pension age, for post-2015 joiners.</p> <p>Classic: final salary, 1.25% accrual rate plus three times final pension lump sum, pensionable age 60, for pre-2002 joiners.</p> <p>Classic plus: final salary, 1.67% accrual rate, pensionable age 60, for members who joined before 2002 and elected to move from Classic into Classic Plus from 2002.</p> <p>Premium: final salary, 1.67% accrual rate, pensionable age 60, for 2002-2007 joiners or switchers from Classic.</p> <p>Nuvos: career average, 2.3% accrual rate, pensionable age 65, for 2007-2015 joiners.</p> <p>There is one defined contribution scheme, the Partnership scheme. Employer contributions range from 8.0% to 14.75% depending on age. The Partnership pension scheme does not require any member contributions, but if a member chooses to make contributions their employer will match their contribution, up to an additional 3%.</p>
Retirement age	<p>Those in the Alpha pension scheme may claim their pension without actuarial reduction from their state pension age, currently 66. Classic, Classic Plus and Premium members may do so from age 60 and Nuvos members from age 65.</p>
How they are appointed	<p>All SCS members are recruited by their direct employer through processes regulated by the Civil Service Commission. By default, all recruitment processes 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.</p>
Age profile	<p>The age profile in 2020 was:</p> <ul style="list-style-type: none"> Under 35: 4.5% 35-39: 12.4% 40-44: 20.8% 45-49: 19.2% 50-54: 20.0% 55-59: 16.7% 60 and over: 6.4% <p>The median age was 48.</p>
Diversity profile	<p>In 2020 the SCS was:</p> <ul style="list-style-type: none"> 46.9% female 6.9% ethnic minority 5.6% disabled 5.6% LGBO <p>The median gender pay gap in 2020 was 5.2% for the SCS (compared to 10.5% for the civil service as a whole).</p>

Working hours	<p>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 the pandemic response.</p> <p>The latest FDA survey of civil service working hours from January 2021 found that 80% of SCS respondents were working more hours than before the pandemic. 90% of SCS respondents were working at least four additional hours each week beyond their contracted hours, with over a fifth (22%) working 14 or more.</p>
Career paths	<p>Around 80% of SCS members were civil servants before they joined the SCS. Roughly 21% have been on the Fast Stream programme. Around 20% were external appointments when they most recently joined the SCS, recruited from the private sector or other parts of the public sector.</p>
Qualifications	<p>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.</p>
Job security and tenure	<p>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. Movement may sometimes be required to reflect a change in organisational structure or business needs.</p> <p>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.</p>
Leadership and management	<p>Each tier of the SCS has leadership responsibility for all those below them within their scope of responsibility, including direct line management functions.</p> <p>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.</p>

Note: This information has been verified by the Cabinet Office.

Table B.3: Senior military remit group characteristics

Size of remit group	128 As of 2020 this represents 0.08% 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 the Chief of the Defence Staff (4-star), who is the head of the professional Armed Forces, and 4-star, 3-star and 2-star officers who support the Chief of the Defence Staff (CDS).
Pay structure	<p>The pay structure consists of three ranks each with six increments. The CDS has a separate pay spine with four increments. Salaries range from £120,800 to £281,844.</p> <p>There are currently three Medical or Dental Officers (MODOs) at 2-star rank. The 3-star Surgeon General post is currently held by a civilian. MODOs are paid on two spot rates, one for each rank.</p> <p>The 2-star MODO base rate of pay is 10% above the top 1-star rate of pay, while the 3-star rate of pay is 5% above the 2-star spot rate.</p> <p>2-star and 3-star officers also receive X-Factor at a rate of £2,777 which equates to 25% of the cash value of the X-Factor at the top of the OF4 pay scale. MODOs have a different level of X-Factor of £4,419 at the 2-star and 3-star level.</p>
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 of the reporting year (January-December) before becoming eligible for their first increment. Officers promoted after 1 July therefore do not receive an increment on the following 1 April.
Pension scheme(s)	<p>There are three pension schemes: AFPS75, AFPS05, AFPS15. Unlike other public sector pension schemes, there are no required employee contributions. The benefits are as follows:</p> <p>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.</p> <p>AFPS05: final salary pension with lump sum, 1/70 accrual rate up to a maximum of 40 years with a lump sum of three times annual pension.</p> <p>AFPS15: career average pension with 1/47 accrual rate. Revalued according to the average weekly earnings index.</p>
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.

Age profile	<p>The age profile of the senior military is:</p> <p>Under 40: 0%</p> <p>40-49: 13%</p> <p>50-59: 87%</p> <p>60+: 1%</p>
Diversity profile	<p>The senior military is:</p> <p>4% female</p> <p>0% ethnic minority</p> <p>0% disabled</p> <p>Data on the rates of LGBT representation and the gender pay gap are not available.</p>
Working hours	<p>Members of the senior military are unlikely to work part time although, along with all Armed Forces personnel, they are permitted to apply for flexible service. They are often required to work away from home throughout their senior career where flexible working is unlikely to be possible.</p>
Career paths	<p>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.</p>
Qualifications	<p>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.</p>
Job security and tenure	<p>Senior tour lengths are usually for two years, although extensions are possible if required. Following an individual tour, personnel are not automatically 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 CDS) and are not generally subject to an individual's preference.</p>
Leadership and management	<p>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.</p>

Note: This information has been verified by the Ministry of Defence.

Table B.4: Judiciary remit group characteristics

Size of remit group	2,259 salaried judges, comprising: England and Wales: 1,973 Scotland: 205 Northern Ireland: 81
Employer(s)	Judges in England and Wales, in both the tribunals and the courts service, are office holders and 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 court-based judges in England and Wales were London based in 2020. 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 structure. Tribunal judges, in various stages of devolution, are sometimes paid differently across jurisdictions.
Hierarchy	The judicial structure is complex, with a mix of jurisdictional hierarchy (where higher courts make rulings affecting lower courts) and direct leadership.
Pay structure	There are 12 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 £91,217 for group 8 to £267,509 for group 1.
Pay progression	There is no pay progression.
Pension scheme(s)	There are two main judicial pension schemes, NJPS and JUPRA. There are 901 active office holders in JUPRA and 3,996 in NJPS. The latter figure includes fee-paid judges. 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 4.43% 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. MoJ has announced proposals to introduce a reformed judicial pension scheme from 1 April 2022.
Retirement age	NJPS may be claimed without actuarial reduction from the state pension age, currently 66, while JUPRA may be claimed from age 65. There is a currently a statutory maximum retirement age of 70 for all judges. In its response to the Judicial Mandatory Retirement Age consultation, the Government confirmed its intention to raise the maximum retirement age of judicial office holders to 75.
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.

Age profile	<p>Including fee-paid judges (outside the SSRB remit) the age profile in 2020 was:</p> <p>Under 40: 5%</p> <p>40-49: 21%</p> <p>50-59: 34%</p> <p>60+: 40%</p>
Diversity profile	<p>Including fee-paid judges (outside the SSRB remit), the judiciary is:</p> <p>38% female</p> <p>9% ethnic minority</p> <p>No information is available for rates of disability, LGBT representation or the gender pay gap in the judiciary.</p>
Working hours	<p>Salaried judges can request to work part time, though requests are not always approved. In some cases, such as in the High Court, there are statutory complements which make workforce planning more difficult with part-time working. Currently, 18% of salaried judges work part time. Reliable information on working hours of judges is not available.</p> <p>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 posts, thereby in effect sitting full time.</p>
Career paths	<p>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.</p> <p>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.</p>
Qualifications	<p>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 of post-qualification experience. Many will have specialist knowledge about certain areas of law on which they may focus in their judicial role.</p> <p>Judges in non-legal judicial roles on tribunals have varying qualification requirements depending on the topic covered but do not require legal qualifications.</p> <p>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.</p>

Job security and tenure	<p>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 or 66. However, they may 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.</p> <p>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.</p> <p>The average appointment age of judges in 2020 was 52.5 in the courts and 53.3 in the tribunals. The average age on leaving the judiciary was 68.2 in the courts and 67.2 in the tribunals. These average ages vary between different types and levels of courts.</p>
Leadership and management	<p>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, 176 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.</p>

Note: This information has been verified by the Ministry of Justice.

