Review Body on
Senior Salaries

Forty-Fourth Annual Report on Senior Salaries 2022

REPORT No. 94

Chair: Dr Martin Read, CBE

CP 727

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Review Body on Senior Salaries

Terms of Reference

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

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

- The transfer of responsibility for MPs' pay, allowances and pensions from the SSRB to the Independent Parliamentary Standards Authority following the 2009 Parliamentary Standards Act.
- The addition of Police and Crime Commissioners to the SSRB's remit in 2013.
- The addition of senior police officers in England, Wales and Northern Ireland to the SSRB's remit from 2014.
- The removal of the requirement to maintain broad linkage between the remuneration of the SCS, judiciary and 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[2]; 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;*

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

[2] All senior managers working across the NHS. Very Senior Managers (VSMs) working in the NHS. Executive and Senior Managers (ESMs) working in the Department of Health and Social Care (DHSC) Arm's Length Bodies (ALBs) already fall within the SSRB remit.

- *Government policies for improving the public services including the requirement on departments to meet the output targets for the delivery of departmental services;*
- *the funds available to departments as set out in the Government's departmental expenditure limits; and*
- *the Government's inflation target.*

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

- *differences in terms and conditions of employment between the public and private sector and between the remit groups, taking account of relative job security and the value of benefits in kind;*
- *changes in national pay systems, including flexibility and the reward of success; and job weight in differentiating the remuneration of particular posts; 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 submitting the Report are:

Dr Martin Read CBE, *Chair*
Sir Adrian Johns KCB CBE DL
Pippa Greenslade
Pippa Lambert
Peter Maddison QPM[3]
Ian McCafferty CBE
Sharon Witherspoon MBE

The Secretariat is provided by the Office of Manpower Economics.

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

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Chapter 1

Executive summary

Overview

1.1 Our Report this year has been undertaken during a period of marked uncertainty. The continuing impacts of the pandemic, the war in Ukraine and disrupted global supply chains have weakened the economy. Inflation is at its highest level for 40 years and rising fast, hitting 9 per cent in April. The Government's fiscal position is under increasing pressure.

1.2 Working practices and labour supply have changed during the pandemic and some of these changes are likely to be permanent. The labour market in the UK is currently extremely tight, with unemployment at record lows, vacancies at an all-time high and earnings growth accelerating. It is difficult to judge to what extent the widely expected fall in demand may affect the position. The economic and financial situation generally is highly volatile.

1.3 The evidence we have received this year again tells us that, in terms of numbers, there are no significant recruitment and retention problems for any of our remit groups apart from the judiciary. However, there are concerns about some positions requiring specialist skills, including digital, data and procurement where there is strong demand across the economy.

1.4 Nonetheless, it has been a concern of the SSRB for some years as to whether our remit groups are succeeding in attracting and retaining sufficient numbers of high-quality leaders. We have recommended that measures are put in place to assess this and we continue to believe the issue needs considerably more attention. Having no vacancies does not imply everything is in order if too many senior staff are not of the right quality.

1.5 We recognise the case for proportionately larger pay increases for junior colleagues in years of greatest paybill constraint. However, we are conscious that for most of those in our remit groups pay has fallen in both real and relative terms for over a decade. Depressing senior pay over very long periods damages motivation and morale and lowers the attractiveness of leadership positions. Moreover, some senior managers are now paid less than those they are responsible for, which is a particular problem in parts of the senior civil service (the SCS). This can deter applicants from feeder groups from applying for promotion. The cumulative effect of restraining senior pay over long periods distorts incentives at all levels of an organisation.

1.6 For most of our remit group members, a sense of public service is an important element of reward. In addition, flexibility, pensions and security of employment compare extremely favourably with other sectors. However, a sustained and growing feeling of being treated unfairly is inevitably going to affect motivation and productivity and, eventually, recruitment and retention.

1.7 Overall, therefore, we are concerned that recruitment and retention problems could emerge quite quickly for our remit groups as has been the case with parts of the judiciary over recent years.

1.8 The Government has stressed to us the importance of taking affordability into account in making our recommendations. This is clearly a very important issue. Nonetheless, we have had little guidance on what affordability should mean in the specific context of each remit group, other than the budgets that departments have allocated for pay rises. We have taken these allocations, generally of the order of 2 to 2.5 per cent, into account in our deliberations but note they were set last year in a very different economic climate.

1.9 Moreover, pay is but one component of a budget. In all our recent reports, we have underlined the importance of setting remuneration within the context of a wider departmental plan. We also believe that a focus on outcomes is key to an optimal reward strategy. For example, we note that the number of senior civil servants has increased by 70 per cent over the last decade, with the nominal paybill up 97 per cent. Brexit and the pandemic explain only some of this growth and we have seen no coherent plan for what the size, shape and composition of the SCS should be. A significant reduction in numbers would create material savings, some of which could be used to increase pay and incentives for a streamlined, higher-quality SCS.

1.10 Shortly before we completed our Report, the Government indicated its intention to reduce the overall size of the civil service, with the implication that the SCS will shrink in line with this target. We hope that, as part of this programme, there is a clear focus on how a smaller SCS will be best targeted to maximise its effectiveness and deliver priority outcomes.

1.11 In making our pay recommendations this year, we are mindful of the financial constraints faced by the Government and of pay settlements in the rest of the economy. We have not therefore sought to match inflation or indeed to even approach it. Nearly everyone is going to be poorer this year.

1.12 Nevertheless, having reviewed the evidence, we believe that a 2 to 2.5 per cent pay increase is insufficient to manage the risks to recruitment, retention and morale. It feels unreasonable after a long period of pay restraint and at a time when inflation is so high. For the SCS and senior leaders in the health service, we are, therefore, recommending a pay increase this year of 3.0 per cent and a further 0.5 per cent to address specific anomalies. For the senior military we recommend an increase of 3.5 per cent.

1.13 For the judiciary, we remain concerned about the continuing shortfalls in recruitment, mainly for the court-based judiciary in England and Wales and particularly for the District (Civil) Bench. We are also worried about declines in the Judicial Appointments Commission (JAC) quality ratings[3] for many levels of appointments.

1.14 All those joining the judiciary do so from an external labour market of mostly highly paid individuals – barristers, advocates, solicitors, or more rarely academics – who are already well-established in their careers. They need to be positively attracted to leave their existing careers to apply to become judges. We believe the changes to the judicial pension scheme which took effect in April will help to address the recruitment difficulties but we are not convinced that they will be sufficient to fully resolve them.

1.15 We therefore gave serious consideration to recommending a pay increase higher than 3.5 per cent for the judiciary. However, in the end we did not do so because of new information about improved High Court recruitment and uncertainty about how far the new pension scheme's benefits are understood by prospective applicants. We are therefore recommending a pay increase of 3.5 per cent for the judiciary, in line with our other remit groups. Nonetheless, we believe the position will need particularly careful review next year. If problems with the District (Civil) Bench continue, a differential pay rise of some kind may need to be seriously considered.

1.16 We have also been asked by the Home Secretary this year to make recommendations on the pay of Police and Crime Commissioners (PCCs). These are elected officials and very

[3] Gradings are an internal assessment measure of a candidate's performance in a particular selection exercise and against the specific criteria for that role at that time. They do not indicate performance upon appointment.

different from our other remit groups. Most PCC posts have only received a single 2 per cent pay increase since their introduction in 2012. We are recommending resetting PCC pay by applying the uplifts chief police officers have received since the last PCC elections in 2018 plus a pay increase for the current year of 3.5 per cent.

1.17 We do not believe it is sensible for PCC pay to be frozen over long timespans. Going forward, we recommend that in the interim periods between SSRB reviews, PCC pay should be uplifted each year in line with the increases in chief police officer pay. We also propose a simplified pay banding structure for PCCs mirroring the one expected to apply to senior police pay.This is the fifth year that the Home Office has not asked us to consider chief police officer pay, even though it falls within the SSRB's remit by legislation. Clarification of the position is long overdue.

1.18 Finally, we note that our Review of Fees for Non-Legal Members of Tribunals is progressing and will conclude later in the year.

Response to the 2021 Report

1.19 In our 2021 Report, we did not make pay recommendations because our remit groups were subject to the Government's public sector pay pause. However, we did emphasise strategic priorities for several of our remit groups, particularly:

- The pressing need for a review of the purpose, size and composition of the SCS and the implementation of a simple pay progression system.
- A requirement to rethink senior military contracts and pay, especially in the context of the need for greater continuity and the changing life aspirations of those in the feeder groups.

1.20 The Government has not gone as far or as fast as we would like in developing a strategy for the SCS or introducing pay progression. We hope it will implement its proposed capability-based pay system both promptly and vigorously.

1.21 We strongly encourage the Review of Armed Forces Incentivisation led by Rick Haythornthwaite[4] to rethink senior military contracts and pay to achieve an employment offer which will meet the future needs of the Armed Forces and attract the next generation of senior officers.

General themes

1.22 Our pay recommendations and observations this year are summarised below in the section headed Conclusions on our Remit Groups.

1.23 We continue to emphasise the need for a more strategic approach to reward and the importance of focusing on outcomes. The Government has endorsed this approach but has done little to translate its support into concrete action.

1.24 In the SCS, the Armed Forces and the NHS, we remain concerned about retaining the best people. We also have some disquiet about the extent of the talent pool in the feeder groups to senior leadership. Once again, we heard from feeder group members who had decided not to seek promotion because they did not believe that the pressures of the job and the greater accountability are matched by the rewards.

1.25 The motivation and fulfilment offered by public service leadership and other benefits such as flexibility, pensions and security of employment are important and need to be taken

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4 The Armed Forces Reward and Incentivisation Review is a comprehensive review of the pay and reward of all military personnel announced in 2021 and chaired by Rick Haythornthwaite.
See: https://www.gov.uk/government/publications/defence-in-a-competitive-age

into account when comparing the financial rewards of the public and private sectors. We are concerned, however, that the sense of purpose offered by public sector leadership and other benefits may not be sufficient to retain the most talented individuals. In particular, the commitment to public service should not be taken for granted. It may be eroded by the pressures of successive crises, the demands of delivering more and the reduction in remuneration both in real terms and in relation to junior colleagues.

1.26 We heard from all our remit groups this year about action to support talent management. We are encouraged by this emphasis. The pressures of senior leadership and changing skill requirements underline the importance of the systematic development of talent. Good career development opportunities are in themselves a way to increase the attractiveness of becoming a leader in the public sector.

1.27 Excellent pension provision is an important feature in the overall reward of our remit group members. However, we observe increasing unhappiness over the impact of pension taxation. Sadly, for many in our remit groups pension issues appear to be a source of resentment and not appreciation. It seems clear that the changes in the 2020 Budget have not fully ameliorated this problem.

1.28 There have been valuable but limited improvements in pension flexibility in the SCS and the NHS which recognise the poor returns many higher-paid individuals receive from increased pension accrual. We would urge a review of the impact of the annual allowance and the lifetime allowance on affected senior public sector workforces. At present, the taxpayer's very large investment in pensions for our remit groups is not achieving the motivation and retention benefits that it should.

1.29 We hope that the far-reaching changes to the judicial pension scheme made by the Public Service Pensions and Judicial Offices Act 2022 will make a major contribution to alleviating the recruitment shortfalls affecting this remit group. We stress that it is essential that every effort is made to communicate the benefits of the new pension to current and potential future judges to maximise the impact on filling vacancies. However, the change in pension arrangements may not be sufficient to address the shortfalls, particularly in the District Bench. The recruitment and retention position should be carefully monitored to assess the impact of the pension changes and difficult decisions may need to be made next year.

1.30 In our last Report, we noted the emphasis all our remit groups placed on building a diverse and inclusive leadership cadre and culture. We observed that some have made more progress than others. This year, we have been encouraged by the purposeful intent and the specific actions we heard about from the senior judiciary, the Ministry of Justice (MoJ) and the JAC. In previous years, we have been disappointed by the lack of progress on diversity in the senior military and we note there is no improvement in the key statistics in this reporting cycle. However, we have received a commitment to a more systematic approach which we advise should include specific targets for measurement, planning and investment if it is to bring about the changes that are needed in the leadership of the Armed Forces.

Conclusions on our remit groups

Senior civil service

1.31 The evidence we have received this year again confirms that, in terms of numbers, the SCS does not have significant recruitment and retention difficulties. However, we remain concerned about whether the SCS is able to attract and retain leaders of the right calibre.

1.32 For a number of years, we have sought a strategic vision for the purpose, size and composition of the SCS. The latest data show record growth in the size of the SCS, so that it is now 70 per cent larger than 10 years ago, with a near doubling of the nominal paybill in that time. This growth has been reactive, without a strategic focus on SCS priorities and its requisite optimal size. Moreover, it is not clear that this expansion has led to a corresponding improvement in the outcomes the SCS is there to achieve. We hope that the forthcoming SCS strategic plan will address these critical issues.

1.33 Shortly before our Report was finalised, the Government announced its intention to reduce the size of the overall civil service workforce to its 2016 level. We assume this includes the SCS. While we agree with the need for a smaller and more focused SCS, we urge the Government to develop a specific strategic plan that focuses on priorities, leadership and the delivery of outcomes.

1.34 We are encouraged by some initial action to address unwarranted internal job moves (churn) within the SCS which, it is widely acknowledged, lead to a damaging loss of institutional and specialist knowledge and jeopardise the delivery of major projects. Further measures to address excessive internal job moves would ensure a sharper focus on accountability, delivery and outcomes.

1.35 Since 2018, we have said that a simple pay progression system for the SCS would help to address many of these issues. We are disappointed at the slow implementation of capability-based pay progression, which the Government first committed to in 2019.

1.36 We welcome the increased focus on addressing poor performance in the new proposals on performance management. Performance management improvement depends on individuals having objectives linked to outcomes and we are pleased to see that alignment with overall priorities is one of the objectives of the new system. While we recognise the value of the future performance framework, we are again disappointed at the delay in implementation, especially given the clear discontent with the current arrangements.

1.37 We have reservations about the increasingly piecemeal approach towards addressing reward issues. Many of these mechanisms are short-term fixes which broader pay reform would make unnecessary.

1.38 Our priority is for an across-the-board pay increase and we recommend a pay award of 3.0 per cent for all SCS. In addition, we recommend that a further 0.5 per cent of the SCS paybill is used to increase the pay band minima and address specific pay anomalies.

Recommendation 1: As a pay award for the senior civil service (SCS) we recommend:

- An across-the-board increase for all SCS of 3.0 per cent from 1 April 2022.
- A further 0.5 per cent to increase the pay band minima and address other pay anomalies.

Recommendation 2: We recommend the following pay ranges from 1 April 2022:

- SCS pay band 1: £73,000 to £117,800.
- SCS pay band 2: £95,000 to £162,500.
- SCS pay band 3: £125,000 to £208,100.

Senior officers in the Armed Forces

1.39 In making our recommendations, we focus on the requirement for the senior military offer to be attractive enough to retain and incentivise sufficient numbers of highly skilled and motivated officers. At present, there are no concerns in terms of numbers but we do have worries about whether the Armed Forces are retaining their best people. Better evidence on this issue is needed in future years.

1.40 We have taken into account the evidence on affordability in the context of an ambitious reform programme and a decreasing real-terms budget. However, we are also mindful of the very high level of inflation and the need to treat people reasonably.

1.41 We agree with the principle that there should be a minimum increase of 10 per cent in base pay for officers on promotion both to 2-star and to 3-star to incentivise promotion and reflect the large increase in responsibility, accountability and workload that comes with it.

1.42 We therefore make the following recommendations:

Recommendation 3: We recommend that all members of the senior military, including Medical Officers and Dental Officers (MODOs), should receive a 3.5 per cent consolidated increase to base pay.

Recommendation 4: 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.

Recommendation 5: We recommend that the minimum guaranteed increase to base pay (excluding X-Factor) on promotion from 1-star to 2-star does not fall below 10 per cent.

Recommendation 6: We recommend that the minimum guaranteed increase to base pay (excluding X-Factor) on promotion from 2-star to 3-star does not fall below 10 per cent.

1.43 We think it is for the Ministry of Defence (MoD) to decide what changes it needs to make to the 2-star and 3-star pay structure in order to achieve this.

1.44 The Armed Forces continue to face growing challenges as they seek to maintain the quality of their senior leadership. We feel that the employment offer has become outdated and less attractive to the next generation coming up through the ranks. The Review of Armed Forces Incentivisation, chaired by Rick Haythornthwaite,[5] is now underway. This should provide the opportunity to reform the remuneration strategy and employment offer to ensure the Services are capable of attracting and retaining the future senior leaders required.

1.45 We think that an employment offer for the senior military is needed that:

- Provides a reasonable degree of security of employment for able officers while also allowing timely promotion opportunities for talented individuals.
- Identifies talent early and supports its development.
- Facilitates longer postings where appropriate.

5 https://questions-statements.parliament.uk/written-statements/detail/2022-04-26/hcws787

- Significantly increases the diversity of the senior cadre, possibly including external recruitment to some roles.

1.46 Any employment offer needs to be underpinned by robust data, including how far the apparent absence of recruitment and retention difficulties is masking the loss of the most skilled and talented officers. We believe it is a priority for the MoD to put in place mechanisms to provide better data on the number and quality of those leaving the senior military and the feeder group and their reasons for leaving.

1.47 We remain concerned that some of the X-Factor components appear to be affecting members of the senior military to a greater extent than previously. We will work closely with the MoD and the Armed Forces Pay Review Body on the next five-yearly review of X-Factor in the 2023 pay round to ensure appropriate consideration is given to whether changes are needed to the X-Factor taper for senior officers at OF5 and above.

1.48 Significant numbers of senior officers, including those in the feeder group, are still receiving large pension annual allowance tax charges. We ask that the MoD continues to provide data on the effect of pension taxation charges on both the remit and feeder group for future pay rounds.