Table B.5: Senior leaders in the NHS remit group characteristics

Size of remit group	VSMs	2,788 in England. This represents 0.2% of the NHS England headcount.
	ESMs	470 in England.
	ESPs	126 in Wales. This represents 0.1% of the NHS Wales headcount.
Employer(s)	VSMs	VSMs are employed either by NHS trusts, foundation trusts or by Clinical Commissioning Groups (CCGs).
	ESMs	ESMs are employed by arm's length bodies (ALBs) attached to the Department of Health and Social Care (DHSC), such as NHS England.
	ESPs	ESPs are employed by Welsh regional health boards, NHS trusts with an all-Wales focus and special health authorities.
Geography	VSMs	As VSMs are employed by NHS trusts and CCGs across England, their geographical spread is broadly in line with the wider population density.
	ESMs	Most of the ALBs 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 ALBs have regional and sub-regional offices across the country.
	ESPs	ESPs are distributed across Wales broadly in line with population density.
Devolution	VSMs	These are England-only remit groups.
	ESMs	
	ESPs	This remit group applies only to Wales.
Hierarchy	VSMs	Senior leaders in all three groups are the most senior managers in their organisations. 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.
	ESMs	
	ESPs	

Pay structure	VSMs	VSM pay is dependent on role, organisation size and organisation type. Trusts with a higher turnover tend to pay higher salaries to a given VSM role than smaller trusts. VSM salaries usually start above Agenda for Change which had a top pay point of £104,927 in 2020-21. Pay ranges from £89,500 (minimum for directors of strategy/planning in a small trust) to £265,000 (upper quartile of benchmarked range for a chief executive of a very large trust).
	ESMs	There are non-overlapping pay ranges, which have 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 suggest a salary of up to the operational maximum will not attract suitable candidates. All roles with a salary in excess of £150,000 require both Secretary of State and DHSC remuneration committee approval prior to appointment.
	ESPs	There are two pay scales: one for non-medical directors and another for medical directors. Pay for non-medical directors ranges from £91,105 to £214,365; medical director pay ranges from £123,236 to £186,461. Salaries above the pay band for the role need to be approved by the Director General for Health and Social Services in the Welsh Government.
Pay progression	VSMs	VSMs taking up their first executive director or chief executive role normally have pay set no higher than the lower quartile of the relevant range. Staged increases of up to 10% a year towards the median value, where agreed, are dependent on the achievement of objectives. Foundation trusts and CCGs have autonomy over pay awards subject to ministerial comment if outside the recommended uplift.
	ESMs	ESMs do not have a pay progression system. The remuneration and annual performance-related pay of ESMs is determined by the DHSC remuneration committee. The committee operates within the parameters set by the Cabinet Office and in light of the Government's response to the SSRB's recommendations for any pay award.
	ESPs	There is no formal system for pay progression. If additional responsibilities are added to a role, an increase within a given pay band may be possible.
Pension scheme(s)	VSMs	Like all other NHS employees, senior leaders may join the NHS pension scheme. There are two schemes: the final salary defined benefit scheme, or legacy scheme, which is made up of the 1995 and 2008 sections and is closed to new members, and the 2015 scheme, a career average scheme which all new NHS staff can join. The 2015 scheme has a 1/54 accrual rate, revalued by Treasury Order plus 1.5% each year. For all schemes the member contribution rate is 13.5% if pensionable pay is between £70,631 and £111,377, and 14.5% if pensionable pay is over £111,377.
	ESMs	
	ESPs	

Retirement age	VSMs ESMs ESPs	The pension age is in line with the state pension age, currently 66.
How they are appointed	VSMs	All group members are appointed by the bodies that employ them. Salaries of £150,000 and above need to be approved in the case of a trust or subject to comment in the case of a foundation trust or CCG by the Secretary of State in the first instance and the DHSC remuneration committee in both instances.
	ESMs	ESMs are appointed by the bodies that employ them. Salary approvals may be required from the DHSC remuneration committee, DHSC ministers and HM Treasury depending on the amount.
	ESPs	All group members are appointed by the bodies that employ them. Salaries above the pay band for the role need to be approved by the Director General for Health and Social Services in the Welsh Government.
Age profile	VSMs	Under 30: 0% 30-39: 4.2% 40-49: 30.8% 50-59: 56.4% 60+: 8.5%
	ESMs	Age profiles are unknown for these groups.
	ESPs	
Diversity profile	VSMs	VSMs are: 48% female 11% ethnic minority
	ESMs	ESMs are: 52% female 8% ethnic minority (of those who declared)
	ESPs	ESPs are: 49% female Ethnicity data were not shared.
Working hours	VSMs	All three groups typically work long hours in demanding roles. In some cases, working arrangements which mirror the rest of the NHS will be expected.
	ESMs	
	ESPs	
Career paths	VSMs	Members of the three groups 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. For the ESP group in Wales, the vast majority of posts are recruited internally.
	ESMs	
	ESPs	
Qualifications	VSMs	Remit group members will tend to have degree level education supplemented with specialist qualifications.
	ESMs	
	ESPs	

Job security and tenure	VSMs ESMs ESPs	Remit group members will usually be on permanent contracts. ESMs are generally accountable to the board of directors in the body that employs them, while VSMs/ESPs are accountable to the chief executive of the trust/health board they are employed by. Trust CEOs are accountable to the trust Chair.
Leadership and management	VSMs ESMs ESPs	Leadership and management is intrinsic to these roles and it is expected that all group members will have direct line management and more general leadership responsibilities. Members could be general managers, for example fulfilling the role of a chief executive, or highly specialised experts leading technical or medical work.

Note: This information has been verified by the Department of Health and Social Care and the Welsh Government as applicable.

Table B.6: Chief police officers remit group characteristics

Size of remit group	231 (FTE and headcount) In 2020 the chief police officers represented 0.18% of the FTE police workforce.
Employer(s)	Chief police officers are all employed by their respective police forces.
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 Northern Ireland, this role is performed by the Department of Justice (Northern Ireland).
Hierarchy	The police forces have a managerial hierarchy. Chief Constables are at the top of the internal hierarchy, while Deputy Chief Constables (DCCs) report and are accountable to Chief Constables and Assistant Chief Constables (ACCs) to DCCs. Externally, Chief Constables are accountable to the Police and Crime Commissioner (PCC), or to a Mayor with PCC functions. 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 PCC.
Pay structure	Chief Constables and DCCs, and their equivalents in London, have a spot rate of pay between £122,628 and £292,938. There are 12 spot rates for each role outside London, which vary by force weighting. This is based on a number of factors, with higher weightings attracting higher pay. A PCC 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. ACCs and Commanders are on a pay spine with three points, ranging from £105,600 to £119,220, with incremental progression up the spine each year.
Pay progression	ACCs 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, 1/60 accrual rate, double accrual (2/60) for every year after the 20th year of pensionable service, revalued by inflation after age 55, maximum pension of two thirds of final salary, 15.05% employee contributions. 2006 pension scheme: final salary, 1/70 accrual rate, revalued by inflation after retirement, maximum pension of half of final salary, 12.75% employee contributions. 2015 pension scheme: career average, 1/55.3 accrual rate, revalued by CPI plus 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.