1.49 We reiterate our view that progress on diversity remains disappointing.

The Judiciary

1.50 As noted in paragraph 1.13 above, the judiciary is the only one of our remit groups to show real and persistent evidence of recruitment shortfalls. These exist mainly for the court-based judiciary in England and Wales. Shortfalls are largest at the District (Civil) Bench where they have grown over the last few years. Last year, only a third of District (Civil) vacancies were filled. Shortfalls also continue at the Circuit Bench, though these have not worsened recently. Until May 2022, there were vacancies at the High Court but we were informed shortly before completion of this Report that the High Court is now at full complement.

1.51 The 'quality' of applications in England and Wales, as judged by the JAC's ratings of candidates selected for appointment, has fallen over time, again particularly for the District Bench. While we recognise the limitations of these ratings, the size of the changes is, we believe, significant enough to be a concern.

1.52 The new judicial pension scheme, which was implemented in April this year, significantly enhances judges' total net remuneration[6], although the effect varies by level of judge and by individual. We encourage continued efforts to explain the new pension scheme to current judges and prospective applicants to ensure that the MoJ gets the maximum return in recruitment terms for the taxpayer's investment in judicial pensions.

1.53 Consistent pay across the United Kingdom and between different types of judges at the same 'level' is one of the principles the judiciary has stressed to us and which we consulted on and put in place in the 2018 *Major Review of Judicial Salary Structure*[7]. However, this principle comes with costs. The labour markets from which the judiciary are recruited vary widely by geographic region and court level. When money is limited, it may make sense to focus it on areas seeing significant recruitment problems, rather than spreading it across the whole judiciary, parts of which have no recruitment difficulties. That would require a consideration of the balance between the costs and benefits of the "consistency" principle, better labour market evidence than we have this year, and more

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6 Total net remuneration is take-home pay plus the value of any accrued pension

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

information about the effects of the pension changes and any other improvements to non-pay issues.

1.54 Given the need for better evidence, we are not recommending a differential increase between different categories of judges this year. However, if the situation is not improved next year, we believe the SSRB should be tasked with considering a differential recommendation for District Judges and should be given stronger evidence about labour market rates on which to make a decision.

1.55 Taking all the above into account, the evidence given to us on affordability and the high level of inflation, we recommend an increase of 3.5 per cent for the judiciary this year.

Recommendation 7: We recommend a pay increase of 3.5 per cent from 1 April 2022 for all members of the judiciary.

1.56 The MoJ, judicial offices and other stakeholders have improved their data since the Major Review. We welcome this and encourage further developments.

1.57 We note that the JAC, in agreement with the MoJ, will not be pursuing further data on the pre-appointment earnings of applicants that we requested in the Major Review. We look forward to working with the MoJ on alternative sources for these data in time for the next Major Review, as the relative attractiveness of judicial posts to practitioners remains an important question. We also ask Northern Ireland and Scotland to consider this issue and hope they will provide data on the quality of applications they receive. We understand the limitations of the data provided by the JAC but still feel they provide useful insight.

1.58 We received a number of requests this year to regrade various posts or provide leadership allowances. We stand by the 2018 Major Review and its methodology, though there may be individual cases where new re-grading should be considered. However, we believe that it is more appropriate to deal with re-gradings during Major Reviews.

1.59 Leadership allowances should not necessarily require SSRB involvement but should involve the senior judiciary taking a view in their own leadership capacity and using the framework laid out by the Leadership Review in 2020.[8] If agreed with the MoJ, these leadership allowances can be implemented between Major Reviews.

1.60 We understand the concerns of the Lady Chief Justice that Northern Ireland Coroner pay is below that of their counterparts in Great Britain. Coroners are not within our remit group, as their pay is set by local authorities in England and Wales, so we are not able to make a recommendation. We would, however, observe that this is an important issue that the MoJ and the Northern Ireland government should consider examining.

1.61 We encourage further modernisation of court processes, recognising that responsibility here is split between the MoJ and the judiciary itself. We welcome continued consideration of which procedures can be more efficiently held online without compromising fairness and note the importance of better IT to make this possible. We continue to note the evidence on the poor condition of the court estate and its effects on recruitment.

1.62 We have heard new evidence this year that an increasing proportion of civil cases in England and Wales relate to family law. This does not always match the experience or inclination of civil judges. We would welcome steps to investigate and quantify this mismatch and consider how to address it.

8 Accenture, Judicial Pay Grading and Leadership Allowances Review, final report, April 2020, unpublished

Senior leaders in the NHS in England

1.63 The recruitment data available to us suggest that leadership posts can usually be filled and we do not have evidence of significant retention problems. However, we are mindful that senior health leaders received no pay award last year and that a large number could retire early. While we note the problems of affordability, we are also conscious of the very high level of inflation. We have taken all these factors into account in making our pay recommendations this year.

1.64 We are recommending that an element of the paybill increase is used to address anomalies, particularly to ameliorate the erosion of the differential with the top of Agenda for Change (AfC) band 9 and to make it easier to facilitate the introduction of the new VSM pay framework.

1.65 We have concluded that a prudent approach is being adopted in the proposed new pay framework for VSMs and any increase to the overall paybill should be relatively modest. Moreover, any increase should generate significant benefits in terms of the maintenance of effective leadership. We believe that these benefits should offset or exceed the cost of any paybill increase.

1.66 In general, we believe the salary ranges for VSMs within Integrated Care Boards (ICBs) have been set at appropriate levels relative to those that apply to trusts.[9] The levels of pay should enable movement from trusts and from other relevant parts of the public sector, particularly local government. However, we suggest this matter is subject to further review after the Integrated Care Systems (ICSs) become formally established.[10]

1.67 Some of the adjustments and potential increased costs in the draft VSM pay framework are justified by virtue of equity considerations as there will be less scope for inappropriate variation between board roles. Others should enhance leadership stability and enable the deployment of relevant expertise into challenged organisations. If applied effectively, significant direct expenditure associated with leadership churn will be avoided and the substantial costs which often occur as organisational turnaround takes place will be reduced.

1.68 We believe NHS England and Improvement is right to highlight the risk of loss of a significant number of very experienced leaders and to propose new options including retention awards which should have a positive impact. It should be noted, however, that many other factors, beyond pay, affect morale and due attention should be given to these.

1.69 We stress that the pay structures for senior health leaders should enable easy movement between ESM and VSM positions. We expect this to become even more important as talent management programmes expand. We would like to receive evidence next year on how pay structures can better facilitate a single leadership cadre which is effective at both system and organisational levels.

1.70 It is essential that there should be full and reliable data on comparable VSM and ESM roles, on movement between NHS organisations and ALBs, and on where newly appointed VSMs and ESMs have previously worked. We look forward to receiving these for our next report.

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9 The Health and Care Act 2022 places Integrated Care Systems (see next footnote) on a statutory footing and provides for each one to be led by an Integrated Care Board which has responsibility for NHS functions and budgets, and an Integrated Care Partnership (ICP), a statutory committee bringing together all system partners to produce a health and care strategy.

10 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.

1.71 We would like confirmation that there are no senior leaders paid less than the AfC band 9s whom they manage. Remuneration of leadership roles should reflect the step-change in challenge, complexity and accountability on promotion.

1.72 We welcome the provision in the draft VSM pay framework for a non-consolidated salary uplift of up to 15 per cent to incentivise moving to the most challenged systems or organisations.

1.73 Pay is not the only consideration affecting the attractiveness of roles in challenged organisations. Encouragement and recognition for those undertaking them should also include support such as coaching and mentoring. Experience of them should be valued as potentially enhancing individuals' fitness for other senior posts.

1.74 We note that financial reward should be consistent with performance. We would encourage accompanying the changes in the pay framework with other relevant initiatives such as purposeful appraisal, performance review and accountability arrangements where these do not currently exist.

1.75 We observe that effective local decision-making needs to be supported by relevant national analysis and guidance. This would confirm roles where targeted pay may be merited in light of national or local market conditions. We would also observe that medium-term and sustainable solutions will depend on enhanced talent management programmes. More could be done through senior pay arrangements to support future talent management programmes.

1.76 It is vital that action is taken to support local remuneration committees, including the selection of appropriate members and enhanced training and development.

1.77 Exposure to very large annual and lifetime allowance tax bills, particularly on promotion to ESM or VSM, means that, despite the excellent NHS pension scheme, pensions can be a source of resentment for many health leaders. Fewer than half of the highest-paid VSMs are members of the NHS pension scheme. Corrective action is needed. This should include ensuring that thorough, accurate and timely advice is available to health leaders, particularly when considering promotion opportunities. There are actions that employers can take locally to support VSMs and ESMs affected by the pension annual allowance or who have exceeded their lifetime allowance.

1.78 Arrangements for the remuneration of medical directors should also acknowledge and mitigate the risks of very significant pension-related taxation charges. It is unreasonable to expect a medical director to accept this as a by-product of transfer from one framework to another and the possibility should be addressed through clear and timely advice to prospective medical directors.

Recommendation 8: As a pay award for Very Senior Managers (VSMs) and Executive and Senior Managers (ESMs) we recommend:

- An across-the-board increase of 3.0 per cent for all VSMs and ESMs from 1 April 2022.
- A further 0.5 per cent to ameliorate the erosion of differentials and facilitate the introduction of the new VSM pay framework.

Recommendation 9: In finalising the pay framework for VSMs, we recommend the development of criteria to determine when:

- An additional 15 per cent of pay may be awarded to those asked to work in the most challenged systems or organisations.
- An additional 10 per cent award for those taking on temporary extra responsibilities should be available.
- Retention pay should be available.

Recommendation 10: We recommend that NHS England and Improvement (NHSE/I) keeps under review data on when additional payments are used and their impact on retention, duration in post and rates of churn of leaders.

Recommendation 11: We recommend further detailed work is undertaken to bring greater coherence to medical directors' pay with the full involvement of those in these roles.

Recommendation 12: We recommend that NHSE/I keeps under review data on when additional payments are used and their impact on retention, duration in post and rates of churn of leaders.

Police and Crime Commissioners

1.79 This is our first review of Police and Crime Commissioner (PCC) pay since 2018. The scope and responsibilities of this elected role have grown significantly since then. Our focus is to set pay at an appropriate level that reflects both the current nature of the role and broader trends in public sector pay. We also address how to deal with future pay reviews, noting the problems that have arisen through the lack of an annual pay review mechanism for this group.

1.80 We are recommending resetting PCC pay by applying the uplifts chief police officers have received since the last PCC elections in 2018 plus a pay increase for the current year. We believe that our recommendations will put PCC pay on a sensible and sustainable footing and help to ensure that the role is attractive to a diverse range of candidates in future.

1.81 While we recognise that the scope of the role varies by police force size, as well as other local and demographic factors, we conclude that the current five pay bands imply more differentiation between PCCs than is reflected in their roles, as most responsibilities are common to all areas. We therefore recommend that the PCC pay structure is reduced to three pay groups.

Recommendation 13: We recommend that Police and Crime Commissioners (PCCs) move to three pay groups, in line with the proposals for chief constables from 1 May 2022.

1.82 Unlike all comparable groups, PCCs have not had annual pay reviews and have only received one 2 per cent pay uplift since the role was introduced in 2012. This means that their relative pay has fallen significantly compared to other roles and has moved out of line with the principles that informed the first pay recommendations.

Recommendation 14: We recommend the following salary levels for PCCs from 1 May 2022:

Group 1: £108,800

Group 2: £94,300

Group 3: £83,200

1.83 The PCC role needs to be appropriately valued to perform its functions and to attract a diverse range of potential candidates. A failure to keep the salary in line with comparable roles jeopardises the achievement of these objectives. The relative decline of PCC pay emphasises the need for pay uplifts between the periodic reviews.

Recommendation 15: We recommend that PCC pay increases in future years in line with the SSRB-recommended annual pay increase for chief police officers between formal SSRB reviews in line with the electoral cycle.

1.84 While we do not feel that there should be a pay incentive to take on the responsibility for fire and rescue governance, we do feel that the significant additional responsibility should be appropriately recognised and rewarded.

Recommendation 16: We recommend a pay supplement of 7.5 per cent for PCCs taking on the additional responsibility for fire and rescue governance.

1.85 We again recommend increasing the attractiveness of the PCC role by providing a loss-of-office payment similar to that available to Members of Parliament. We believe that this will help to improve the diversity of candidates and reduce the possibility of the role being limited to those at the end of their careers who can afford to take the financial and career risk of loss of office.

Recommendation 17: We recommend a loss-of-office payment for PCCs in line with that available to Members of Parliament.

1.86 We feel that home security is an important part of the overall reward package for PCCs, potentially a key retention issue, and has benefits that outweigh the direct costs of installation. PCCs should not be out of pocket as a result of installing home security they are advised is prudent.

Recommendation 18: We recommend that home security for PCCs is treated as a business expense and not a personal benefit.

The SSRB's strategic priorities

1.87 Over the last six years, we have assessed our remit groups against a number of strategic priorities. These are listed below. 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. A summary of each remit group's position against our strategic priorities is given in the annex to this chapter.

1.88 PCCs are not included as this assessment is less relevant to elected roles.

1.89 As our health remit group has changed, trajectory arrows are not included.

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: Assessment of the position of remit groups against the SSRB's strategic priorities

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

Senior Civil Service

		Current position	Future position: objectives and evidence
Strategic approach	**Pay and workforce strategy: [↓]**	The SCS has continued to grow to a record size. The Government has recently announced its intention to reduce the size of the civil service workforce to its 2016 level. Departments have been asked to draw up plans to deliver this target. It is not yet clear what the impact will be on the SCS. The fast-stream has been paused for at least a year. The Government has committed to implementing capability-based pay progression for the SCS. The Cabinet Office is developing a five-year strategic plan for the SCS.	Headcount reductions should be done in a targeted and strategic way. As well as departmental plans to reduce the overall size of the workforce, there should a specific strategic plan for the SCS that focuses on leadership and the delivery of outcomes. This should include a clear understanding of the purpose of the SCS that can drive strategic workforce decisions.
Strategic approach	**Focus on outcomes: [↔]**	The Government acknowledged in its evidence the weak link between reward and outcomes. The *Declaration on Government Reform* said that performance management for the SCS will be overhauled so there is a clear link between overall priorities and individual objectives.	The new performance management should link individual objectives to outcomes.
Strategic approach	**Targeting: [↑]**	Pivotal role allowances are used to incentivise individuals to stay in post for the duration of projects.	The use of allowances should be monitored to assess effectiveness and data should be collected on the distribution by protected characteristic. We expect that broader pay reform would make short-term pay fixes unnecessary.
Strategic approach	**Central versus devolved tensions: [↔]**	We received little evidence this year on the balance between central and local pay, or on how pay varies in devolved governments. Differences in pay outcomes between departments have been highlighted as a source of tension by members of the remit group. The Government has committed to ensuring 50 per cent of the UK-based SCS roles are located outside of London by 2030.	We would like to receive evidence on how recruitment and retention issues vary by location, particularly in the light of the Government's commitment to move roles out of London, and on the differential effect of pay systems in the devolved administrations.

Senior Civil Service			
		Current position	**Future position: objectives and evidence**
Performance	**Performance management and pay:** [↔]	The new performance management framework has been delayed until 2023-24 Changes have been made to the existing policy, including the introduction of four box markings (exceeding, high performing, achieving, partially met). Overall performance distribution is expected to take the shape of a bell curve, with around 5 per cent of SCS rated as partially met.	Performance management improvement depends on individuals having objectives linked to outcomes. We see the value of the future performance framework, but we are again disappointed at the delay in implementation, especially given the clear discontent within the SCS with the current arrangements.
	Action on poor performance: [↔]	The new performance management system has a focus on addressing poor performance.	The increased focus on addressing poor performance is welcome. Guidance on the proportion of a workforce expected to be partially meeting their objectives can be helpful, but rigid quotas are not appropriate, especially within small cohorts. This new policy should be closely monitored to understand its impact on individuals and the workforce.
Data	**Better data:** [↓]	While high-quality data continue to be provided in many areas, evidence is not being provided in a timely manner, and key areas for improvement are being missed.	It is crucial that the impact of workforce reform is supported by timely data. In particular, evidence on job moves within departments, recruitment and retention by location, the quality of the workforce and talent tracking. Given the proposed scale of workforce reform, it is especially important to monitor motivation and morale and we hope to receive this evidence in time to make our recommendations next year.
	Feeder groups: [↓]	The fast-stream programme receives a very high level of applicants, with relatively low attrition rates. The evidence suggests that just over 20% of existing SCS participated in the fast-stream. The civil service may be pausing the fast-stream for at least a year in a move to reduce staffing numbers, however this has not yet been confirmed.	We would like to see the monitoring of fast-streamers' career paths to assess the reliance of the SCS on this programme relative to other feeder groups. We hope that if the fast-stream is paused there will be clear documentation of the relevant processes so that knowledge will not be lost, and recruitment can resume when deemed appropriate.
	Diversity: [↔]	There is an increasing proportion of women and those with an ethnic minority background in the SCS. This has been aided by high levels of recruitment.	Data should be collated in the relationship between pay and the protected characteristics, including the monitoring of performance awards and the use of exceptions and allowances. We are disappointed at the lack of progress on ethnicity pay reporting in particular.

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	Future position: objectives and evidence
Strategic approach	**Pay and workforce strategy: [↑]**	The MoD said it is building on the *Defence People Strategy* 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 Haythornthwaite Review of Armed Forces Incentivisation, announced in the Defence in a Competitive Age command paper in March 2021, is ongoing and due to report in April 2023. The MoD asked the Review Body to make recommendations on four options to change the senior officer pay structure to provide greater incentives for promotion to OF7 and OF8. This is for implementation in either pay round 2022 or 2023.	Evidence of how 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. Evidence and feedback on whether the changes to the pay structure for OF7 and OF8 have led to increased incentivisation for promotion/satisfaction with levels of pay on promotion. We expect to continue engaging with the Haythornthwaite Review over the next year.
Strategic approach	**Focus on outcomes: [↑]**	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, for example operations/defence engagement.	
Strategic approach	**Targeting: n/a**	Our current view is that targeting is inappropriate for this group. However, it may be necessary in future to consider the greater use of enhanced rates of pay for specialist skills. The MoD's strategic intention is to grow and retain specialist skills.	The Haythornthwaite Review offers an opportunity to test the feasibility of targeted pay to grow and retain specialist skills.
Strategic approach	**Central versus devolved tensions: [↔]**	No evidence that such tensions exist.	
Performance	**Performance management and pay: [↑]**	The appraisal process is robust. The new Senior Officer Appraisal Report (SOAR) was successfully piloted and is now in place for the 2022 reporting period. It includes more focus on the impact of delivery of objectives, 180-degree feedback and mandatory grading of behaviours and leadership skills. Progression into the senior military is based on performance and potential. Annual increments are conditional on satisfactory performance.	Any feedback on how the new SOAR is working.
Performance	**Action on poor performance: [↔]**	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. Officers are only guaranteed one posting at OF6 and above. Where no suitable employment can be found officers are released under the Senior Officer Compulsory Retirement Scheme (SOCR) terms. The MoD provided data on the number of officers that were released from Service under the Senior Officer Compulsory Retirement Scheme between 2019 to 2021. The data do not provide detail on how many officers released under SOCR were classed as poor performers.	Evidence from the MoD on how many individuals are not given a second posting due to poor performance.

Senior military			
		Current position	**Future position: objectives and evidence**
Data	**Better data:** [↔]	The MoD provided us with data on the numbers leaving the senior military and the reasons given for early exit from the Joint Personnel Administration (JPA) system. It also provided data on voluntary outflow rates for those from OF4 to OF6. The MoD provided data on the reasons for early exit for those at OF6 from the JPA system. It was unable to provide data on the quality of those leaving, on information from exit interviews or on the roles individuals took after leaving the Armed Forces. It was unable to provide data on the number of senior military or officers from the feeder group who refuse promotion or decline an invitation to apply for promotion.	Information 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.
	Feeder groups: [↔]	The Armed Forces are able to attract sufficient numbers of the feeder group to replace the most senior officers that leave. For 2020-21 voluntary outflow rates increased slightly for those at OF6 following a trend of declining voluntary outflow rates between 2016-17 and 2019-20. However, voluntary outflow rates decreased for those at OF5 and OF4 for 2020-21. The shrinking size of the feeder pool, due to the decreasing size of the military, could lead to an insufficient supply of suitably skilled officers able to lead in technologically complex fields. It is encouraging to hear that lateral entry is being considered for some specialist roles at OF4 level.	Data on the ability to fill senior roles and on the voluntary outflow rates for OF4, OF5 and OF6 officers. How lateral entry for OF4 roles is being taken forward and of any plans to extend lateral entry to other more senior military roles. Evidence, possibly drawn from the Haythornthwaite Review, on generational attitudes to pay, conditions of service and work-life balance and whether the overall offer for senior officers is still attractive to the feeder group.
	Diversity: [↔]	Increased diversity of the senior cadre is a key measure of the success of talent development. However, the number of female officers in the senior military remains at five, the same figure for the previous two years, and there are no officers from an ethnic minority background in the remit group. We are aware of the strong commitment from senior leaders to improve the diversity of the senior military and of the many initiatives that are underway to improve diversity in the whole of the Armed Forces, including improvements to the culture and career structure.	A clearer articulation of the specific goals in relation to the senior military. Evidence of how the *People Transformation Programme* is achieving its aim of ensuring that Defence is a diverse and inclusive organisation.

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	Future position: objectives and evidence
Strategic approach	**Pay and workforce strategy:** [↑]	The Government has acted to address the recruitment shortfalls highlighted in the Major Review by reforming the pension scheme. Data are not yet available on recruitment campaigns since implementation, so it is not yet possible to say if this has resolved the recruitment shortfalls. The Lord Chancellor spoke in evidence about longer-term work that will improve judicial working conditions, such as improving the court estate and the use of technology.	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. Data on how quickly improvements are being made to the court estate and use of technology, as well as the judiciary's views on them.
	Focus on outcomes: [↔]	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: [↔]	The principle of consistent pay across the UK and consistent pay awards for different levels of judge precludes targeting, and we have heard about how divisive a differential award would be. However, some roles have no trouble recruiting while others struggle.	Evidence on whether a differential pay award is necessary for District Judges.
	Central versus devolved tensions: [↔]	Consistent pay is an important principle for a unified UK judiciary. However, labour markets are very different in different jurisdictions, so this may be a difficult position to maintain when budgets are constricted and particular areas are seeing shortfalls.	
Performance	**Performance management and pay:** [↔]	The unique nature of the judicial role makes this inappropriate. 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: [↔]	There is no evidence that this is an issue. All issues of misconduct are dealt with by the Judicial Conduct and Investigations Office.	

The judiciary			
		Current position	Future position: objectives and evidence
Data	**Better data:** [↔]	Good-quality workforce data are generally provided, but there are also a few gaps.	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. Scottish and Northern Irish appointments providing 'quality ratings' would be beneficial, along with more data on shortfalls.
	Feeder groups: [↔]	At some levels it appears that informal judicial career paths are developing. It appears fee-paid roles may be becoming relatively more attractive than salaried roles.	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: [↑]	There have been improvements and stakeholders seem more alive to the issue.	Further progress on diversity, especially on appointing individuals from a black African or Caribbean background.

Key	**Green**: Area of little concern **Amber**: Area of some concern **Red**: Area of significant concern	As this is the first assessment, we have not included trajectory arrows.

Senior leaders in the English National Health Service			
		Current position	**Future position: objectives and evidence**
Strategic approach	**Pay and workforce strategy: [GREEN]**	The *NHS Long Term Plan* and the February 2021 White Paper defined the future direction and set out the key priorities for the NHS. They highlight a number of implications for NHS leadership, as does the *NHS People Plan* for 2020/21. In June 2022 the Messenger Review of Health and Care Leadership put forward priorities for strengthening leadership in the sector. Significant organisational change is underway with the statutory establishment of Integrated Care Systems (ICSs) and a continuing shift towards larger provider organisations, through merger or common leadership of trusts. Health Education England and NHS Digital are being absorbed into NHSE/I. A new VSM pay framework has been developed which aligns with the move to ICSs. In general, the framework avoids unnecessary complexity. It preserves separate pay structures for ESMs and VSMs.	Attention should be given to supporting easy interchange between VSM and ESM roles to strengthen one senior cadre giving system leadership. There is scope to improve the VSM framework by better defining the circumstances which merit additional awards or pay progression, supporting remuneration committees and future talent management and developing the proposals for medical director pay. Talent management and development should be strengthened and expanded, to build the capability to provide future system leadership and mitigate risks of retirement of senior leaders.
	Focus on outcomes: [GREEN]	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.	Evidence on outcome measures which relate to system working. How the delivery and sustained achievement of the four goals of ICBs will be assessed.
	Targeting: [AMBER]	The current pay framework does not sufficiently encourage able leaders to work in challenged trusts. The draft VSM pay framework provides for a non-consolidated salary uplift of up to 15 per cent to incentivise moving to the most challenged systems or organisations. It also allows local remuneration committees to determine rates within applicable pay ranges. NHSE/I have provided data on vacancies. The highest number of vacancies were for HR/workforce directors, operations directors, chief executives and nursing directors. We have also heard about the need to recruit more digital specialists.	There will need to be clear criteria defining the systems and organisations which fit this definition. We would expect there to be only a small number of them at any time. Evidence on: • The use of salary uplifts in practice – their number and circumstances. • How local remuneration committees have used the flexibilities available to them. • Progress in developing a more coherent approach to the remuneration of medical directors.

Senior leaders in the English National Health Service			
		Current position	**Future position: objectives and evidence**
Strategic approach	**Central versus devolved tensions:** [AMBER]	Under the pay frameworks which govern ESM and VSM pay, salaries over £150,000 require central approval. The proposed VSM framework requires remuneration committees to take account of local factors such as market conditions, role complexity and peer relativities to arrive at spot rates for specific board roles within the available range. Effective local decision-making needs to be supported by relevant national analysis and guidance. It raises the threshold for cases needing central approval to £170,000.	Evidence on: • How far trusts and organisations have followed the 'comply or explain' approach in the new VSM pay framework. • How local flexibilities have been used. • Cases where central clearance of pay has been needed.
Performance	**Performance management and pay:** [AMBER]	There is scope for positive recognition of strong performance by VSMs and ESM arrangements allow for performance bonuses. Earn-back, which allows for a portion of salary to be withheld, will not feature in the new VSM pay framework. The framework provides for early-stage progression pay for those early in their first VSM post. It allows a retention uplift for established leaders who otherwise could only achieve a higher salary by moving.	Extent of use of progression pay and retention uplift. Criteria used to determine when these payments may be available.
	Action on poor performance: [GREEN]	There is appropriate accountability for performance and the SSRB does not have evidence of failure to manage cases of poor performance.	
Data	**Better data:** [GREEN]	Relatively good workforce data is provided. NHSE/I have provided data on vacancies which we hope over time will build a picture of trends and specific skills shortages.	Data on: • Comparable VSM and ESM roles and movement between NHS organisations and ALBs, and on where newly appointed VSMs and ESMs have come from. • Morale of senior leaders. • Action to communicate pension tax implications to individuals.

Senior leaders in the English National Health Service			
		Current position	**Future position: objectives and evidence**
Data	**Feeder groups:** [AMBER]	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.	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. 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]	There is a reasonably balanced position in NHS leadership regarding gender. Lack of detailed information prevents comment on the position in relation to ethnicity. Outside of ICB appointments, recruitment agencies have struggled to identify strong fields, particularly from a diversity perspective and particularly for trusts in "hard to fill" geographies. There is reported to be a greater depth of talent in and around cities, particularly London.	Further data on diversity and information on talent management action to help increase diversity in the workforce.

Chapter 2

Economic context

Summary

2.1 We make our recommendations at a time of heightened economic volatility and uncertainty. The post-pandemic re-opening of the global economy and the war in Ukraine have pushed up energy costs and restricted the supply of some goods. This has driven high and rising inflation to levels not seen since 1982. In spite of strong GDP growth over the past year, the economy has only just regained its pre-pandemic size. However, growth is expected to slow this year and next, as rising living costs restrict household spending. Meanwhile, public sector finances are under pressure. Public sector borrowing remains at elevated levels and the rise in public sector debt occasioned by the pandemic-related support for the economy limits the degree to which the government can borrow further in future years.[11]

2.2 At the same time, changes in labour supply and the recovery from the pandemic have driven unemployment down to its lowest rate since the 1970s. Job vacancies are at their highest since records began and exceed the number of unemployed, while employees are changing jobs at record rates. Recruitment and retention pressures, as well as the rising rate of inflation, are putting upward pressure on pay. Average earnings growth is strong and rising, albeit that real wages are falling significantly. Pay settlements are at their highest rate for decades as employers respond to labour shortages and higher inflation. Earnings growth among the highest earners in the private sector has been especially strong over the last year, with employees being rewarded through bonuses as well as pay rises. Meanwhile, many of our remit group members have seen a significant erosion in real earnings over the last decade.

2.3 This complex economic environment gives us conflicting signals for our pay recommendations. Departments have stressed that pay awards above 2 to 2.5 per cent are not affordable within the current spending framework and HM Treasury has asked us to take account of the upward pressure any pay awards we recommend may have on inflation. In addition, the Bank of England has forecast that global uncertainty and falling disposable incomes will lead to a shrinking economy by the end of the year. However, we are concerned that pay awards to our remit groups that take no account of labour market conditions and the inflation environment risk provoking problems with public sector retention and recruitment, particularly of the most skilled staff.

Economic growth

2.4 The UK economy grew by 7.4 per cent in 2021, following a 9.3 per cent contraction in 2020 and is estimated to have recovered to its pre-pandemic size at the end of 2021. After slowing in the second half of 2021, the economy is estimated to have grown by 0.8 per cent in the first quarter of 2022.

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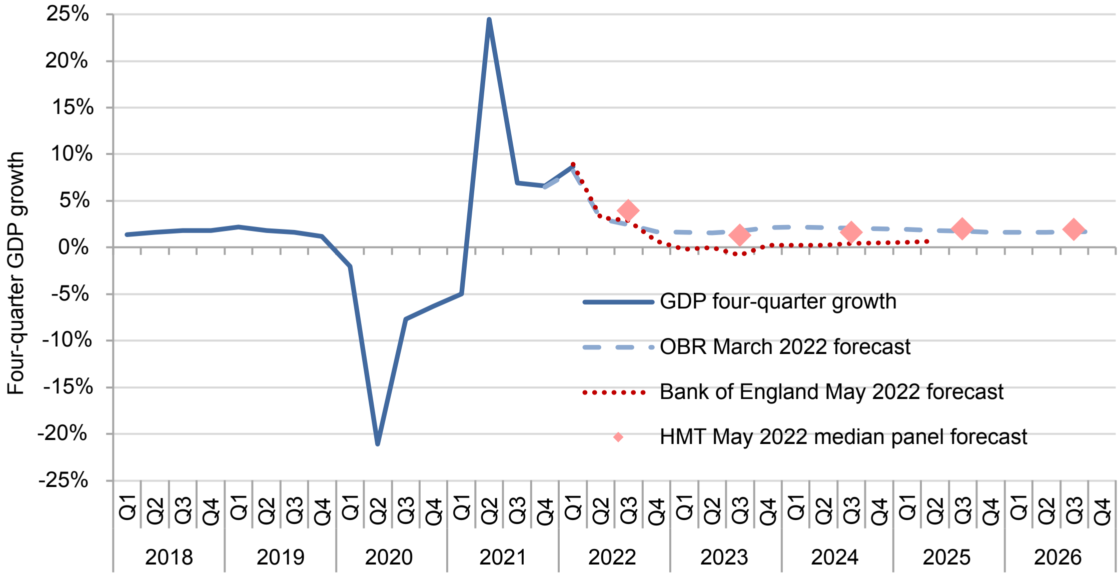
11 Data are as published at the end of May 2022.

Figure 2.1: **Real GDP growth forecasts, 2018 to 2026**



Source: ONS, GDP four-quarter growth (IHYR); OBR, *Economic and fiscal outlook*, March 2022; Bank of England, *Monetary Policy Report*, May 2022; HM Treasury, *Forecasts for the UK economy*, May 2022 (median of forecasts made in the three months to May 2022; annual growth rather than four-quarter).

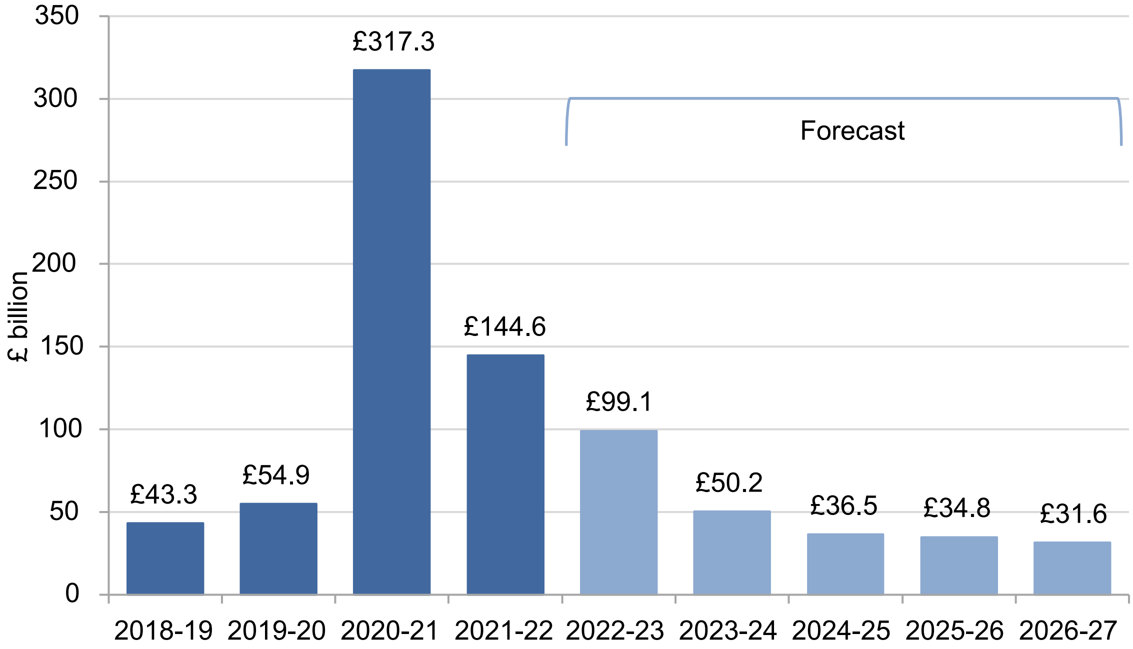
2.5 The UK economy is expected to grow by almost 4 per cent in 2022 overall as it continues to recover from the impact of the pandemic. However, global growth is being negatively affected by the war in Ukraine and lockdowns in China. Domestically, consumer spending is being curtailed by energy costs and other price rises. In its May 2022 *Monetary Policy Report*, the Bank of England said that it expected GDP growth to slow sharply, due to rising global commodity and tradable goods prices and falling household disposable income. It expects GDP to contract in the fourth quarter of 2022, following a large rise in household energy prices in October (see figure 2.1).[12]

Public finances

2.6 Public sector borrowing reached a post-war high of £318 billion (14.8 per cent of GDP) in 2020-21, due to the Government's pandemic support in conjunction with the economic contraction. Public sector borrowing fell back in 2021-22 and is expected to fall further in 2022-23 but remain at historically elevated levels (see figure 2.2).