How they are appointed	Chief Constables are appointed by PCCs. 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 at March 2020 was: Under 26: 0% 26-40: 2% 41-55: 93% 55+: 5%
Diversity profile	Chief police officers are: 29% female 2% ethnic minority The proportion of disabled and LGBT chief police officers is not known, nor is the gender pay gap.
Working hours	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. Chief Constables are required to have held the rank of ACC, Commander or a more senior rank in a UK or approved overseas force, and to 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. 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.
Job security and tenure	Chief police officers have fixed-term appointments. Initial appointments are made for up to five years and 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 or a Mayor with PCC functions. They will all have direct management responsibility for others.

Note: This information has been verified by the Home Office.

Table B.7: Police and Crime Commissioners remit group characteristics

Size of remit group	39
Employer(s)	As elected officials, the Police and Crime Commissioners (PCCs) 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, Greater Manchester and West Yorkshire, where Mayors 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 for chief police officers. These range from £66,300 for Cumbria to £100,000 for the West Midlands, with most PCCs in the three spot rates in between. There is an additional payment of £3,000 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. The benefits are career average, 1/49 accrual rate, revalued according to Treasury Orders, retirement from state pension age, employee contribution rate of 9.9% for those earning up to £93,400 and 10.5% for those earning £93,400 to £110,000.
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 PCCs are attached to a political party and are chosen to stand for election by political party organisations. Turnout was 15.1% in the 2012 election, 27.4% in the 2016 election and 33.9% (provisional) in the 2021 election.
Age profile	As of the 2021 election, the age profile for newly-appointed PCCs is not available.
Diversity profile	Of the 38 PCC elections which successfully elected a candidate in 2021, nine (24%) were female. There is currently one PCC from an ethnic minority, representing 3% of the total.
Working hours	The role does not have defined working hours and, though a PCC could hypothetically work part time, this option is not typically used.
Career paths	PCCs are from a range of working backgrounds, often with some policing background. Most PCCs tend to 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 normally subject to election every four years. They are thus dependent on their electorates for job security and tenure.
Leadership and management	PCCs hold some 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: This information has been verified by the Home Office.

Appendix C

List of those who gave evidence and information to the SSRB

The senior civil service

Parliamentary Secretary for the Cabinet Office
Chief Operating Officer for 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
FDA and Prospect
Permanent Secretary discussion group
Senior civil service discussion groups
Feeder group discussions

Senior officers of the Armed Forces

The Minister for Defence People and Veterans
The Chief of the Defence Staff
The Ministry of Defence
Senior military discussion groups
Feeder group discussions

The judiciary

The Lord Chancellor and Secretary of State for Justice
The Lord Chief Justice of England and Wales
The Senior President of Tribunals
The Lord President of the Court of Session
The Lord Chief Justice of Northern Ireland
The Ministry of Justice
The Association of Her Majesty's District Judges
The Council of Her Majesty's Circuit Judges
The Council of Upper Tribunal Judges
The High Court Judges Association
The Judicial Appointments Board for Scotland
The Chair of the Judicial Appointments Commission
The Judicial Appointments Commission
The Northern Ireland Judicial Appointments Commission
The Northern Ireland Courts and Tribunal Service
The Scottish Government
The Scottish Judicial Office

Senior leaders in the NHS in England

The Minister for Care

The Department for Health and Social Care

NHS England and NHS Improvement

NHS Providers

The Kings Fund

Executive & Senior Managers discussion group

Very Senior Managers discussion groups

Remuneration Committee Chairs & members discussion groups

Senior Leaders in the NHS in Wales

Director General Health and Social Services/Chief Executive of the NHS in Wales

The Welsh Government

Executive and Senior Posts discussion group

Appendix D

Website references for publications

This SSRB Report can be found at:

<https://www.gov.uk/government/organisations/review-body-on-senior-salaries>

The 2020 SSRB Report can be found at:

<https://www.gov.uk/government/publications/senior-salaries-review-body-report-2020>

The 2018 Major Review of the Judicial Salary Structure Report can be found at:

<https://www.gov.uk/government/publications/major-review-of-the-judicial-salary-structure-2018>

Evidence submitted to the SSRB by the Cabinet Office:

<https://www.gov.uk/government/publications/government-evidence-to-the-senior-salaries-review-body-on-the-pay-of-the-senior-civil-service>

Evidence submitted to the SSRB by the FDA and Prospect:

<https://www.fda.org.uk/home/Supportingyou/SSRB-2021.aspx>

Evidence submitted to the SSRB by the Department for Health and Social Care:

<https://www.gov.uk/government/publications/dhsc-evidence-for-the-ssrb-pay-round-2021-to-2022/dhscs-written-evidence-to-the-senior-salaries-review-body-ssrb-2021-to-2022>

Appendix E

Remit letter from the Parliamentary Secretary to the SSRB Chair on the senior civil service 2021-22 pay round: 11 December 2020



Julia Lopez MP
Parliamentary Secretary
Cabinet Office 70 Whitehall London
SW1A 2AS

Our reference: MC2020/21304

Dr. Martin Read CBE
Senior Salaries Review Body , Fleetbank House
2-6 Salisbury Square,
London EC4Y 8JX

11 December 2020

Dear Martin,

Senior Salaries Review Body (SSRB) 2021/22 Remit (Senior Civil Service)

I should first of all like to offer my thanks for the Senior Salaries Review Body's work over the past year on the annual report and recommendations for the SCS for the 2020-21 pay round. The Government continues to appreciate and value the independent expert advice and contribution that the SSRB makes.

The timing of the Spending Review announcement has unfortunately delayed the commencement of Pay Round 2021/22. I am writing now to set out how the Government proposes working with the SSRB in relation to the 2021/22 pay round and to formally begin the Review Body process.

You will have seen that the Chancellor of the Exchequer announced that pay rises in the public sector will be restrained and targeted in 2021/22 at the Spending Review. As the Chancellor set out, Covid-19 is significantly impacting the economy, labour market and the fiscal position and has suppressed earnings growth and increased redundancies in the private sector.

Public sector pay has been shielded from the pandemic's economic effects. In the six months to September, the private sector has seen a pay cut of nearly 1% compared to last year, yet public sector earnings were up by almost 4%. Since March, the number of people in employment in the UK fell by 782,000, whilst over a similar period of time public sector employment increased. Hours worked were down 18% in Q2 (the largest drop since 1971) having a significant impact on people's pay and even into Q3 remain below pre-Covid levels.

If we carried on with rises across the board, the existing gap between public sector reward and the private sector would widen significantly. Therefore, it is right to temporarily pause pay awards for the majority of the public sector as we assess the impact Covid-19 has had on the wider economy and labour market. This approach will also allow us to protect public sector jobs and investment in public services as the Covid-19 continues to have an impact. We will be able to reassess this position ahead of pay round 2022/23. No member of the workforce will face a cut to their existing reward package and the pause will apply to headline pay uplifts only – other payments such as performance bonuses and special allowances will continue as before.

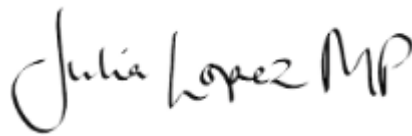
HM Treasury will set out the justification and evidence for this policy in more detail in the upcoming economic oral and written evidence.