12 See: https://www.bankofengland.co.uk/monetary-policy-report/2022/may-2022

Figure 2.2: **Public sector net borrowing, 2018-19 to 2026-27**



Source: ONS, *Public sector finances UK*, March 2022; OBR, *Economic and fiscal outlook*, March 2022.

2.7 Department expenditure limits were set out in the autumn 2021 Spending Review. Our sponsor departments all received a real-terms increase in spending, with the exception of the Ministry of Defence (see table 2.1). The high inflation in 2022-23 will place significant pressure on departmental budgets since these were set in cash terms in the Spending Review. Around half of departmental resource spending relates to pay, with Spending Review settlements including funding for 2 to 2.5 per cent annual pay increases.

Table 2.1: **Spending Review settlements**

	Planned spending £ billion (current prices)				Real annual growth		Nominal annual growth		
	2021-22	**2022-23**	**2023-24**	**2024-25**	**21-22 to 22-23**	**Average 21-22 to 24-25**	**21-22 to 22-23**	**21-22 to 24-25**	**Average 21-22 to 24-25**
Health and Social Care	147.1	167.9	173.4	177.4	11.1%	4.1%	14.1%	20.6%	6.4%
of which: NHSE/I	136.1	151.8	157.4	162.6	8.6%	3.8%	11.5%	19.5%	6.1%
Home Office	13.7	15.2	15.6	15.7	8.0%	2.5%	10.9%	14.6%	4.6%
Justice	8.4	9.3	9.8	10.1	7.8%	4.1%	10.7%	20.2%	6.3%
Defence	31.5	32.4	32.2	32.4	0.1%	-1.4%	2.9%	2.9%	0.9%
All departments (total RDEL)	384.9	435.2	442.5	453.7	10.1%	3.3%	13.1%	17.9%	5.6%

Source: HM Treasury, *Autumn Budget and Spending Review 2021*; OME calculations.

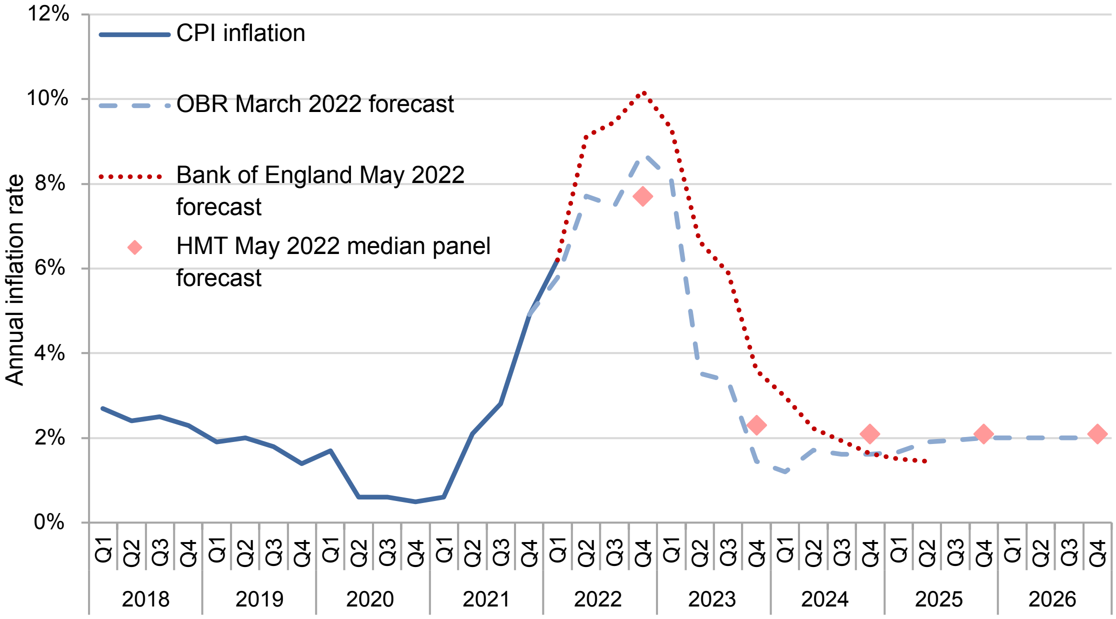
Notes: RDEL is Resource Departmental Expenditure Limits. Real growth is calculated using the GDP deflator as forecast by the OBR in October 2021 (12.7 per cent for 2022-23, 2.2 per cent for 2023-24; 1.9 per cent for 2024-25). The 2021-22 baseline excludes ringfenced COVID-19 spending.

Inflation

2.8 CPI inflation was at 9.0 per cent in April 2022, the highest rate for around four decades. Inflation has risen sharply over the last year, pushed up by global energy and tradable goods prices.

2.9 In its May *Monetary Policy Report*, the Bank of England expected CPI to rise further over the remainder of this year, to average slightly above 10 per cent at its peak in the fourth quarter of 2022 (see figure 2.3). This reflects higher household energy prices following rises in the Ofgem price cap in October 2021 and April 2022, as well as higher food, core goods and services prices.

Figure 2.3: **CPI inflation forecasts, 2018 to 2026**

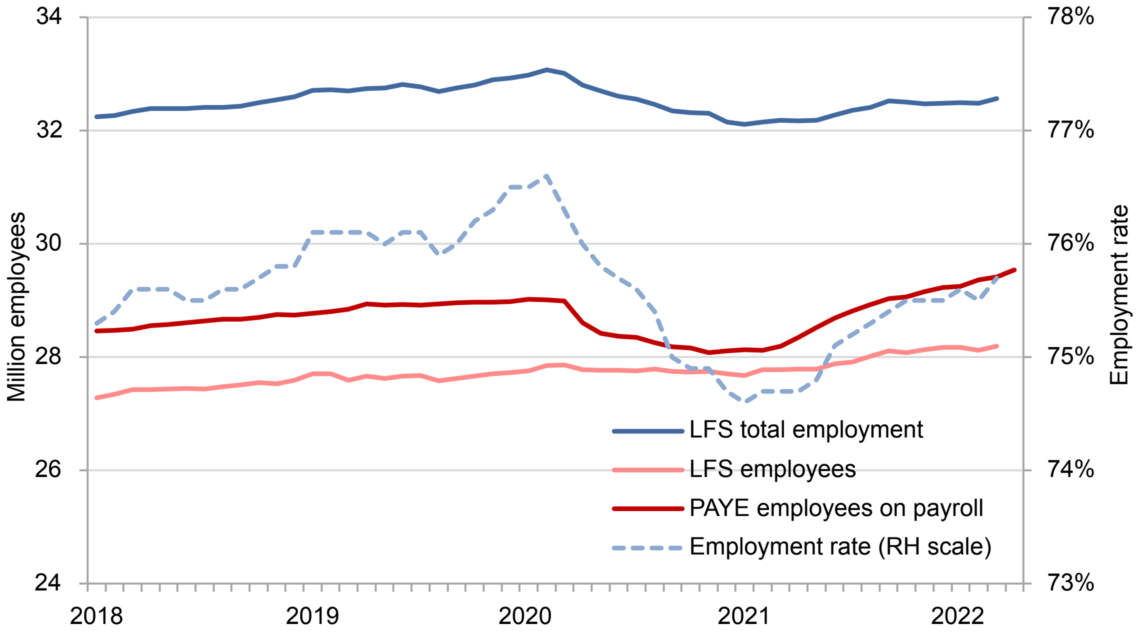


Source: ONS, CPI (D7G7); OBR, *Economic and fiscal outlook*, March 2022; Bank of England, *Monetary Policy Report*, May 2022; HM Treasury, *Forecasts for the UK economy*, May 2022 (median forecast made in the three months to May 2022. Data for 2024 to 2026 are the median annual forecast).

Employment

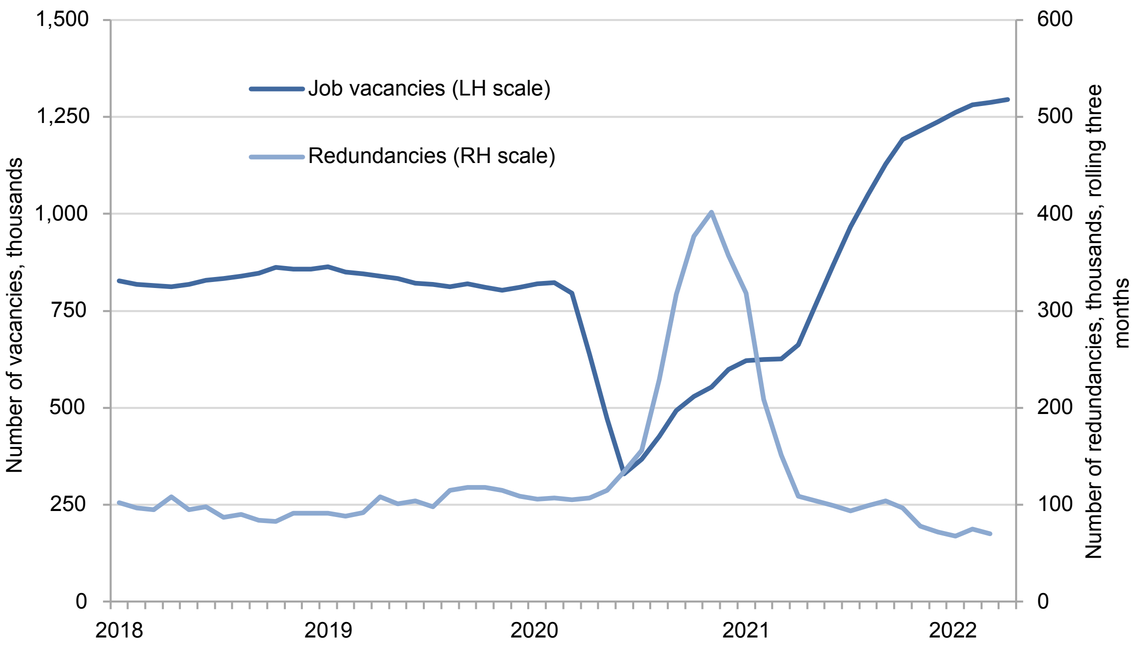
2.10 The labour market has been strong over the last year. The number of employees has continued to grow to above pre-pandemic levels, albeit with much lower levels of self-employment. There were a record 1.3 million job vacancies in the economy in the first quarter of 2022, while the number of job-to-job moves reached a record high, with nearly 1 million people moving jobs. Redundancies have fallen back to below pre-pandemic levels while the unemployment rate fell to 3.7 per cent in the first quarter of 2022, slightly below the pre-pandemic rate. However, economic activity rates (the proportion of the population either in work or seeking work) remain below their pre-pandemic levels, especially among those aged over 50. (See figures 2.4 and 2.5.)

Figure 2.4: **Employment levels and rate, 2018 to 2022**



Source: ONS, Labour Force Survey (LFS), employment (MGRZ), employees (MGRN), employment rate age 16-64 (LF24); Pay As You Earn (PAYE) Real Time Information, payrolled employees, May 2022.

Figure 2.5: **Job vacancies and redundancies, 2018 to 2022**

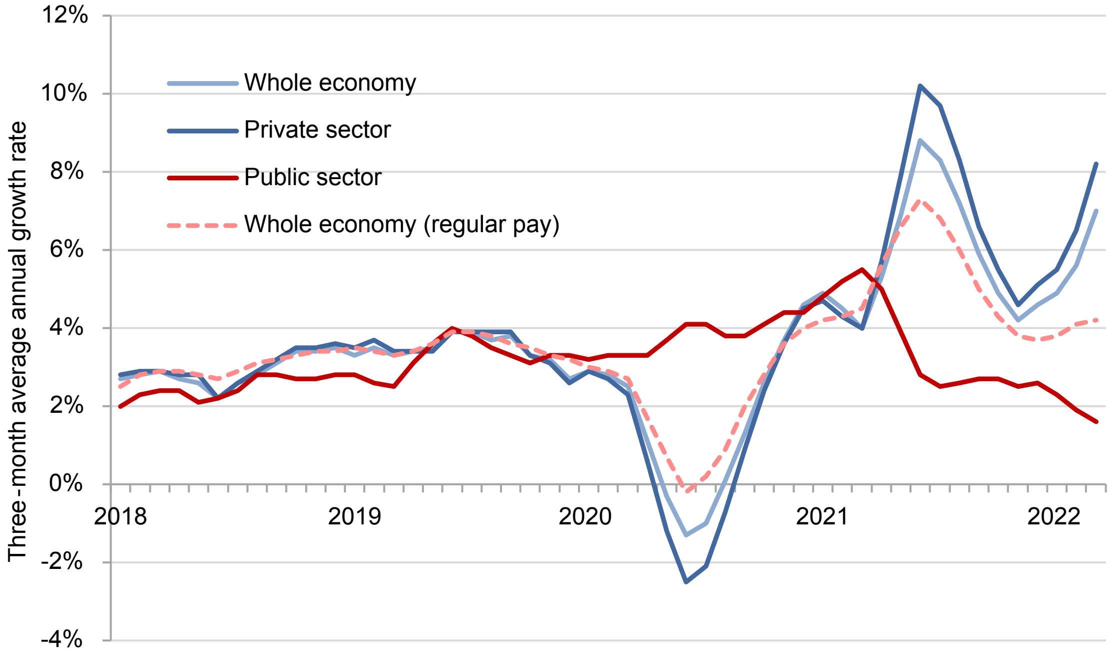


Source: ONS, vacancies (AP2Y), redundancy level (BEAO).

Earnings growth

2.11 Whole-economy annual average earnings was 7.0 per cent in the three months to March 2022, with 8.2 per cent in the private sector. This increase was boosted by bonus payments, especially in the finance sector. Excluding bonus pay, regular average earnings growth was 4.2 per cent in the three months to March. In the same period, public sector average earnings growth was 1.6 per cent. (See figure 2.6.)

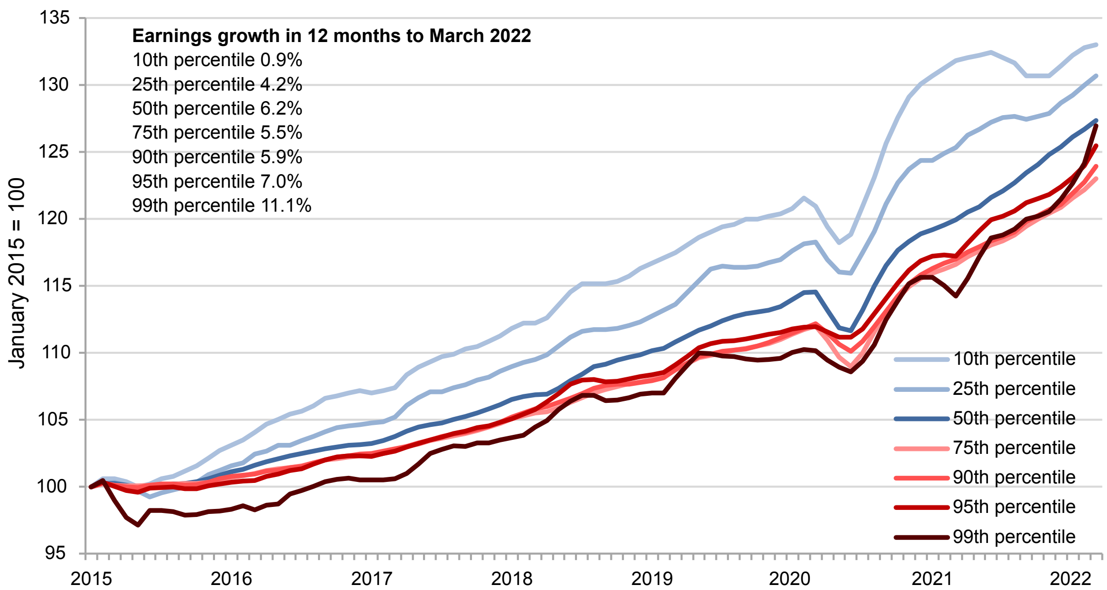
Figure 2.6: **Average weekly earnings growth, 2018 to 2022**



Source: ONS, average weekly earnings annual three-month average change in total pay for the whole economy (KAC3); private sector (KAC6); public sector excluding financial services (KAE2); whole-economy regular pay (KAI9).

2.12 PAYE data on monthly earnings indicate that, since 2015, earnings growth has been stronger among lower-paid employees (see figure 2.7). Earnings in the lower half of the distribution were more susceptible to the pandemic, as working hours in the lower-paying sectors, such as arts and hospitality, were particularly hit. Earnings growth in these sectors was also affected by significant job losses in 2020 and recovery over the last year. At the top of the earnings distribution, there has been stronger growth more recently, with annual earnings growth at over 5 per cent for the top quarter of earners. This is likely to have been boosted by bonus payments in the first quarter of 2022, with PAYE average earnings growth in the finance and insurance sector at 18 per cent in the year to March 2022.