We greatly value the work of the SSRB and have only taken this decision in extraordinary circumstances. Whilst we will not be seeking a recommendation from the review body for SCS pay uplifts in 2021/22, we will submit evidence for this group after Christmas recess in the usual way, covering the usual factors and in line with the pay policy announced at the Spending Review. This will include setting out our recommendations and current thinking on a new workforce strategy for the SCS including full proposals for a capability-based pay progression system for comment from the SSRB.

HM Treasury will shortly submit economic evidence to you with further detail on our economic rationale. This will be followed by an oral evidence session on 16th December. Given your restricted remit, we are hoping to expedite the process this year and ask you to submit your report in early May.

Finally, I would like to thank you again for your invaluable contribution, and I look forward to continuing our dialogue in future.

With best wishes,

A handwritten signature in black ink that reads "Julia Lopez MP". The signature is written in a cursive, flowing style.

Julia Lopez MP

cc

Chief Secretary to the Treasury
Cabinet Secretary
Chief Operating Officer of the Civil Service

Appendix F

Letter from the Parliamentary Secretary to the SSRB Chair following the oral evidence session for the 2021-22 pay round: 24 March 2021



Julia Lopez MP
Parliamentary Secretary
Cabinet Office 70 Whitehall London
SW1A 2AS

Our reference: MC2021/06803

Dr Martin Read Chair of the SSRB

By email

24 March 2021

Dear Martin,

Thank you for the opportunity to give oral evidence to the SSRB alongside Alex Chisholm and Rupert McNeil on 25 February. I have been reflecting on all that we covered during the hour, and wanted to write to you to provide some further context and information on a few areas that I think will be helpful for the SSRB's deliberations over the next months.

SCS Strategy

The work that is underway to set out the first integrated, coherent strategy for the Senior Civil Service will be a fundamental foundation for our SCS reward strategy and the next steps towards the reform of the SCS pay framework. This work is broad reaching in its focus and will look to start answering some of the key questions that the SSRB have posed over recent years such as the size, shape and purpose of the SCS, and allow us to be more coherent in the way that we view and manage our senior cadre. The launch of the strategy in the Autumn will also give us an opportunity to explain clearly to individual members of the SCS what the strategy will mean for them, including planned changes to how their performance and growth in capability will be rewarded and recognised.

The formation of this new strategy in conjunction with an anticipated multi-year Spending Review, will also allow us to be more effective at approaching SCS reward in a more long-term, outcome focussed way, addressing key issues within the SCS pay system without being so bound to the annual pay round cycle.

Of course pay in the public sector will always have its complexities and challenges and we, with the support of the SSRB, will need to continue to navigate the issue of public and political perceptions of senior pay, particularly in the context of wider pressures in the economy and the comparison across to pay uplifts made to other public sector workers.

Churn, capability-based pay progression and performance management

Within the SCS strategy we are also looking seriously at the issue of churn. This includes taking an evidence-based approach to assessing the potential impact of non-pay policy interventions that are likely to have both a short and long term positive impact. Options being considered

include set length of tenure as a means to support the reduction of undesirable churn within the most critical parts of the SCS cadre. You are likely to see more of this in due course as the Chancellor of the Duchy of Lancaster sets out his ambitions for Civil Service Reform. The communication of the new SCS strategy, supported by the introduction of capability-based pay progression, and the potential for defined lengths of tenure for SCS roles, gives us a great opportunity to reset the messaging on our expectations for time in post, and to demonstrate to individual SCS members that growth of expertise in role is valued and will be rewarded accordingly.

As stated at oral evidence, we remain committed to the introduction of capability-based pay progression as soon as is feasible, with pilots planned from September to properly test the new capability measurement aspect of the system. This is an exciting and significant piece of work which we are not undertaking lightly. It provides us with a great opportunity to define and codify the capability we want to see in our senior staff in order better to target our reward, and ultimately deliver improved outcomes. It is something that we want to do right and at the right time to ensure it delivers the messaging and outcomes that we need.

We welcome SSRB's encouragement to ensure that the interplay between performance, capability and reward in our proposed new pay system is being approached in a way that holds together and can be understood by the individuals to which it will apply. I want to reassure you that the approach we are taking is considered and holistic. Although we have been clear through written evidence that performance and capability are independent measurables and are intentionally rewarded in different ways through the SCS pay system, the two remain clearly connected. It has been put to me in these terms: *Progression requires objective evidence of capability; objective evidence of capability requires evidence of delivery of the outcomes required at that level of capability.*

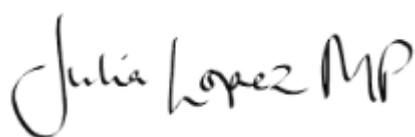
We are aligned with the SSRB in wanting to create a system that is simple and workable, but we also want to capitalise on the opportunity we have better to define and reward SCS capability and reintroduce pay progression in a way that is sustainable and affordable. We are purposefully starting small, which is why we have focussed on an approach that, in the first instance, covers all professions and specialisms equally. We plan to evolve and iterate the system over time to ensure it works for all our SCS cadre and addresses any issues that arise, for example in the area of specialist pay. This evolution will enable us to take the time to understand and respond effectively to the differences within the cadre while avoiding segmenting or dividing a cohesive, effective senior leadership community.

The Devolved Administrations

On the issue of the Devolved Administrations and divergence of approach to SCS reward, you will understand that this continues to be a tricky area with a lot of political sensitivity. We are working with the Devolved Administrations through the Devolved Administrations People and Technical Committee, which Rupert chairs, to navigate the challenges of the different contexts, with the continued goal to have a united SCS cadre. We believe the introduction of capability-based pay and the review of SCS performance management will eradicate some of the differences of approach that exist at the moment.

I hope this letter helps to bring further clarity to some of the areas we discussed at oral evidence, and I look forward to working with the review body in future as we progress the reform of the SCS pay system.

With best wishes,

A handwritten signature in black ink that reads "Julia Lopez MP". The signature is written in a cursive, flowing style.

Julia Lopez MP

Appendix G

Letter from the Lord Chancellor to the SSRB Chair about the 2021-22 pay round: 11 December 2020



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

Moj ref: 84028

11 December 2020

Dear Martin,

JUDICIAL PAY REVIEW 2021/22

First, I would like to thank the Senior Salaries Review Body (SSRB) for its annual review for judicial pay in 2020/21. The Government has accepted all of the SSRB's recommendations, and I am particularly glad to have been able to introduce leadership allowances earlier than had been planned. 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.

This year, I am writing to you to advise that I have decided not to issue a remit letter for an annual review of judicial pay for the 2021/22 year. You will have seen that the Chancellor of the Exchequer announced in the Spending Review that pay rises in the public sector will be restrained and targeted in 2021/22. As the Chancellor set out, Covid-19 is significantly impacting the economy, labour market and the fiscal position and has suppressed earnings growth and increased redundancies in the private sector.

Therefore, it is right to temporarily pause pay awards for the majority of the public sector, including the judiciary, as we assess the impact Covid-19 has had on the wider economy and labour market. This approach will also allow us to protect public sector jobs and investment in public services as Covid-19 continues to have an impact.

We will be able to reassess this position ahead of pay round 2022/23 however in light of the above I do not believe that it is appropriate to ask you to conduct a review when we know we will be unable to implement any recommendations.

In the meantime, we remain focused on progressing the ambitious pension reforms on which we consulted over the summer. We are working with HM Treasury to confirm the timetable for bringing forward the necessary legislation as early as possible next year with the aim of implementing the new scheme in April 2022. As you are well aware, these reforms are a priority for the judiciary and will play a vital role in resolving the serious recruitment and retention issues highlighted in the SSRB's major review.

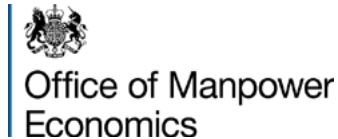
Yours ever

A handwritten signature in black ink that reads "Robert Buckland". The signature is written in a cursive, slightly slanted style.

RT HON ROBERT BUCKLAND QC MP

Appendix H

Letter from the SSRB Chair to the Lord Chancellor in response to the letter about the 2021-22 pay round: 22 December 2020

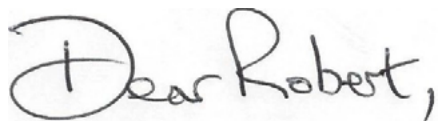


SENIOR SALARIES REVIEW BODY
8TH FLOOR
FLEETBANK HOUSE
2-6 SALISBURY SQUARE
LONDON
EC4Y 8JX

Direct Telephone Line 020 7211 8101
E-mail sandra.simoni@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

22 December 2020



Thank you for your letter of 11 December confirming that the SSRB will not be commissioned to carry out a pay review for the judiciary in 2021-22. The rationale for this decision is wholly understandable.

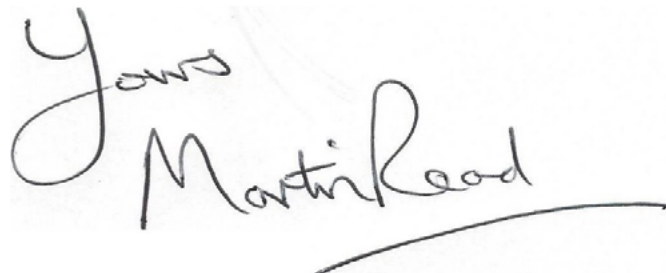
We noted in our 2020 Report that, while the recruitment difficulties we identified in the Major Review had not worsened significantly, there were still continuing challenges. We therefore think it would be helpful for the SSRB to monitor progress on judicial recruitment pending the next pay review. We will include a short update in our 2021 Report, noting the more recent data relating to recruitment, along with progress on the other issues we have previously identified as important and relevant to judicial recruitment. To facilitate this, our secretariat has been liaising with your officials, and those in the Judicial Office and the JAC (and their equivalents in Scotland and Northern Ireland), to discuss a streamlined list of data and evidence that we would like to include in the Report. I hope you agree there is merit in this approach and support our efforts to gather this evidence for a brief update in our 2021 Report.

I am reassured that your letter has confirmed progress is being made in delivering judicial pension reform proposals given the emphasis the Government has placed on pension reform as a way of addressing the recruitment issues we identified. I am grateful for the continuing efforts of your officials to keep us informed of developments both in respect of the details of the proposed changes and the timetable or implementing them.

In the absence of a formal oral evidence session this round, it would be useful if we met informally next year. I will ask the secretariat to arrange a meeting in the Spring.

In the meantime, we look forward to receiving the remit for the review of Non-Legal Members' fees and working with your department to deliver that review.

With best wishes for the festive season.

A handwritten signature in black ink. The word "Yous" is written in a cursive style above the name "Martin Read". The name "Martin Read" is written in a larger, more formal cursive script. A horizontal line is drawn underneath the signature.

Dr Martin Read CBE
Chair, Senior Salaries Review Body

CC: Sharon Witherspoon, SSRB member

Appendix I

Remit letter from the Lord Chancellor to the SSRB Chair on the Non-Legal Members fees review: 12 March 2021



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

Moj ref: 86260

12 March 2021

Dear Martin,

NON-LEGAL MEMBERS FEES REVIEW

I am writing formally to ask the Senior Salaries Review Body (SSRB) to undertake a review of the fees paid to Non-Legal Members (NLMs) in tribunals for whom I set the rate of remuneration, and the devolved tribunals in Northern Ireland. I very much value the SSRB's robust and independent advice and think that you are best placed to conduct a review of this type. This letter sets out the main points of the commission; the detail is captured in terms of reference, drawn up following helpful discussions with your officials.

Context

Fees for NLMs in the tribunals have not been reviewed since 2008 when the tribunals were brought into the unified courts and tribunals service. In contrast to legal members of tribunals, there is wide disparity in the daily sitting fee rates paid to NLMs.

You will recall that the SSRB's Major Review of the Judicial Salary Structure in 2018 recommended increasing the salary of Salaried (Regional) Medical Members sitting in the Social Entitlement Chamber. We felt unable to act on this recommendation at the time because to do so would have led to significant disparity between the amounts paid to salaried and fee-paid medical members. Instead, we made a commitment to carry out a wider review of NLM fees.

In light of this commitment and bearing in mind the length of time since NLM fees were last examined, I think it important that we commence the review now.

Remit


I invite the SSRB to consider, and make recommendations in respect of, the fees paid to NLMs in tribunals for whom I set the rate of remuneration, and devolved tribunals in Northern Ireland. I am particularly keen to achieve greater consistency in fees for NLMs fulfilling comparable roles and to ensure that fee rates are set at a level which enables the recruitment and retention of high-calibre individuals.

In consultation with the Senior President of Tribunals, I will convene a representative advisory group to advise on the evidence-gathering process for this review. When developing recommendations, the SSRB will want to take account of the evidence we provide on areas such as affordability, recruitment, retention and diversity of NLMs. I plan to submit written evidence to you by the summer.

The proposed timings of the NLM review mean that recommendations would be implemented in 2022/23 at the earliest, although we will of course need to have regard to the position on public sector pay at that point.

I would be grateful for your confirmation that the SSRB is content to carry out this review on the terms proposed.

Yours ever

A handwritten signature in black ink that reads "Robert Buckland". The signature is written in a cursive, slightly slanted style.

RT HON ROBERT BUCKLAND QC MP

Appendix J

Remit letter from the Secretary of State for Health and Social Care to the SSRB Chair: 17 February 2021



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

POC_1306206

Dr Martin Read CBE

Chair, Senior Salaries Review Body
Office of Manpower Economics
8th Floor Fleetbank House
2-6 Salisbury Square
London
EC4Y 8JX

17 February 2021

Dear Dr Read,

I am writing firstly to thank you for the valuable work the Senior Salaries Review Body (SSRB) provide and the observations made within the latest report regarding senior managers in the health and care sector.

The timing of the SR announcement has unfortunately delayed the commencement of Pay Round 2021/22. I am writing now to set out how the Department of Health and Social Care proposes working with the SSRB in relation to the 2021/22 pay round and to formally begin the Review Body process.

As you are aware, following the SSRB's 2020 report its terms of reference have now been formally expanded to include all Very Senior Managers (VSMs) within the NHS and Executive and Senior Managers (ESMs) within the Department of Health and Social Care's arms' length bodies (ALBs).

As this is the first year of the SSRB's expanded remit group I am asking you to build on the work of the previous round and to use your expertise across senior public sector pay more broadly to make observations on the current levels of VSM and ESM pay. I hope this will then form a baseline for pay recommendations in future years.

You will have seen that the Chancellor of the Exchequer announced that pay rises in the public sector will be restrained and targeted in 2021/22 at the Spending Review. As the Chancellor set out, Covid-19 is significantly impacting the economy, labour market and the fiscal position and has suppressed earnings growth and increased redundancies in the private sector.

HMT will set out the fiscal and economic context in more detail as the round progresses and it is within this context that I request your observations are made when considering what appropriate levels of pay are for senior managers in the health and care sector along with what is needed to recruit, retain and motivate the senior manager workforce and what represents value for the taxpayer.

It is important to state that although I am not seeking a pay recommendation for this group for the year 2021/22, this work will play a key role in positioning senior health manager pay for future years.

We are hoping to expediate the process as much as possible this year and would welcome your report in early May 2021.