Figure 2.7: **Earnings distribution (PAYE data), 2015 to 2022**

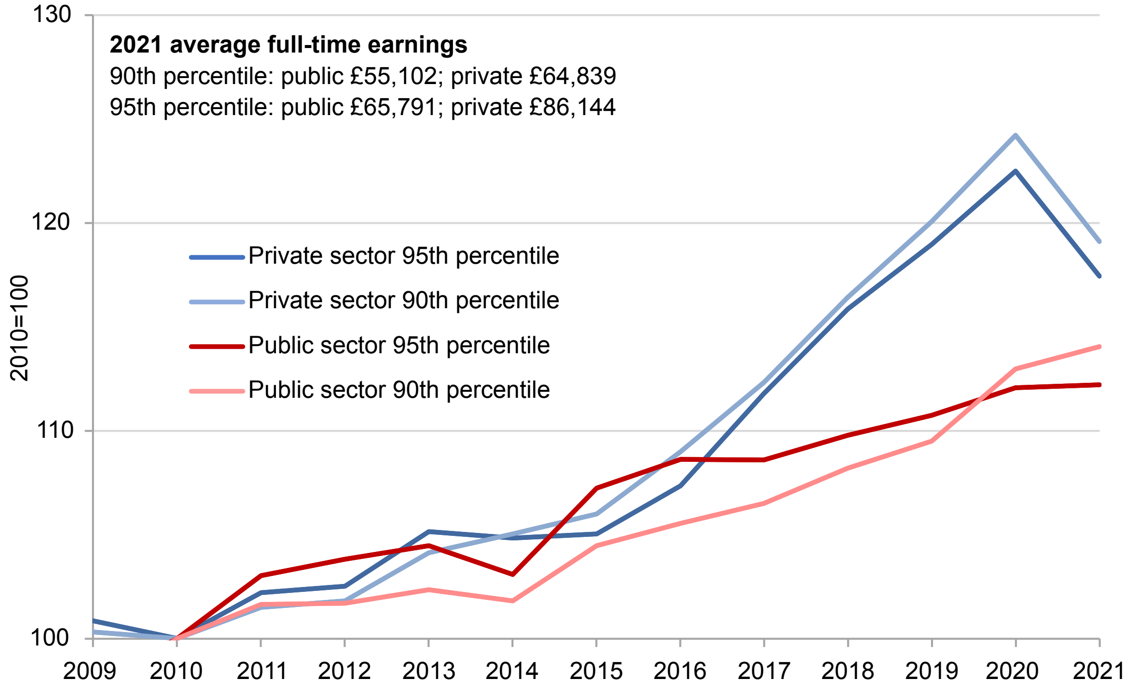


Source: ONS, Pay As You Earn (PAYE) Real Time Information, UK, May 2022.

2.13 The estimate of median pay growth – that is the growth in pay experienced by the median employee over the year – was 4.4 per cent in the year to April 2022.

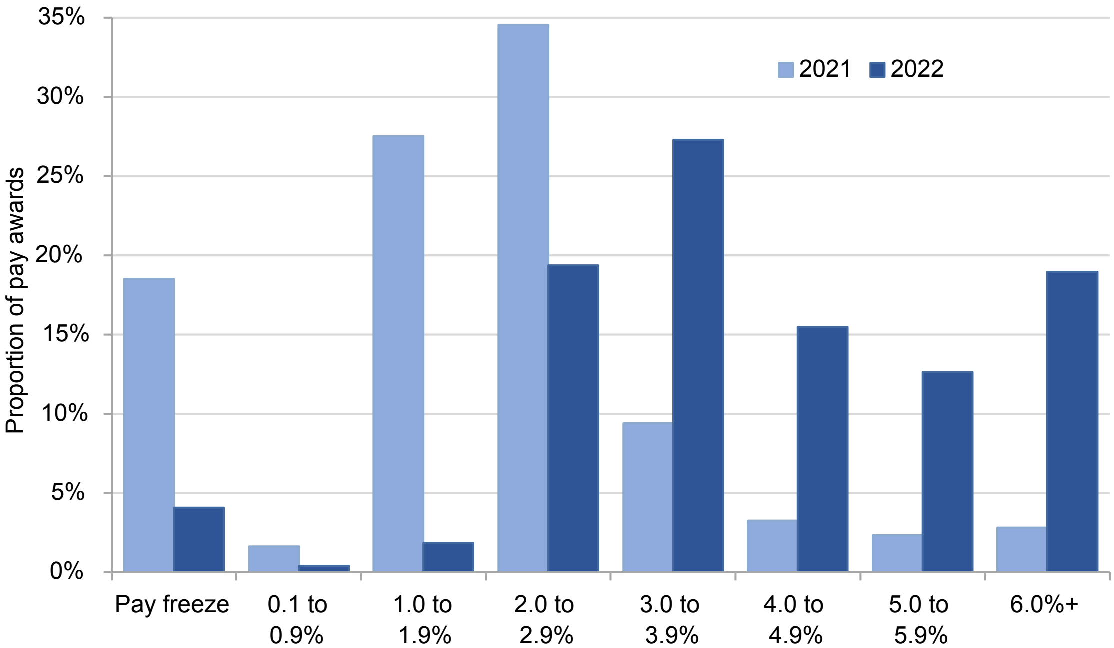
2.14 The Annual Survey of Hours and Earnings (ASHE) is the only data source that can provide an indication of relative growth for higher-paid employees in the public and private sectors. The chart below shows the level of public and private sector pay at the 90th and 95th percentiles, indexed to 2010. Pay growth in both sectors was similar between 2010 and 2015. From 2015 to 2020, pay growth was stronger in the private sector. Then private sector earnings dropped back significantly in the year to 2021 as the pandemic hit, but the private sector still had stronger earnings growth overall over the decade. We would expect to see a recovery in private sector earnings in the year to 2022.

Figure 2.8: **ASHE full-time nominal earnings at the 90th and 95th percentile, 2009 to 2021 (2010=100)**



Source: ASHE.
Note: Nominal annual full-time earnings over the year to April.

Figure 2.9: **Distribution of pay settlements, 2021 to 2022**

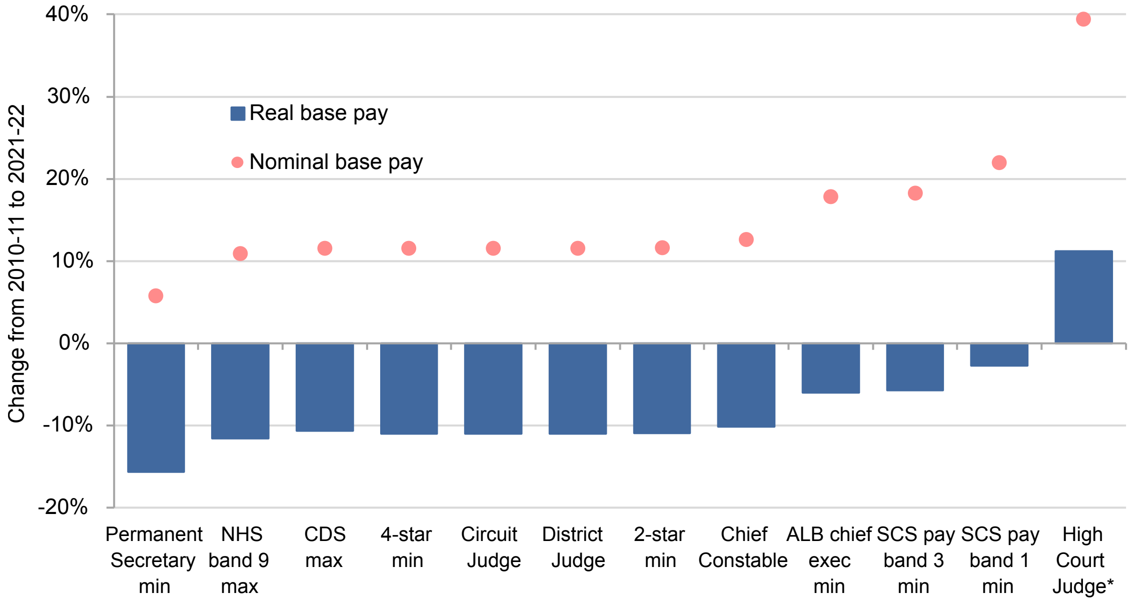


Source: OME analysis of XpertHR data.

2.15 Median pay awards for 2022 are at 3.5 to 4.0 per cent, up from 2 per cent in 2021. There has been a significant shift in the distribution of pay awards, with a far higher proportion at 4 per cent or above – 47 per cent of awards in 2022, compared to 8 per cent in 2021. (See figure 2.9.)

2.16 Changes in basic pay for specific roles in our remit groups over the last decade are shown in figure 2.10. Increases in basic salary since 2010-11 range from 5.8 to 39.4 per cent. The latter is for the small number of High Court Judges in receipt of a 25 per cent recruitment and retention allowance, which was removed from April 2022 following pension scheme reform. In real terms, the change in basic salary since 2010 ranges from a fall of 15.6 per cent to an increase of 11.2 per cent (again, for High Court Judges receiving a recruitment and retention allowance).

Figure 2.10: **Change in base pay, 2010-11 to 2021-22**



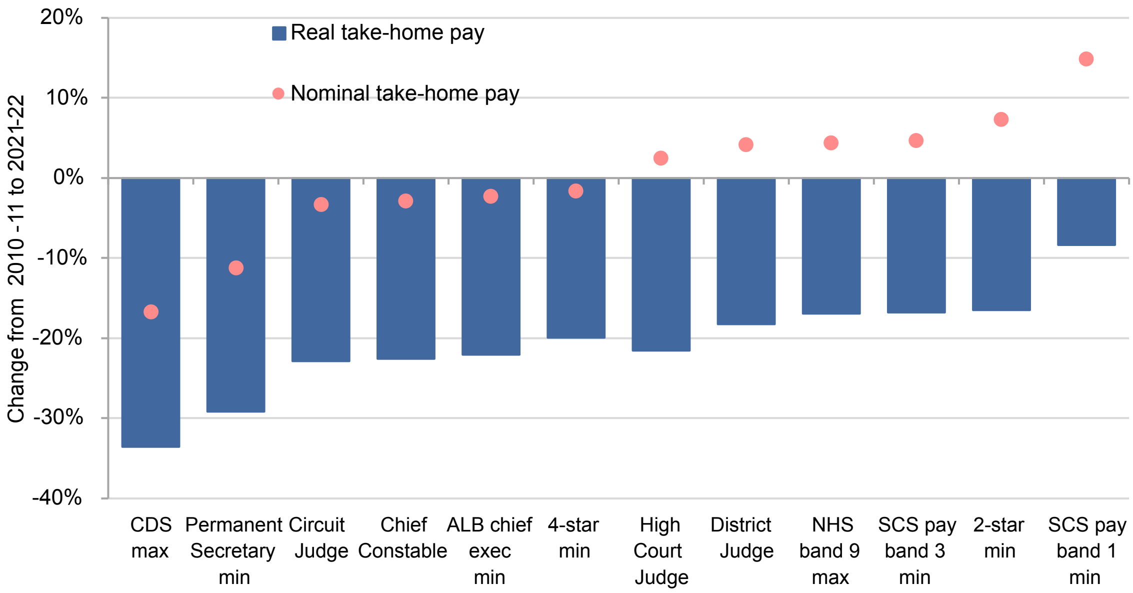
Source: OME analysis.

*Includes a 25 per cent recruitment and retention allowance (paid to High Court Judges in NJPS15) which has been removed from April 2022. 19 High Court Judges received this in 2021-22. Without the allowance, the nominal increase over the period is 11.5 per cent and the real-terms decrease is 11.0 per cent.

Note: NHS band 9 maximum is used as a proxy for the lowest paid senior health manager.

2.17 Changes in take-home pay for our remit groups over the last decade are shown in figure 2.11. The change in take-home pay since 2010-11 ranges from an increase of 14.9 per cent (for SCS1, which has seen a number of increases to the pay band minimum) to a fall of 16.7 per cent (for the Chief of Defence Staff maximum salary, which has been particularly affected by the annual allowance charge). All those with falls in take-home pay have been negatively affected by the reduction in the pension annual allowance. In real terms, the fall in take-home pay over the period ranges from 8.4 per cent to 33.6 per cent.

Figure 2.11: **Change in take-home pay, 2010-11 to 2021-22**

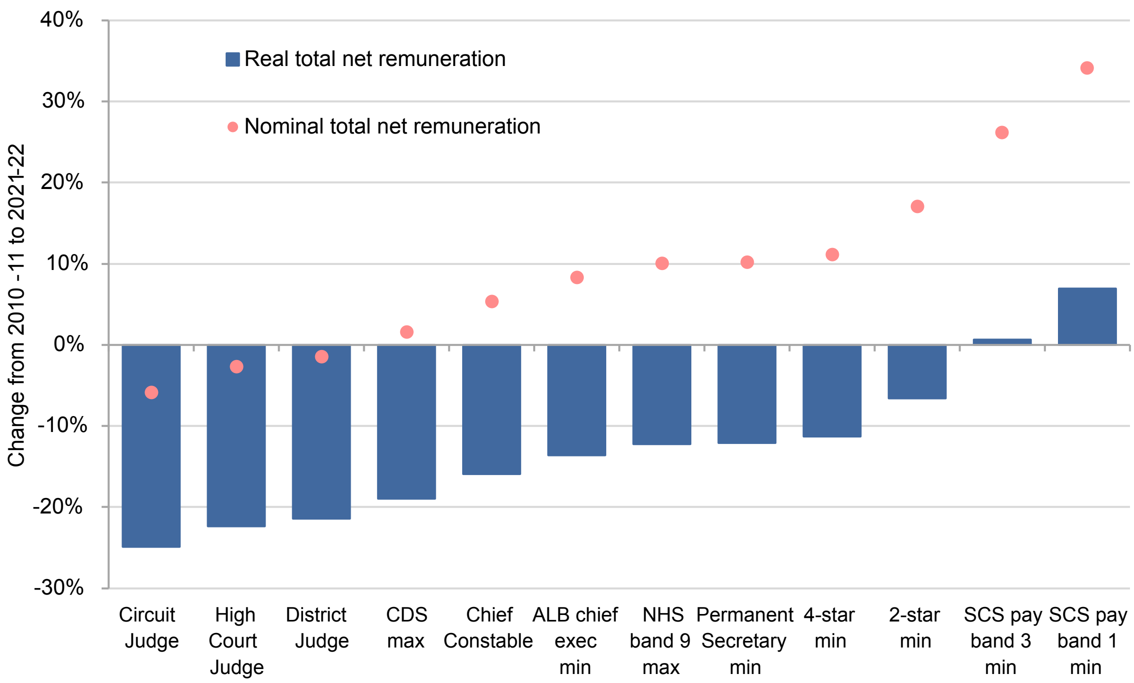


Source: OME analysis.

Note: Take-home pay is annual gross pay minus national insurance, income tax, pension contributions and any annual allowance charge.

2.18 Total net remuneration is our preferred measure of reward as it takes account of not only taxation and pension contributions but also the pension benefits accrued in the year. Increases in total net remuneration for our remit groups since 2010-11 range from an increase of 34.1 per cent to a fall of 5.9 per cent (see figure 2.12). The judicial roles have fared worse under this measure due to moving to a less generous and tax registered pension scheme in 2015, although judicial pension schemes were further reformed to change this in April 2022. In real terms, the range is from an increase of 6.9 per cent to a fall of 24.9 per cent in total net remuneration.

Figure 2.12: **Change in total net remuneration, 2010-11 to 2021-22**



Source: OME analysis.

Note: Total net remuneration is take-home pay plus the value of the pension accrued in the year. It does not take into account taxes paid on retirement, such as the lifetime allowance charge or income tax on pension.

Conclusions and looking ahead

2.19 We make our pay recommendations mindful of the constraints on affordability, the risk that high pay awards may exacerbate inflation and the volatile outlook for economic growth. However, it is hard to ignore the backdrop of very high inflation and the evidence that most of our remit groups have faced falling real pay levels over the last decade. We continue to be mindful of the importance of recruiting and retaining high-quality people into the leadership groups for which we set pay.

2.20 Looking ahead, we recognise that these tensions are likely to be just as acute next year. The economic climate will be difficult, with the economy slowing but inflation still well above its 2 per cent target. Meanwhile, the challenges facing our remit groups, of ensuring that the senior echelons of the public sector continue to attract and retain first-rate personnel who are motivated to deliver efficient, high-quality public services, are likely to continue.

Chapter 3

The Senior Civil Service

Summary

3.1 The evidence we have received this year again confirms that, in terms of numbers, the senior civil service (SCS) does not have significant recruitment and retention difficulties. However, we remain concerned about whether the SCS is able to attract and retain leaders of the right calibre. As we have recommended in our previous reports, more needs to be done to provide evidence on quality.

3.2 For a number of years, we have sought a strategic vision for the purpose, size and composition of the SCS. The latest data show record growth in the size of the SCS, so that it is now 70 per cent larger than 10 years ago, with a near doubling of the nominal paybill in that time. We believe this growth has been reactive, without a strategic focus on SCS priorities and its optimal size. Moreover, it is not clear that this expansion has led to a corresponding improvement in the outcomes the SCS is there to achieve. We hope that the forthcoming SCS strategic plan will address these critical issues.

3.3 Shortly before our Report was finalised, the Government announced its intention to reduce the size of the overall civil service workforce to its 2016 level, a fall of 91,000 overall, or 19 per cent. Departments have been asked to draw up plans to deliver this target and we assume this includes the SCS. While we agree with the need for a smaller and more focused SCS, we urge the Government to develop a specific strategic plan that focuses on leadership, priorities and the delivery of outcomes, rather than allow it to be reduced in an incoherent fashion by piecemeal departmental changes.

3.4 Despite the high growth in the overall nominal paybill, average pay levels have fallen over the last year as new recruits are typically at the bottom of pay ranges. In the past, we have called for a smaller, better-paid SCS. The objective should be to deepen the expertise and acknowledge the value of the experience. We are concerned that the Government's focus on keeping the annual pay increase low is eroding the attractiveness of the SCS proposition, which in turn will impact on the quality of those joining and remaining in the SCS. Furthermore, this focus on low annual pay increases has not held down costs, due to the expansion in SCS numbers.

3.5 We are encouraged that there have been some actions to address unwarranted internal job moves (churn) within the SCS. It is widely acknowledged that excessive churn leads to a damaging loss of institutional and specialist knowledge, decreased accountability and jeopardises the delivery of major projects. Further measures to address excessive internal job moves would ensure a sharper focus on delivery, accountability and outcomes.

3.6 The Government has acknowledged many of the issues with SCS pay that we have previously highlighted, such as:

- The lack of incentives to stay in role and build expertise.
- The weak link between reward and outcomes.
- A growing pay gap with the external market, especially for specialist roles.
- Lower salaries for those promoted internally compared to those recruited externally.
- A pay overlap with grade 6 that causes resentment and reduces the incentives for promotion.