Yours ever,

A handwritten signature in blue ink that reads "Matt". The signature is written in a cursive, slightly stylized font.

MATT HANCOCK

Appendix K

Letter from the SSRB Chair to the Secretary of State for Health and Social Care in response to the remit letter: 1 March 2021



Office of Manpower
Economics

SENIOR SALARIES REVIEW BODY
8TH FLOOR
FLEETBANK HOUSE
2-6 SALISBURY SQUARE
LONDON
EC4Y 8JX

Direct Telephone Line 020 7211 8101
E-mail sandra.simoni@beis.gov.uk
Website www.gov.uk/OME

Rt Hon Matt Hancock MP
Secretary of State, Department of Health and Social Care
39 Victoria Street
London
SW1H 0EU

1 March 2021

Dear Matt,

Thank you for your letter of 17 February setting out how the Department of Health and Social Care proposes to work with the Senior Salaries Review Body (the SSRB) during the forthcoming pay round cycles.

We welcome the extension of the SSRB's remit for the health service and the opportunity this year to make observations on the current levels of pay for Very Senior Managers within the NHS and Executive and Senior Managers within the Department of Health and Social Care's arm's-length bodies. I am confident that we can deliver the required high-quality baseline as the foundation for pay recommendations in future years.

We hope to deliver our report in May. However, you will appreciate that our timetable is dependent on when the Department's evidence reaches us. Our secretariat will continue to liaise with the Department on this issue.

I hope to have the chance of calling in to see you later this year for a general discussion on next year's pay round. (I trust you will have fewer pressing issues to contend with come the autumn – it seems a very long time since we first met in the Cabinet Office in 2015!)

The SSRB very much looks forward to supporting the Department by advising on senior pay strategy in the health service in future years.

In the meantime,

Very best wishes
Yours
Martin

Dr Martin Read CBE
Chair, Senior Salaries Review Body

Appendix L

Letter from the SSRB Chair to Andrew Goodall, Director General Health and Social Services/Chief Executive of NHS in Wales on the pay of Executive and Senior Posts: 13 January 2021



SENIOR SALARIES REVIEW BODY
8TH FLOOR
FLEETBANK HOUSE
2-6 SALISBURY SQUARE
LONDON
EC4Y 8JX

Dr Andrew Goodall CBE
Director General Health and Social Services/NHS Wales Chief Executive
Health and Social Services Group
Welsh Government
Cathays Park
Cardiff
CF10 3NQ

13 January 2021

Dear Dr Goodall

I understand that the Welsh Government is intending to issue a remit to the Senior Salaries Review Body (SSRB) in relation to the pay of Executive Senior Posts in NHS Wales this year. We are due to meet on 22 January to discuss this area of work. To enable preparatory work to get underway in the interim, I am setting out below how the SSRB is approaching this new remit and the areas we intend to consider this year.

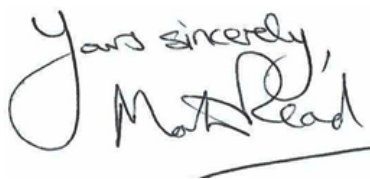
In this round, our intention is to review current senior health pay arrangements in Wales and establish a basis on which we will be able to make detailed pay recommendations in subsequent years. We fully recognise the current constraints but are confident that we can work with colleagues in the Welsh Government and NHS Wales to make progress this year.

Over the coming months, we intend to focus on the following areas:

- Mapping out the current pay landscape across the senior posts. We will identify key strengths and weaknesses and propose where beneficial action could be taken.
- Reviewing underlying principles and matters for strategic consideration. Using as a starting point the standard areas of consideration for all the SSRB's remit groups, we will explore how these areas apply to senior leaders in NHS Wales. The areas we would normally consider include:
 - total reward levels, including both pay and non-pay elements;
 - the factors to be used to construct a coherent salary framework and for determining individual salary levels;
 - the relationship between senior salary pay arrangements and other relevant frameworks;
 - the use and effectiveness of performance management and performance-related pay;
 - pay progression systems and how they are managed;
 - talent management and, in particular, the requirement for pay arrangements to enable the most talented individuals to move into senior leadership roles; and
 - diversity and inclusivity aspects which will underpin our work.
- Building an evidence base and identifying areas where further data would be useful, taking into account the mechanisms already in place for other pay review bodies.
- Facilitating best practice: Beginning to consider where areas of best practice in senior reward may be applicable for this remit group.
- Engagement: Forming productive relationships with policy makers, representative groups and remit group members to inform our observations.

We consider that exploring these areas will deliver a solid foundation from which both future pay recommendations and strategic observations on the NHS Wales leadership community can be made.

I look forward to discussing this work in more depth with you when we meet in January. In the meantime, I will ask the SSRB secretariat to confirm with officials that our proposed plans align with the Welsh Government's own thinking for this round.

A handwritten signature in black ink that reads "Yours sincerely, Martin Read". The signature is written in a cursive style and is positioned above a horizontal line.

Dr Martin Read CBE
Chair, Senior Salaries Review Body

Appendix M

Remit letter from Andrew Goodall, Director General Health and Social Services/Chief Executive of NHS in Wales to the SSRB Chair on Executive and Senior Pay: 7 May 2021

*Cyfarwyddwr Cyffredinol Iechyd a Gwasanaethau
Cymdeithasol/Prif Weithredwr GIG Cymru*

Grŵp Iechyd a Gwasanaethau Cymdeithasol

*Director General Health and Social Services/
NHS Wales Chief Executive*

Health and Social Services Group



Llywodraeth Cymru
Welsh Government

Dr Martin Read
Chair of Senior Salaries Review Body

7 May 2021

Dear Martin

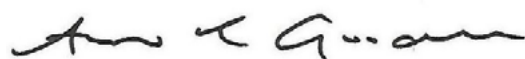
I would like to take this opportunity to thank you for allowing my officials to undertake a scoping exercise with you, to assess if our evidence is suitable to enable the SSRB to make recommendations for our staff who are covered by the Executive and Senior Pay terms and Conditions (ESPs).

In NHS Wales, at present this is the only staff group who do not fall under the remit of other pay review bodies. Whilst we have no Ministerial direction at this stage to propose an expansion to your remit group at present, I would like to submit a report to your review body to assist with this scoping exercise.

I would like the review body to comment on potential future observations and recommendations on our current procedures for remunerating ESP's in Wales, as these observations will be helpful should the next Government wish to remit in the future.

I look forward to seeing your outcomes in due course.

Yours sincerely



Dr Andrew Goodall

cc Helen Arthur, Welsh Government
Annie Jones, Welsh Government
Chantelle Herbert, Welsh Government

Parc Cathays • Cathays Park
Caerdydd • Cardiff
CF10 3NQ Gwefan • website: www.wales.gov.uk



Appendix N

Letter from the Home Secretary to the SSRB Chair on chief police officer remuneration remit in 2021-22 and the timing of the next review of Police and Crime Commissioner remuneration: 6 November 2020



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

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

6th November 2020

Dear Dr Read,

Chief police officer remuneration remit in 2021/22; and timing of the next review of Police and Crime Commissioner remuneration

I am grateful to you and the members of the Review Body for your thoughtful and considered observations on chief police officer and Police and Crime Commissioner remuneration in your 2020 report.

The Police Remuneration Review Body (PRRB) has considered the pay and conditions for chief police officers in the last three pay rounds. The programme of work to reform police officer pay structures continues to make progress. In the next pay round, I expect the NPCC to submit proposals to reform police officer pay and end automatic pay progression, along with a timetable for implementation. At this stage of the pay reform programme, and the need for proposals to be considered in the context of the Police Uplift Programme, I believe that it is preferable for the PRRB to consider chief police officer pay in the 2021/22 pay round. There continues to be a need for a consistent approach to be taken across all ranks, and for the effect of measures taken at lower ranks to be properly considered in terms of the impact on the pipeline of future chief officers.