3.7 Since 2018, we have been emphasising that a simple pay progression system for the SCS would help to address many of these issues. We are disappointed at the slow implementation of capability-based pay progression, which the Government first committed itself to in 2019. The first payments will not be made until April 2023. This is despite the acceptance by all parties of the damage a lack of pay progression is causing in terms of incentives, anomalies and unjustified pay disparities, and the need to reward the expertise that is gained through staying in a role.

3.8 The Government has suggested that any pay award this year is limited to 3 per cent, in line with the guidance for delegated pay. We note, however, the problems that have arisen due to the ongoing failure to implement a pay progression system. These include the increasing overlap in pay with the delegated grades which is reducing incentives to join the SCS, and the increasing risk to motivation and morale. We also need to recognise this crucial workforce at a time of increasing demands and greater complexity. We reiterate the need for a smaller, higher-paid and expert SCS.

3.9 We also note that pay settlements are rising and that the CPI inflation rate hit 9.0 per cent in April, its highest level for 40 years.

3.10 Taking all these factors into account, we recommend a general pay increase of 3.0 per cent for the SCS and a further 0.5 per cent to address pay anomalies and the proposed increases to the pay band minima.

3.11 We welcome the increased focus on addressing poor performance in the new proposals on performance management. While guidance on the proportion of leaders expected to be only partially meeting their objectives can be helpful, rigid quotas are not appropriate, particularly within small cohorts. While we recognise the value of the future performance framework, we are again disappointed at the delay in implementation, especially given the clear discontent with the current arrangements.

3.12 We have reservations about the increasingly piecemeal approach towards addressing reward issues. This now includes in-year performance awards, end-year performance awards, corporate recognition awards, an increasing array of pivotal role allowances for those leading projects or in digital roles, and the new milestone-based reward to incentivise individuals to stay in post for the duration of projects. Many of these are short-term fixes which broader pay reform would render unnecessary.

Key points from the evidence

3.13 We were disappointed not to receive the Government's written evidence on the SCS until April 2022 and that an oral evidence session with the Parliamentary Secretary for the Cabinet Office could not be scheduled.

3.14 Our key observations from this year's evidence are:

- The size of the SCS grew by 13 per cent over the year to April 2021, the ninth successive year of growth and a total increase in the workforce of 70 per cent since 2012. Much of the recent growth was driven by the Government's response to the COVID-19 pandemic.
- As a result of this expansion, the overall SCS paybill grew by 11 per cent over the year to April 2021. It has increased by 97 per cent in nominal terms since 2012.
- There is no evidence of significant recruitment or retention problems for the SCS. Recruitment has been at record levels, with an increasing proportion of internal promotions to the SCS. The turnover and resignation rates fell slightly in the latest

data. The rate of department-to-department job moves remained stable. Including department-to-department moves, turnover ranged from 6.8 per cent for science and engineering to 23.4 per cent for commercial.

- There was broad stability in the indicators on motivation and morale overall, although there was a fall in satisfaction with pay and benefits.
- Of those that completed an exit interview, 67 per cent were deemed 'regrettable losses' (with high potential for promotion), up from 61 per cent in the previous year (and 44 per cent in 2018-19).
- Average salaries in the SCS fell by 1.5 per cent in the year to 2021. The average salary has only increased by 4.8 per cent since 2012 in nominal terms and has fallen by 10.5 per cent in real terms.
- There has been a significant increase in the number of civil servants in the delegated grades earning above the SCS minimum. The number of civil servants below the SCS earning above the SCS1 minimum of £71,000 increased by over a third from 4,615 in 2020 to 6,355 in 2021.
- There is an increased clustering of SCS towards the lower end of pay bands, especially for SCS1, due to the high level of recruitment. An estimated 3,635 SCS1 (76 per cent) are paid below the proposed target salary under capability-based pay progression of £85,000. This is up from 3,040 (72 per cent) in 2020.
- The pay gaps between internal and external recruits have narrowed in the latest data, but evidence indicates that SCS salaries continue to be lower than equivalents in the rest of the public sector and especially compared with the private sector. These gaps narrow but do not close if pensions are taken into account.
- A relatively high proportion of Director General appointments (7 out of 46) were subject to a pay exceptions, so that a pay increase higher than 10 per cent was agreed on promotion.
- Additional pivotal role allowances have been introduced of up to £30,000 for those leading major projects and up to £45,000 for digital specialists.
- There is an increasing proportion of women and those from an ethnic minority background in the SCS.

SCS strategy

3.15 The Government is developing a five-year strategic plan for the SCS. This brings together many of the existing workforce initiatives. The Government has said that it wants to build a civil service that is able to recruit and retain specialist skills while continuing to grow world class capability internally and strengthen its own functional expertise. It has stated that there should be greater reward for higher performers and those who develop capability by remaining in post for longer, enabling greater depth of experience, confidence and leadership skills.

3.16 In its evidence, the Cabinet Office acknowledged many of the long-standing issues with SCS reward, notably:

- The high levels of churn.
- A median time in post of only two years which inhibits accountability and the development of expertise.
- Significantly higher salaries for external recruits.
- Feedback from SCS members that shows over half do not believe that their pay adequately reflects their performance.
- Inconsistencies in pay between professions and between departments.

- Overlap with the grade 6 pay band so that some SCS members are being paid less than their direct reports.

3.17 While we are in general agreement with the stated aims for reform, we are concerned that the pace of change is too slow. In addition, the actions that the Government outlined in its oral evidence appear to be short term and do not represent an overarching strategy.

3.18 The Government has indicated its intention to reduce the overall size of the civil service, with the implication that the SCS will shrink in line with this target. We hope that, as part of this programme, there is a clear focus on how a smaller SCS will be best targeted to maximise its effectiveness and deliver priority outcomes.

Pay recommendations

3.19 The Government has said that it wants to apply this year's pay award in a way that can address some of the most pressing issues within the SCS reward framework, namely increasing the band minima for all SCS grades and targeting uplifts for individuals lower down the pay range who are demonstrating higher capability. It acknowledges that greater funding could be effective in preparing for capability-based pay progression.

3.20 The Government has asked us to consider the following priorities for the 2022-23 pay award:

- To increase the pay band minima for all pay bands, with the highest increase for SCS3/Director General.
- To allocate a consolidated basic pay increase to all SCS, with proportionately higher increases allocated to those in the lower part of the pay range.
- For departments to allocate additional consolidated increases to individuals to address problems arising from the lack of a pay progression system and other anomalies. These should be dependent on the SCS members demonstrating increased capability and deepened expertise, and on their position in the pay range.

3.21 The Government has said that the headline pay award for the SCS should be no higher, on average, than that for delegated grades. This would imply an overall increase of up to 3 per cent.[13] However, it also recognised that the difference between the levels of remuneration within the SCS and those for equivalent roles in the rest of the public sector and the private sector is generally greater than that at other grades and that flexibility was required to respond to this, particularly for specialist roles.

Our recommendation

3.22 In making our pay recommendations this year we are mindful of a number of relevant factors:

- The high levels of inflation.
- The growing pay gap with the external market.
- The increasing pay overlap with civil servants in delegated grades.
- The need for recognition of a crucial workforce at a time of increasing demands and greater complexity.

[13] The civil service pay remit guidance says that departments are able to make average pay awards up to 2 per cent to civil servants in the delegated grades. Departments also have additional flexibility to pay up to a further 1 per cent where they can demonstrate targeting of the pay award to address specific priorities in their workforce and pay strategies.

- The urgent need for a clear pay progression system, heightened by the high levels of recruitment that have increased clustering at the bottom of the pay band.
- The need to address specific pay anomalies.

3.23 We note that any consolidated increases will reduce the costs of moving to target salaries if the latter are not also uprated.

3.24 Consequently, our priority is for an across-the-board pay increase and we recommend a pay award of 3.0 per cent for all the SCS. In addition, we recommend a further 0.5 per cent increase to the SCS paybill to address specific pay anomalies and increase the pay band minima.

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

Recommendation 1: As a pay award for the senior civil service we recommend:

- An across-the-board increase for all SCS of 3.0 per cent from 1 April 2022.
- A further 0.5 per cent to address the increases to the pay band minima and other pay anomalies.

Pay ranges

3.26 The Government has said that it plans to take some steps towards rationalising the pay ranges in preparation for the introduction of capability-based pay progression to ensure they are at the right level and length for the target rates to sit within.

3.27 The Cabinet Office has noted that issues remain in a number of departments with unwanted overlap between pay ranges resulting in significant numbers of grade 6 civil servants paid above the SCS1 minimum. It said in evidence that it remains the Government's intention to continue to increase the minima for all SCS pay bands but that a balance needed to be struck between funding increases to the minima and targeting funding towards those low in the pay range who increase their capability. It said that increasing the SCS1 minimum too quickly risked demotivating those positioned just above the minimum who find those new to role at the same level of pay. It also said that significant minima increases can be very expensive for those departments who have a large proportion of staff sitting towards the bottom of the range. However, it noted feedback from the SCS that the relatively small salary uplift for the perceived large increase in responsibility and working hours risk made promotion less attractive.

3.28 For Directors General (SCS3), the Government proposed in 2019 that the minimum should be increased to £125,000 over two years to reduce the length of the pay range, create closer alignment with the wider public sector, and reduce the wide use of pay exceptions on promotion which meant that very few Directors General were placed at the band minimum. As a result, the SCS3 pay band minimum was raised from £115,000 to £120,000 in 2020. When considering Director General pay exceptions in 2021, £125,000 has been used as the notional starting salary on the basis that all Directors General at the current minimum of £120,000 were, prior to the pay pause, due to move to that figure. We note the relatively high use of pay exceptions on appointment for Directors General.

3.29 The Government has proposed a number of changes to pay ranges:

- An increase in the SCS pay band 1 minimum of £2,000 to £73,000 (2.8 per cent).
- An increase in the SCS pay band 2 minimum of £2,000 to £95,000 (2.2 per cent).

- An increase in the SCS pay band 3 minimum of £5,000 to £125,000 (4.2 per cent).
- No change to the pay range maxima.
- No change to the Permanent Secretary pay ranges.

3.30 The Cabinet Office has indicated that these proposals would cost 0.3 per cent of the paybill. However, we note that this would be substantially offset by the application of the 3 per cent across-the-board pay increase we have recommended, so that the residual cost should be less than 0.02 per cent of the paybill.

3.31 The proposed increase to the SCS pay band 1 minimum in particular is modest given the number of issues that exist, namely: the bunching at the bottom of the pay band; the damage to motivation of those who have been in role for some time; and the number of grade 6s paid above SCS1. Furthermore, we note that the introduction of a pay progression system some years ago would have resolved these problems by now.

3.32 Despite the very wide pay ranges, the lack of pay progression and the clustering of staff near the pay band minima, the pay band maxima have not been revised since 2009. The Cabinet Office said that its proposed implementation of the reduction of the maxima had been postponed while work on capability-based pay progression was ongoing "to ensure that the levels are robust". The Government does not propose to decrease the maxima for 2022-23.

3.33 We have said previously that, while we accept the reasoning for not significantly lowering the maxima pending the development of a pay progression system, incremental steps could be taken to enable faster progress to be made in narrowing the pay bands. We are again disappointed at the lack of action.

3.34 We note that our recommended pay award of a 3 per cent increase for all SCS, should mean that the proposed pay range minima for SCS1 and SCS2 can be implemented without any additional paybill cost. The proposed increase to SCS3 affects few people and should only have a minimal paybill impact. We are keen to stress the need to increase the SCS pay band 1 minimum in the light of the recurring evidence of an increasing overlap with grade 6 and the reduced incentives for promotion. We expect this to be kept under review in future years, though again we note that this is not a substitute for a structured pay progression system.

3.35 Given the relatively high use of pay exception for Directors General on appointment, we can see the need for a higher increase for this pay band.

3.36 We urge the Government to keep the pay ranges under review and reset them where necessary to support the implementation of pay progression. This should include a serious consideration of the pay band maxima. Shorter pay ranges would serve to set more realistic expectations.

Recommendation 2: We recommend the following pay ranges from 1 April 2022:

- SCS pay band 1: £73,000 to £117,800.
- SCS pay band 2: £95,000 to £162,500.
- SCS pay band 3: £125,000 to £208,100.

Capability-based pay progression

3.37 The *Declaration on Government Reform*, published in June 2021, committed to "implement capability-based pay, starting with the SCS".[14] It also said: "we will

[14] https://www.gov.uk/government/publications/declaration-on-government-reform

incentivise those with deep subject expertise who stay in areas where they add value and continue to develop."

3.38 No further updates have been given to us on the proposals on capability-based pay beyond what was in last year's SSRB Report. The Cabinet Office says that full details of how the system will operate will be agreed through a business case which will be developed for Ministers.

3.39 There has been a pilot for capability-based pay for SCS1 and SCS2 in six departments.[15] The pilot does not include pay uplifts but is intended to test the capability assessment process and the overall framework to identify potential issues ahead of full implementation. Evaluation of the pilot is expected to conclude by summer 2022 and should assess whether the system is fair, can be understood, is credible and robust, and is affordable.

3.40 In their evidence, the FDA and Prospect (whose membership includes around 40 to 45 per cent of the SCS) said that that feedback from members in pilot departments indicated that the process was very bureaucratic and time consuming, both for the individual and the manager, and that there was a significant evidence requirement including feedback from colleagues which could lead to a conflation with the performance assessment. They also noted that the expected timetable for pay progression remained unclear and that if the proposals did not convert to changes to the way the SCS get paid, it would damage morale.

3.41 The recent Institute for Government report on *Pay reform for the senior civil service* concluded that a capability-based pay system would not be viable unless the Government could guarantee sufficient funding to support pay rises.[16] It warned that introducing capability-based pay without the guarantee of funding to pay salaries commensurate with assessed capability would damage morale and performance. It said that funding for capability-based increases needed to be considered separately from the headline civil service pay figure, so that the system could be maintained even if the Government re-imposed a pay freeze.

3.42 In oral evidence, the Cabinet Office indicated that the first pay awards under capability-based pay progression will be payable from 1 April 2023. We are disappointed at the slow implementation of a pay progression system for the SCS, which the Government first committed to in 2019 following the SSRB's recommendation in 2018. This is despite the acceptance by all parties of the damage a lack of pay progression is creating in terms of incentives, anomalies and unjustified pay disparities, and the need to reward the expertise that is gained through staying longer in role.

Addressing churn

3.43 In our 2021 Report, we said that the issue of excessive churn should be addressed with urgency, not only through pay progression but also through other measures (such as minimum tenure requirements, promotion criteria and central career management). The Cabinet Office acknowledged in its evidence that a major risk to accountability and effective delivery of outcomes was excessive turnover in key roles which could result in institutional and specialist knowledge loss and negative impacts on the delivery of major projects. It said that churn within the SCS was exacerbated by the current incentives within the system and felt to occur too frequently without reference to business need.

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15 The Ministry of Justice, the Department for Work and Pensions, the Department for Transport, the Submarine Delivery Agency, the Department for Education and the Department for International Trade.

16 https://www.instituteforgovernment.org.uk/publications/senior-civil-service-pay

3.44 The *Declaration on Government Reform* committed to: "set expected assignment durations on appointment for all SCS posts, taking account of the requirements of the role". The Cabinet Office said that, since last year, work had progressed on the setting of minimum tenure for certain roles, countering 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. A minimum expected assignment duration would be set for all newly advertised SCS roles across Government.

3.45 We welcome the increased emphasis and initial steps on valuing those who stay in role and creating a culture in which this is the norm. We hope that this new initiative will be closely monitored to assess the impact that it has on individuals and on outcomes and look forward to evidence on this next year. We stress the importance of this issue which needs to be kept under review.

Performance management

3.46 The *Declaration on Government Reform* said that:

> Performance management for the Senior Civil Service will be overhauled so there is a clear link from overall priorities to individual objectives. We will define the outcomes for which Ministers and senior officials are responsible, with measurable targets for delivery.

The SCS performance management policy has been under review for several years, with changes introduced in 2019, including the removal of forced distribution and the 25 per cent cap on the proportion of SCS eligible for end-of-year performance awards. The Cabinet Office said that full implementation of the new performance management framework, initially planned for April 2021, was delayed because of limited departmental capacity following EU Exit and the COVID-19 pandemic, and the need to align with the wider SCS Strategic Plan. Instead, smaller changes were introduced last year including making the central SCS objective-setting form non-mandatory, introducing quarterly performance conversations and lifting the cap on the number of SCS who can receive in-year awards.

3.47 The Cabinet Office said that the new performance management framework has now been delayed until 2023-24 to allow time for Ministers to work through the proposals and to ensure alignment with the *Declaration on Government Reform*. Following the decision to delay, the Cabinet Office announced changes to the existing policy, including the introduction of four box markings (exceeding, high performing, achieving, partially met).[17] Around 5 per cent of SCS are expected to be rated as partially met,[18] with the overall performance distribution expected "to take the shape of a curve".[19]

3.48 The trade unions have said that they consider this to be a retrograde step and do not accept that 5 per cent of SCS members are genuinely underperforming.

3.49 The proposed performance framework includes the basic elements that might be expected of any performance management system:

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17 Previously, individuals were assigned to one of the three performance groups: top, achieving or low.

18 If a member of the SCS is marked as partially met for two consecutive quarters, their line manager should draw up a performance development plan. If the SCS member continues to be marked as partially met after this, including as part of their end of year discussion, there will be an expectation that they are placed on formal poor performance measures.

19 The performance management guidance says: "As with any normal large organisation, performance differentiation is expected to take the shape of a bell curve, with the highest proportion of SCS falling in the achieving box and roughly 5 per cent of the SCS cadre within each department falling in the partially met box. Where departments find at the end of the performance year that they have not met these distribution expectations they should ensure they consider why and make necessary changes to their performance process for the following performance year to help bring them up to the expected distribution levels."