I offer you my personal assurance that I will consider this again ahead of the 2022/23 pay round. I have written to the Chair of the PRRB to inform her of my decision.

A full review of Police and Crime Commissioner (PCC) remuneration was due to take place this year following the elections in May 2020. You are aware that the elections have been postponed to May 2021 as a result of COVID-19. PCCs have previously indicated it is difficult for them to engage in the evidence process around their own pay and this was a key consideration in determining that the next review should take place after the elections.

In July, the Minister for Crime and Policing laid a Written Ministerial Statement announcing a two-part internal review that will focus on the changes required to strengthen the PCC model and map out the longer-term ambition for expansion of the role. Part-one of the review, that will conclude in October 2020, will look at strengthening the visibility, accountability and scrutiny of PCCs. I therefore believe it is beneficial to postpone the review of PCC pay until after the elections. This will enable the SSRB to consider the outcome of part-one of the review and the impact on the PCC role, when making recommendations on their remuneration. My officials will keep your secretariat updated on the progress of this review and answer any additional questions you may have.



Rt Hon Priti Patel MP

Appendix O

Existing salaries for the SSRB remit groups

Salary bandings of Permanent Secretary posts at 30 September 2020

Pay band	Permanent Secretary department/role	Pay range £pa
Tier 3 £150,000 to £160,000	Northern Ireland Office	150,000-154,999
	HM Revenue and Customs Second Permanent Secretary	150,000-154,999
	Home Office	150,000-154,999
	Office for National Statistics Second Permanent Secretary	150,000-154,999
	Chair of Joint Intelligence Committee	150,000-154,999
	Department of Health and Social Care Second Permanent Secretary	155,000-159,999
	Office for National Statistics	160,000-164,999
	HM Treasury Second Permanent Secretary	160,000-164,999
Tier 2 £162,500 to £180,000	Business, Energy and Industrial Strategy	160,000-164,999
	Ministry of Housing, Communities & Local Government	160,000-164,999
	Department for Education	160,000-164,999
	Department for Digital, Culture, Media and Sport	160,000-164,999
	Cabinet Office Deputy Cabinet Secretary	165,000-169,999
	Department for the Environment, Food and Rural Affairs	165,000-169,999
	Security Service	170,000-174,999
	Department for International Trade	170,000-174,999
	Department for Transport	170,000-174,999
	Scottish Government	170,000-174,999
	Secret Intelligence Service	170,000-174,999
	Welsh Government	170,000-174,999
	Department of Health and Social Care	175,000-179,999
	Government Communications Head Quarters	175,000-179,999
Government Legal Department – Treasury Solicitor	175,000-179,999	
Tier 1 £180,000 to £200,000	Ministry of Justice	175,000-179,999
	HM Revenue and Customs	180,000-184,999
	Home Office	180,000-184,999
	Foreign Commonwealth & Development Office	185,000-189,999
	Department for Work and Pensions	185,000-189,999
	Ministry of Defence	190,000-194,999
	HM Treasury	195,000-199,999

Pay band	Permanent Secretary department/role	Pay range £pa
Outside tiers	Government Chief Scientific Adviser	180,000-184,999
	First Parliamentary Counsel	180,000-184,999
	Civil Service Chief Operating Officer	195,000-199,999
	Cabinet Secretary	200,000-204,999
	Chief Medical Officer	205,000-209,999
	Director of Public Prosecutions	215,000-219,999
	Director General, National Crime Agency	220,000-224,999
	Government Chief Trade Negotiation Adviser	265,000-269,999
	Chief Executive Officer, Defence Equipment and Support	280,000-284,999

Source: Cabinet Office senior officials 'high earners' salaries.

Senior civil servants pay ranges, 1 April 2020

Pay band	Pay range	Number in band
1	£71,000 – £117,800	4,191
1A	£70,000 – £128,900	40
2	£93,000 – £162,500	1,004
3	£120,000 – £208,100	174
Permanent Secretary	£150,000 – £200,000	36
Total		5,447

Note: The total includes two members who are not assigned to a pay band.

Source: Cabinet Office.

Pay of senior officers in the Armed Forces, 1 April 2020

	Number in post	Increment level					
		1 £	2 £	3 £	4 £	5 £	6 £
2-star	93	120,800	123,160	125,568	128,024	130,529	133,083
3-star	26	140,550	147,438	154,671	160,746	165,485	170,367
4-star	8	184,348	188,956	193,681	198,523	202,493	206,543
CDS	1	265,588	270,900	276,318	281,844		

Notes: Numbers in post relate to 1 July 2020. Salaries include X-factor which is applied at the rate of £2,777 equivalent to 25 per cent of the cash value of X-factor at the top of the OF4 pay scale.

Source: Ministry of Defence.

Pay of members of the judiciary, 1 April 2020

Salary group	Salaries with effect 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
5.1	148,820
5.2	143,095
6	134,717
7	114,793
8	91,217

Source: Ministry of Justice.

Note: Salary groups 5.1 and 5.2 were introduced in 2020.

Executive and Senior Managers pay bands from 1 April 2016

Grade	Minimum £pa	Operational maximum £pa	Exception zone maximum £pa
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.

Established pay ranges for Very Senior Managers, 2019 framework

Job role	Lower quartile £pa	Median £pa	Upper quartile £pa
<i>Small acute NHS trusts and NHS foundation trusts (up to £200 million turnover)</i>			
Director of corporate affairs/governance	75,000	87,500	92,500
Director of estates and facilities	86,000	89,000	105,000
Director of strategy/planning	95,000	105,000	118,500
Director of workforce	97,000	105,500	114,000
Director of nursing/chief nursing officer	106,500	111,000	120,000
Chief operating officer	107,500	111,500	115,500
Deputy chief executive	115,500	116,000	117,000
Director of finance/chief finance officer	118,000	125,000	132,000
Medical director/chief medical officer	137,000	143,000	157,000
Chief executive	150,000	158,000	168,000
<i>Medium acute NHS trusts and NHS foundation trusts (£200 million to £400 million turnover)</i>			
Director of corporate affairs/governance	93,000	102,500	106,500
Director of estates and facilities	102,000	104,500	109,000
Director of strategy/planning	102,000	112,500	122,000
Director of workforce	104,000	113,000	122,000
Director of nursing/chief nursing officer	112,500	120,000	126,000
Chief operating officer	119,000	127,500	133,500
Director of finance/chief finance officer	127,500	135,000	144,500
Deputy chief executive	131,000	140,000	157,000
Medical director/chief medical officer	148,000	168,700	190,000
Chief executive	176,000	186,500	202,500
<i>Large acute NHS trusts and NHS foundation trusts (£400 million to £500 million turnover)</i>			
Director of corporate affairs/governance	97,000	105,000	111,500
Director of strategy/planning	107,000	124,500	126,000
Director of estates and facilities	110,000	111,000	117,000
Director of workforce	117,000	123,500	130,000
Director of nursing/chief nursing officer	122,500	128,500	134,500
Chief operating officer	126,000	131,000	145,000
Director of finance/chief finance officer	138,000	144,000	147,500
Deputy chief executive	142,500	154,500	186,000
Medical director/chief medical officer	159,500	172,000	195,000
Chief executive	185,000	194,500	212,000

Job role	Lower quartile £pa	Median £pa	Upper quartile £pa
<i>Extra-large acute NHS trusts and foundation trusts (£500 million to £750 million turnover)</i>			
Director of corporate affairs/governance	101,500	114,500	115,000
Director of estates and facilities	113,000	122,000	133,500
Director of strategy/planning	119,000	137,000	140,000
Director of workforce	128,500	130,000	150,000
Director of nursing/chief nursing officer	135,000	142,000	146,000
Chief operating officer	140,000	147,000	152,500
Director of finance/chief finance officer	146,500	158,000	180,000
Medical director/chief medical officer	161,000	181,000	198,000
Deputy chief executive	155,500	164,000	191,000
Chief executive	197,500	219,500	237,500
<i>Supra-large acute NHS trusts and NHS foundation trusts (£750 million plus turnover)</i>			
Director of corporate affairs/governance	113,000	117,500	134,000
Director of estates and facilities	129,500	137,000	146,500
Director of strategy/planning	135,000	144,000	152,500
Director of workforce	142,500	155,000	165,500
Chief operating officer	143,500	162,500	174,500
Director of nursing/chief nursing officer	150,000	163,500	168,000
Director of finance/chief finance officer	166,000	172,500	190,500
Medical director/chief medical officer	174,000	192,500	209,000
Deputy chief executive	185,500	188,000	195,500
Chief executive	236,000	250,000	265,000
<i>Small mental health NHS trusts and NHS foundation trusts (up to £200 million turnover)</i>			
Director of strategy/planning	93,000	105,000	112,000
Director of workforce	96,500	102,000	113,000
Chief operating officer	102,500	107,000	116,500
Director of nursing/chief nursing officer	106,500	113,500	121,000
Director of finance/chief finance officer	115,000	124,000	130,000
Deputy chief executive	129,000	130,000	131,000
Medical director/chief medical officer	137,000	143,000	157,000
Chief executive	150,000	156,500	173,500

Job role	Lower quartile £pa	Median £pa	Upper quartile £pa
<i>Medium NHS trusts and NHS foundation trusts (over £200 million turnover)</i>			
Director of strategy/planning	106,500	114,500	135,500
Director of workforce	109,500	114,500	120,000
Director of nursing/chief nursing officer	117,000	125,500	135,000
Chief operating officer	118,000	123,500	137,500
Director of finance/chief finance officer	129,500	138,000	147,500
Medical director/chief medical officer	140,000	150,000	160,500
Deputy chief executive	141,000	143,000	144,000
Chief executive	167,000	180,500	188,500
<i>Ambulance NHS trusts and NHS foundation trusts</i>			
Director of strategy/planning	107,000	107,500	119,000
Director of workforce	110,000	111,000	112,000
Director of nursing/chief nursing officer	110,000	111,000	114,000
Chief operating officer	112,000	121,000	122,000
Medical director/chief medical officer	114,000	128,000	135,000
Director of finance/chief finance officer	120,000	124,000	132,000
Chief executive	151,000	164,000	188,000
<i>Community NHS trusts and NHS foundation trusts</i>			
Director of strategy/planning	89,500	94,000	97,500
Director of workforce	98,000	108,000	117,000
Director of nursing/chief nursing officer	98,000	109,000	114,000
Chief operating officer	105,000	114,000	117,000
Director of finance/chief finance officer	114,000	125,000	127,500
Deputy chief executive	116,000	127,000	127,500
Medical director/chief medical officer	126,500	131,500	136,500
Chief executive	145,000	155,000	167,000

Source: Department of Health and Social Care.

Note: Figures for medical director/chief medical officer do not include clinical excellence awards.

Pay for Executive and Senior Posts in Wales, 1 April 2020

Pay point	Minimum £pa	Maximum £pa
7	91,105	95,393
8	96,464	100,752
9	101,823	106,111
10	107,182	111,470
11	112,541	116,829
12	117,900	122,188
13	123,259	132,906
14	133,977	143,625
15	144,697	154,343
16	155,415	159,702
17	160,773	170,420
18	171,492	182,138
19	182,210	197,215
20	198,287	214,365

Source: Welsh Government.

Pay of Police and Crime Commissioners, 1 May 2018

Force	PCC £pa	PFCC £pa
West Midlands	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

Note: Police, Crime and Fire Commissioners (PFCC) taking on responsibility for the governance of fire and rescue services receive an additional consolidated award of £3,000.

Source: Home Office.

Appendix P

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 Q

Glossary of terms and abbreviations

General

Accrual rate	The rate at which future benefits in a defined benefit pension scheme accumulate.
ASHE	Annual Survey of Hours and Earnings
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
DDaT	Digital, data and technology
EU	European Union
FTE	Full-time equivalent
GDP	Gross Domestic Product
HMRC	Her Majesty's Revenue and Customs
HMT	Her Majesty's Treasury
HR	Human resources
LGBO	Lesbian Gay Bisexual Other
LGBT	Lesbian Gay Bisexual Transgender
OBR	Office for 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.
PAYE	Pay As You Earn
RPI	Retail Prices Index
Scheme Pays	A process that allows an individual to pay an annual allowance charge from their pension scheme. 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.
SR	Spending Review
SSRB	Senior Salaries Review Body
Take-home pay	Basic salary and any allowances or performance-related pay less income tax, national insurance and employee pension contributions.
TNR	Total net remuneration

Senior civil service

AGDs	Attorney General's Departments
BEIS	Department for Business, Energy and Industrial Strategy
CMA	Competition and Markets Authority
CSC	Civil Service Commission (oversees appointments to senior positions within the SCS to ensure fair and open competition for jobs).
DCMS	Department for Digital, Culture, Media and Sport
DEFRA	Department for Environment, Food and Rural Affairs
DfE	Department for Education

DfT	Department for Transport
DHSC	Department of Health and Social Care
DIT	Department for International Trade
DWP	Department for Work and Pensions
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
HPDS	High Potential Development Scheme
IfG	Institute for Government
MHCLG	Ministry of Housing, Communities and Local Government
MoD	Ministry of Defence
MoJ	Ministry of Justice
NCA	National Crime Agency
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
PRP	Performance-related pay
PSRC	Permanent Secretary Remuneration Committee
SCS	Senior civil service/servants
SLS	Senior Leaders Scheme
UKSA	UK Space Agency

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
HCSC	Higher Command and Staff Course
HMRC	Her Majesty's Revenue and Customs
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

FPJPS	Fee-Paid Judicial Pension Scheme
HIA	Historical Institutional Abuse
JABS	Judicial Appointments Board for Scotland
JAC	Judicial Appointments Commission
JUPRA	Judicial Pension Scheme 1993 (established under the Judicial Pensions and Retirement Act 1993).
MoJ	Ministry of Justice
NIJAC	Northern Ireland Judicial Appointments Commission
NJPS/NJPS15	New Judicial Pension Scheme 2015
NLMs	Non-Legal Members
QC	Queen's Counsel
RRA	Recruitment and retention allowance
TNR	Total net remuneration

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
PRRB	Police Remuneration Review Body

Senior leaders in the National Health Service in England

AfC	Agenda for Change
ALB	Arm's Length Body
CCG	Clinical Commissioning Group
CEO	Chief Executive Officer
DHSC	Department of Health and Social Care
ENDPB	Executive Non-Departmental Public Body
ESM	Executive and Senior Manager
MiP	Managers in Partnership
NHS	National Health Service
NHSE/I	NHS England and NHS Improvement
RRP	Recruitment and retention premia
VSM	Very Senior Manager

Senior leaders in the National Health Service in Wales

AfC	Agenda for Change
ESP	Executive and Senior Post
JESP	Job Evaluation for Senior Posts
NHS	National Health Service