- Start-of-the-year objective setting, with individual objectives to align with overall priorities.
- Four performance box markings (as introduced in 2022).
- Quarterly performance conversations, with a box marking evaluation each quarter.
- Mid-year consistency checks.
- End-year performance assessment and calibration.
- All members of the SCS to be eligible for in-year performance awards if they are not on poor performance measures.
- Action on underperformance.

3.50 In our 2021 Report, we welcomed the performance management review but did not understand the delay in implementing the measures. We are therefore disappointed at a further delay and the introduction of only piecemeal changes.

3.51 We also said last year that poor performance management should be added as a focus and we welcome an increased emphasis on this in the policy for 2022. We reiterate our comment from last year that performance management improvement depends on individuals having objectives linked to outcomes and we are pleased to see the alignment with overall priorities as one of the objectives of the new system.

Use of the non-consolidated pot

3.52 The current non-consolidated pay pot for the SCS is 3.3 per cent of the overall paybill.[20] This percentage has been unchanged since 2013, although we have seen a welcome shift to use in-year as well as end-year awards. In 2021-22, the proportion of the SCS in each department that received an end-of-year bonus ranged from 25 to 56 per cent with bonus payments ranging from £3,000 to £16,750. In-year awards ranged from £500 to £5,000.

3.53 The performance management changes in 2019 removed the cap on the number of staff eligible for an end-of-year award and all SCS are eligible for in-year awards, unless they are under poor performance measures. Under the new performance management framework, only those staff who receive an 'exceeding' or 'high-performing' box marking in their end-year assessment will be eligible for end-year non-consolidated awards. Departments will have the discretion to differentiate the payment they award each box marking.

3.54 In evidence, the Cabinet Office said that as part of the ongoing review into the non-consolidated performance-related pay pot, the application, value and parameters for non-consolidated rewards will continue to be explored. Last year, we welcomed the review of the size of the pot for non-consolidated performance-related pay as part of the wider strategic approach. We are disappointed that progress has not been made on this. We would welcome evidence on the effectiveness of this system and particularly whether non-consolidated performance awards are the best use of the paybill budget.

Milestone-based reward

3.55 The Cabinet Office is developing plans for milestone-based rewards to incentivise individuals to stay in post for the duration of projects. Departments would agree an individual bonus upfront based on the successful delivery of a project and/or key milestones, where the delivery end-date is several years away but is sufficiently high priority that it warrants the individual staying in post until completion. This would

[20] This non-consolidated pay pot is the budget available for in-year and end-of-year SCS performance bonuses.

not preclude the individual from receiving additional bonuses during their time in the organisation, either in-year or end-year payments.

3.56 Milestone-based rewards would operate similarly to pivotal role allowances, and would be removable, non-pensionable, and controlled within a central pot, set at a percentage of the overall SCS paybill. The Cabinet Office says it will return to the SSRB next year having tested the viability of the proposal in a few departments.

3.57 While we understand the intent of introducing milestone-based reward, we do not believe that further 'add-on', non-consolidated pay is the best approach to resolving the long-standing cultural issue of accountability. A robust performance management system, coupled with strong leadership and a focus on delivery would be an alternative, simpler and more effective solution.

Looking ahead

3.58 There are a number of areas where we are keen to strengthen the evidence base on which we make our pay recommendations. We have highlighted some of these in previous reports.

3.59 While we appreciate attempts to provide data on intra-departmental job moves by SCS members, the low reported rate (3.4 per cent) does not fit well with evidence we receive from other sources – notably 21 per cent of respondents to the FDA/Prospect members survey said that they had changed their role by internal lateral move in the last year. This evidence will be a key part of monitoring the effectiveness of incentivising SCS to stay in role.

3.60 As we said in last year's report, we would like to receive evidence on how recruitment and retention issues vary by location, particularly in the light of the Government's commitment to move roles out of London, and on the differential effect of pay systems in the devolved administrations.

3.61 The Government's plans to reduce the overall size of the civil service, and consequently the SCS, put an increased emphasis on ensuring the quality of the workforce and managing the leadership cadre strategically. It is crucial that high-performing SCS are not inadvertently lost from critical roles. This will be helped by a greater understanding of how talent moves though the civil service, for example by tracking graduates from the fast stream.

3.62 We also remain keen to see enhanced data on the relationship between pay and the protected characteristics, such as ethnicity pay gaps, monitoring of performance awards and the use of exceptions and allowances. We are disappointed at the lack of progress on pay reporting regarding ethnicity in particular. We frequently hear in discussion groups about dissatisfaction over differential pay levels between departments. It would be useful to receive evidence on this.

3.63 Given the significant rate of change in the SCS workforce, including job moves out of London, increased homeworking, and announcements to reduce the overall number of civil service jobs, it is especially important to monitor motivation and morale among our remit group. Unfortunately, we have not received these data in a timely fashion, despite the comprehensive People Survey being undertaken across the civil service in October each year. We expect this to be made a priority for the next round. We also stress that it is essential to monitor the quality of those leaving the workforce to ensure that the best people and key skills are not being lost.

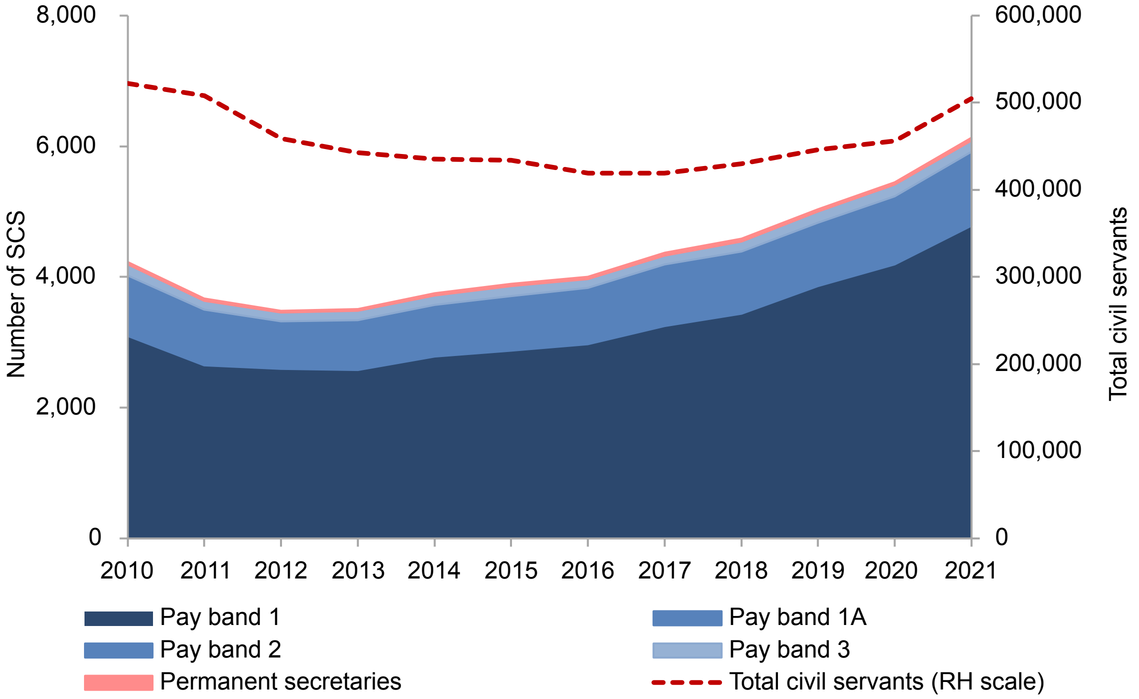
Annex: Data and evidence

3.64 We received written and oral evidence from the Chief Operating Officer of the civil service, the Government Chief People Officer, the FDA and Prospect, and the Civil Service Commission. We were able to hold five virtual discussion groups, including a discussion group of Permanent Secretaries, and spoke with 40 members of the remit group and seven members of the feeder group. We thank all those who participated for their valuable contributions.

The SCS workforce

3.65 At 1 April 2021, there were 6,135 members of the SCS, an increase of 688 (12.6 per cent) since 2020. This was the ninth successive year the SCS had increased in size and represents an increase of 70 per cent since a low point of 3,616 in 2012. There are now 81 civil servants (in the delegated grades) for every member of the SCS.[21] This ratio has fallen from 83:1 in 2019 and continues a trend going back to at least 2002 (when it was 150:1). Figure 3.1 shows SCS headcount since 2010.

Figure 3.1: **Total SCS by grade (headcount), 2010 to 2021**



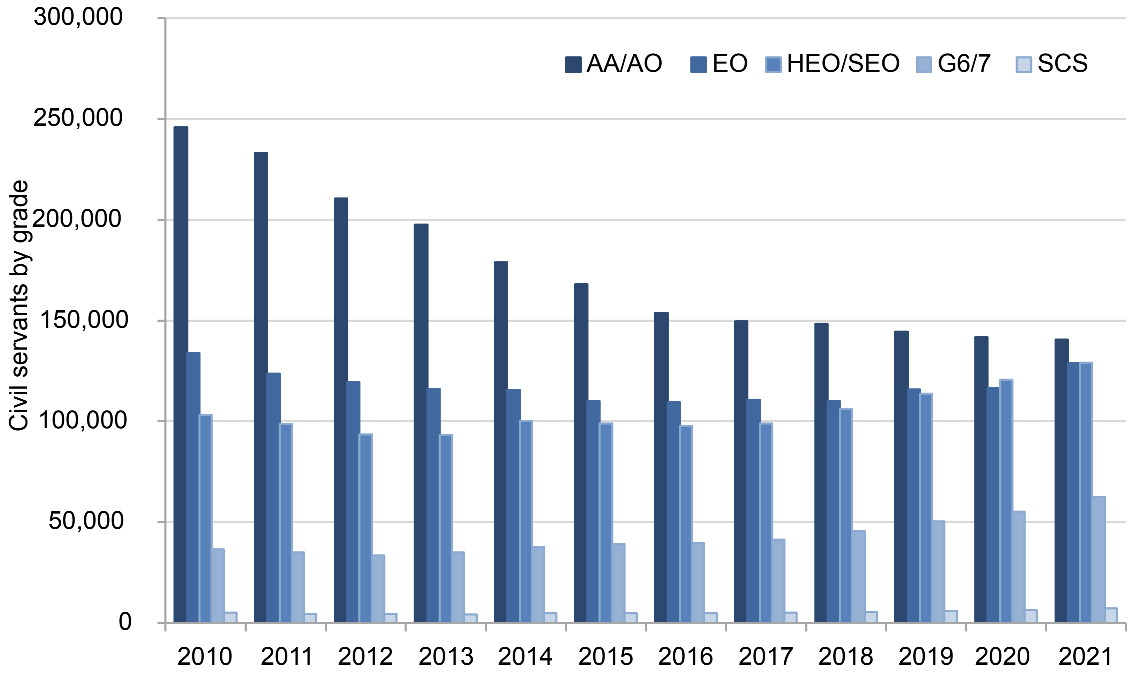
Source: SSRB reports, 2003-20; Cabinet Office supporting data to the SSRB, unpublished; ONS, public sector employment by sector, civil service, GB, headcount (G7D6), quarter 1.

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

3.66 Headcount growth has been higher for grades 6 and 7 than the SCS over the last decade, but much lower for the more junior civil service grades. Figure 3.2 shows civil service employment by responsibility level since 2010.

[21] This includes around 19,000 census workers employed in March 2021, so the ratio of civil servants to SCS will be lower.

Figure 3.2: **Civil service employment by responsibility level, 2010 to 2021**

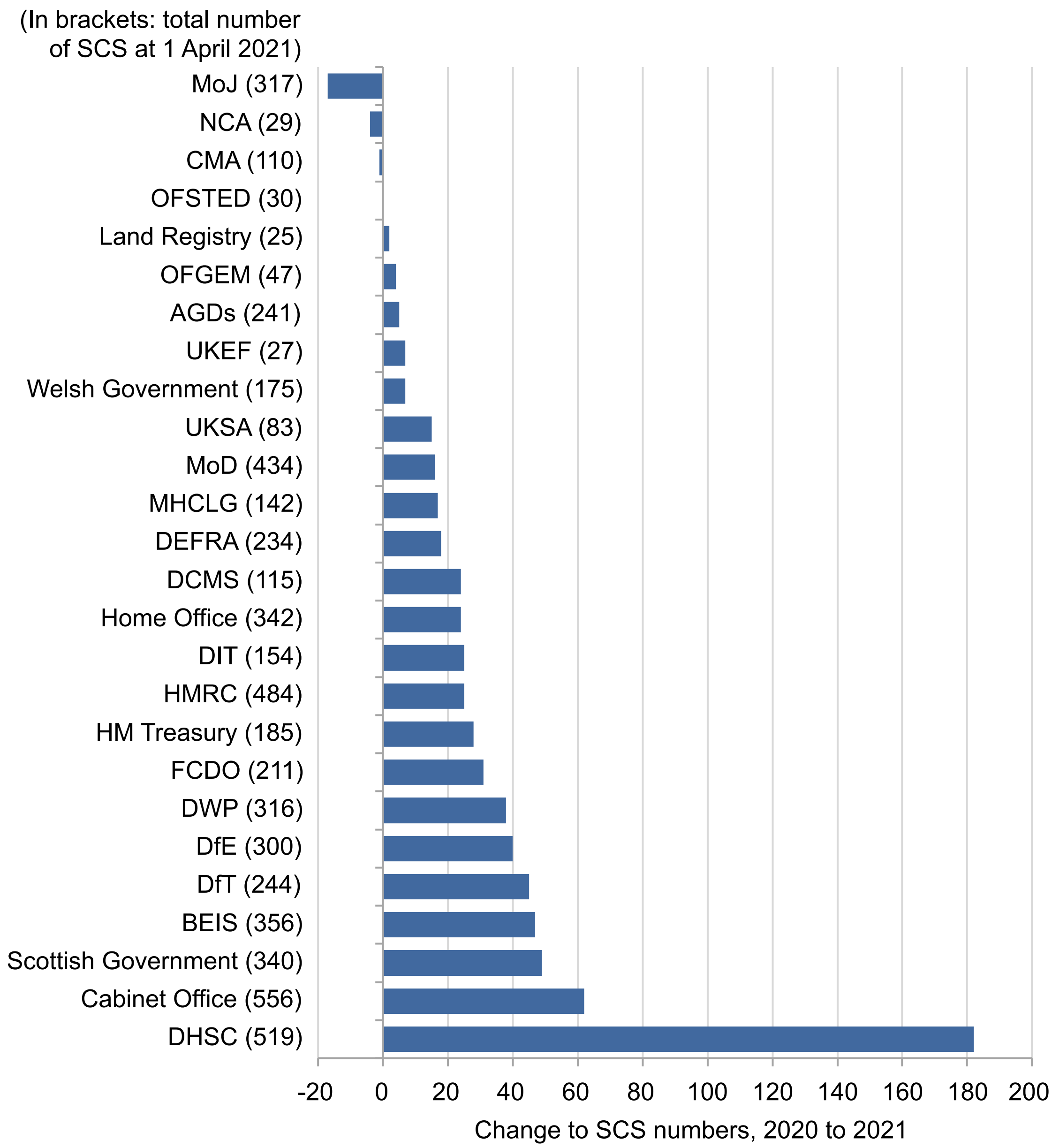


Source: Civil service statistics.

3.67 Overall, the SCS accounts for 1.2 per cent of the civil service. The proportion varies across departments, from 12.9 per cent at the Competition and Markets Authority to 0.3 per cent at the Department for Work and Pensions (DWP).

3.68 The Department of Health and Social Care had by far the largest absolute increase in SCS numbers in the year to April 2021, at 182 (an increase of 54 per cent), in a period that included the Government's response to the COVID-19 pandemic. Other departments with large increases were: the Cabinet Office, with an increase of 62 SCS; and BEIS, with an increase of 47 SCS (see figure 3.3).

Figure 3.3: **Change in total number of SCS by department, 2020 to 2021**



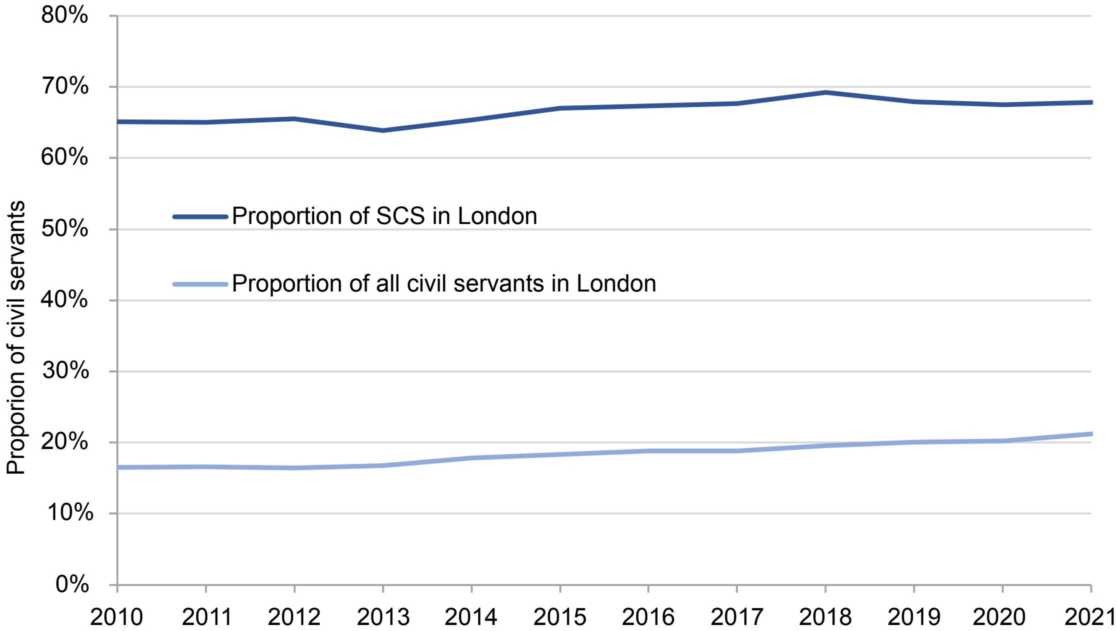
Source: Cabinet Office supporting data to the SSRB, unpublished. 1 April 2020 to 1 April 2021.

Note: Excludes departments with fewer than 25 SCS.

3.69 In oral evidence, the Chief Operating Officer and the Government Chief People Officer told us that the growth of the SCS has been a reaction to pressures including the financial crisis, exiting the European Union, the COVID-19 pandemic and now the war in Ukraine. There had been a conscious move to increase the numbers of senior managers to deal with the increasingly complex challenges facing the civil service. The encouragement of more professional skills was also a factor. It was acknowledged, however, that the civil service as a whole had grown too large and there was a drive to shrink it back to the size it was in 2019. It was expected that the size of the SCS would reduce in line with this. Since then, further announcements from the Government have stated the aim of reducing the civil service to its 2016 size, a reduction of around 19 per cent.

3.70 The proportion of SCS based in London was 67.8 per cent in 2021, a small increase from 67.5 per cent in 2020 and from 65.1 per cent in 2010. The proportion of all civil servants based in London was 21.2 per cent in 2021, compared to 20.2 per cent in 2020 and 16.5 per cent in 2010. The Government has committed to ensuring that 50 per cent of the UK-based SCS roles are located outside of London by 2030. Figure 3.4 shows the proportion of civil servants in London since 2010.

Figure 3.4: **Proportion of civil servants in London, 2010 to 2021**



Source: SSRB reports, 2010-20; Cabinet Office supporting data to the SSRB, unpublished. 1 April 2020 to April 2021.

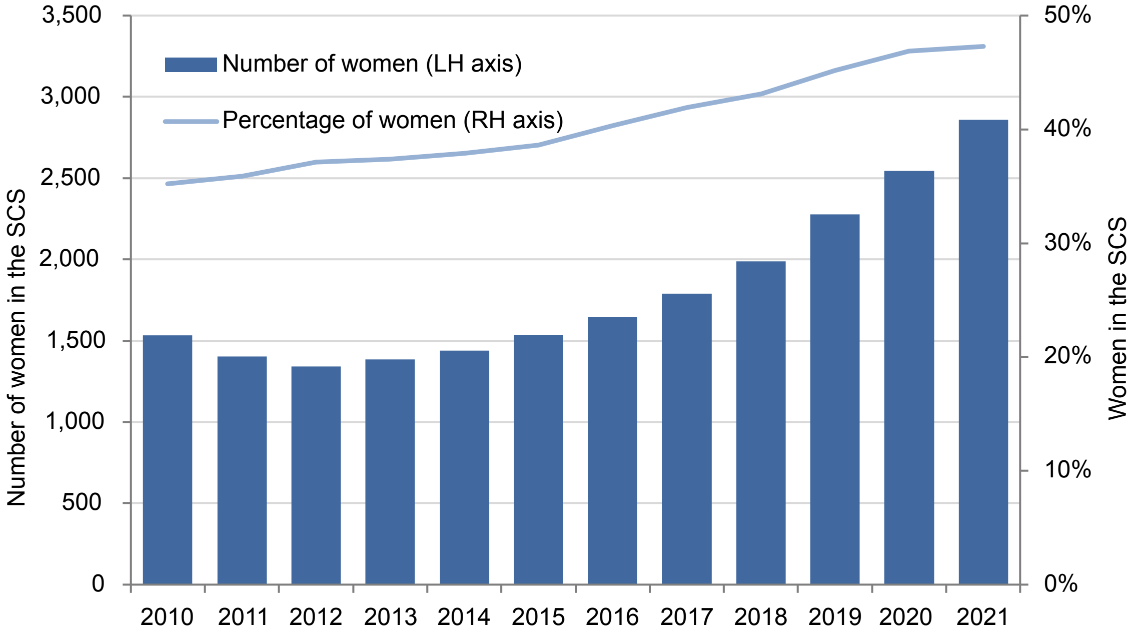
3.71 The FDA/Prospect surveyed their members in December 2021 and received 524 responses from senior civil servants, which represents around a quarter of members. The survey asked about how the *Places for Growth* agenda was affecting members. Only 9 per cent of respondents said they had been asked to relocate to an office outside London. Only 3 per cent had relocated outside of London in the last year.

3.72 In terms of future working, the vast majority of respondents (83 per cent) expressed a wish to flexibly manage their time between days in the office and days at home. A further 10 per cent preferred an agreed pattern of working some days in the office and others remotely. Just 5 per cent wanted to work 100 per cent of the time from home, and 3 per cent wanted to work 100 per cent of the time from the office.

Workforce diversity

3.73 The proportion of SCS who are women increased by 0.4 percentage points over the year to 2021, to 47.3 per cent in 2021 (see figure 3.5). The proportion of female Directors General remained unchanged at 40.4 per cent.

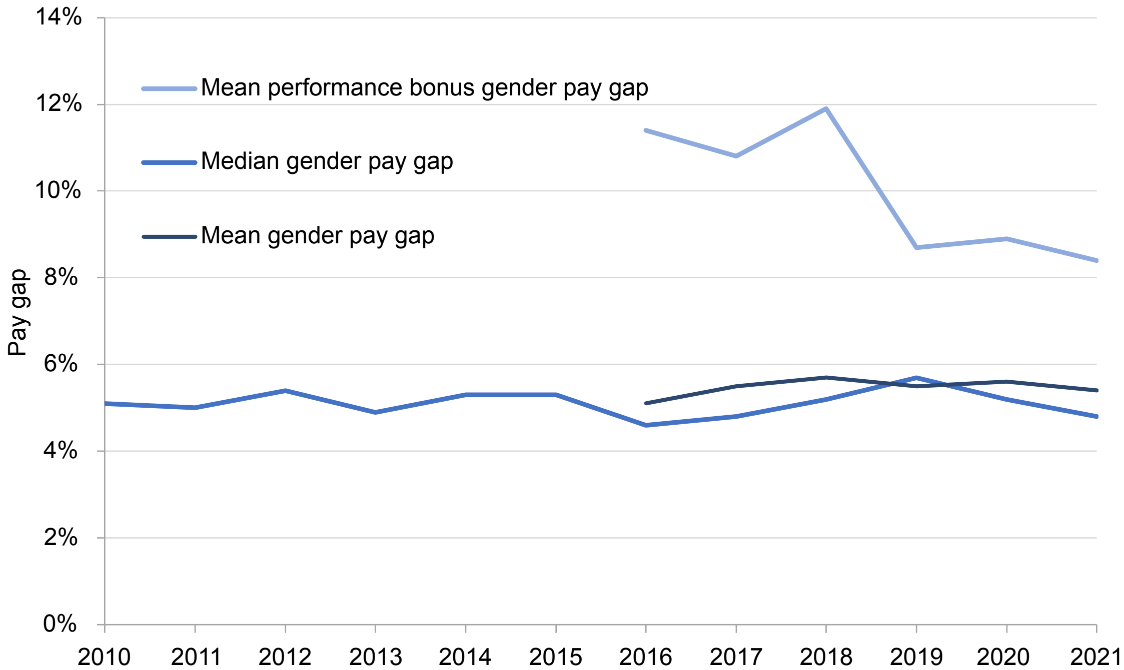
Figure 3.5: **Proportion of women in the SCS, 2010 to 2021**



Source: SSRB reports, 2010-20, at 31 March or 1 April each year; Cabinet Office supporting data to the SSRB, unpublished.

3.74 The gender pay gap, in terms of median base salary across all grades in the SCS, was 4.8 per cent in favour of men in 2021. This has been broadly stable over the last decade (see figure 3.5). Men received an average performance bonus 8.4 per cent higher than women in 2021, down from 8.9 per cent in 2020. In 2020-21, a slightly higher proportion of women were assessed as 'top' performers (32 per cent) than men (29 per cent), similar to the previous year. The within-band gender pay gap is generally smaller than the overall gap (see table 3.1). Much of the overall gender pay gap is driven by the predominance of women in pay band 1. Although at SCS pay bands 2 and 3 more women than men received bonuses, those received by men were markedly larger.

Figure 3.6: **SCS gender pay gap, 2010 to 2021**



Source: SSRB reports, 2010-20; Cabinet Office supporting data to the SSRB, unpublished.

Note: Pay gap between median/mean basic pay of women and of men, as a proportion of median/mean men's basic pay. Gap between average performance bonus of women and of men, as a percentage of men's average bonus.

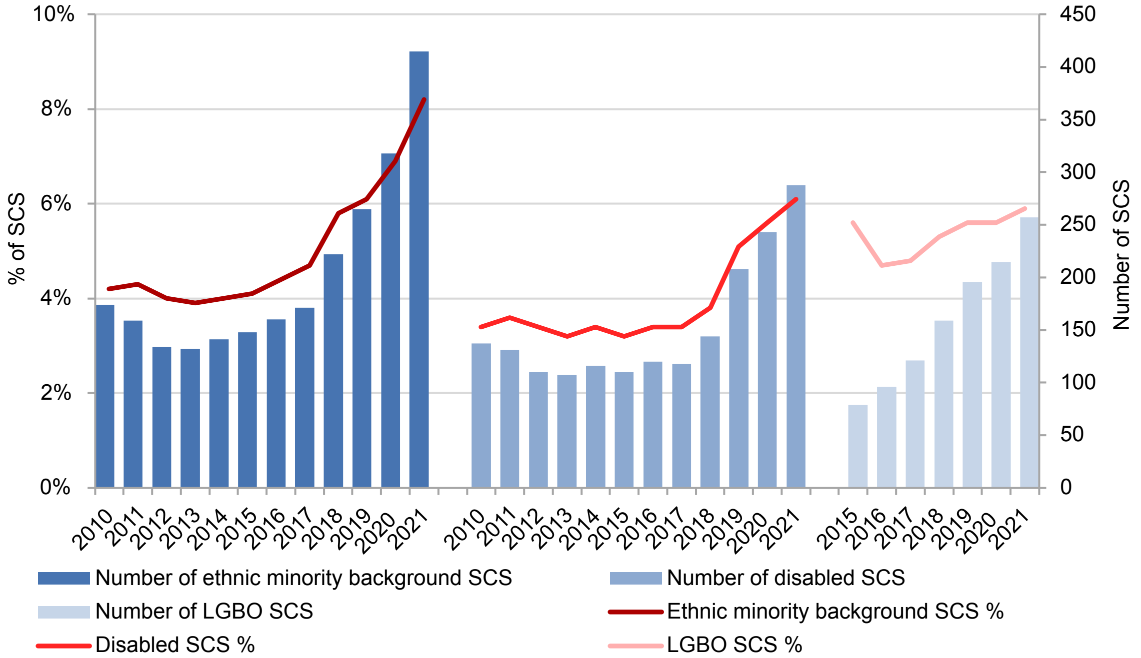
Table 3.1: **Gender pay gap by pay band, at 1 April 2021**

	Median pay gap %	Mean pay gap %	Mean bonus pay gap %
Pay band 1	2.5	3.4	2.3
Pay band 2	3.4	4.5	18.3
Pay band 3	1.0	6.4	18.7
Overall	4.8	5.4	8.4

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

3.75 The proportion of the SCS from an ethnic minority background was 8.2 per cent in the first quarter of 2021. This was an increase from 6.9 per cent in 2020 and the highest recorded level. No evidence was provided on ethnicity pay gaps. Figure 3.7 shows the proportion of SCS members who are from an ethnic minority background, disabled, or LGBO since 2010.

Figure 3.7: **Proportion of ethnic minority background, disabled and LGBO members in the SCS, 2010 to 2021**



Source: SSRB reports, 2010-20; Cabinet Office supporting data to the SSRB.

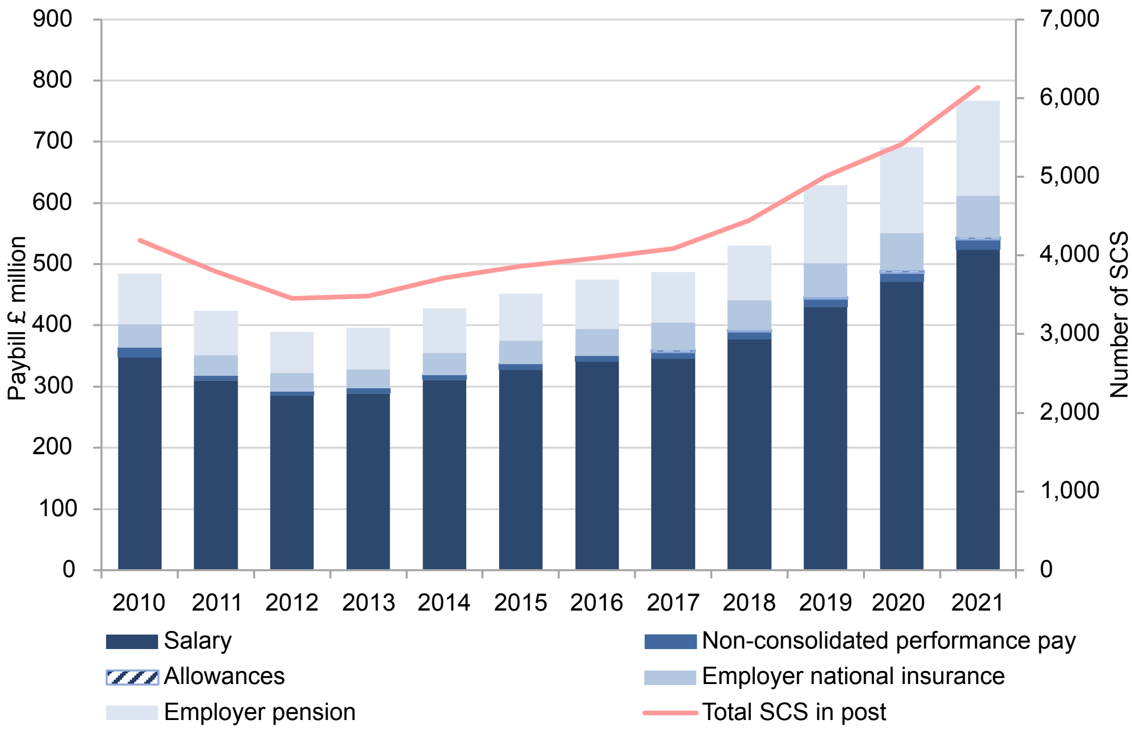
Note: Percentage of those that declare. Caution is advised when interpreting changing overall representation as declaration rates change over time.

Pay and the pay system

3.76 There were no pay awards for any members of the SCS in 2021 nor any changes to the pay ranges, in line with the Government's pay policy. The SSRB was not asked to make recommendations.

3.77 The overall SCS paybill at 1 April 2021 was £776.5 million, an increase of 10.9 per cent from 2020 (see figure 3.8). This was entirely driven by the 12.6 per cent increase in the size of the SCS. Since the low point in 2012, the SCS paybill has increased by 97 per cent in nominal terms, with most of this driven by increasing workforce numbers as well as employer national insurance and pension costs. The salary bill per FTE fell by 1.5 per cent from £89,592 in 2020 to £88,232 in 2021 (see figure 3.9). The salary bill per FTE has only increased by 4.8 per cent since 2012.

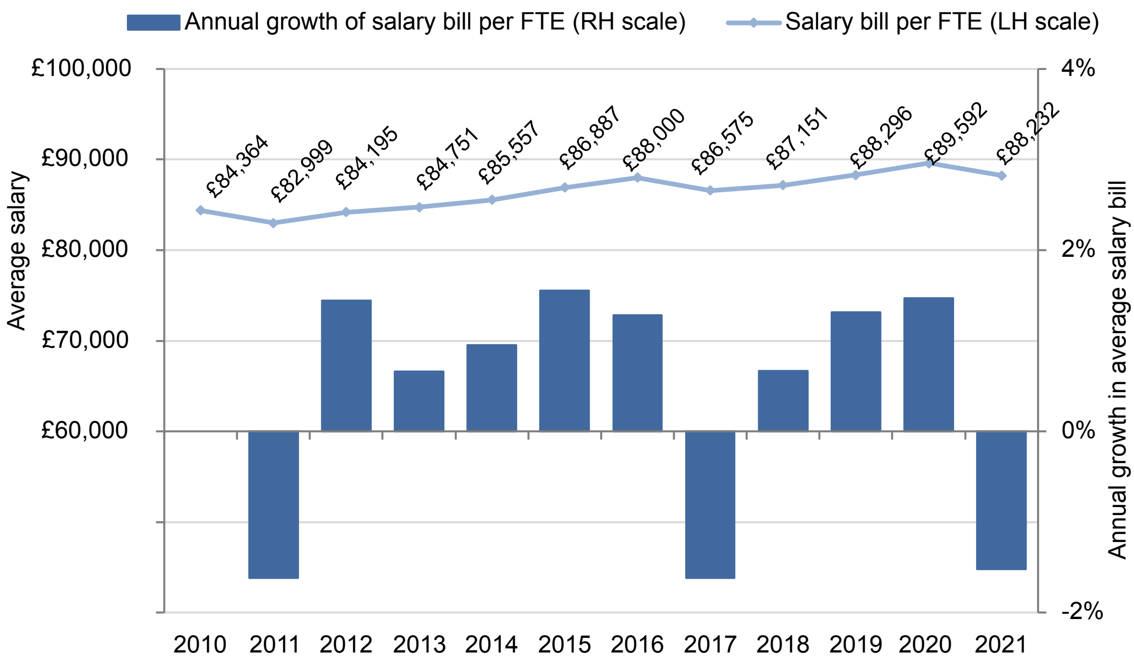
Figure 3.8: **SCS paybill, 2010 to 2021**



Source: 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.

Figure 3.9: **Salary bill per head in the SCS, 2010 to 2021**



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

Table 3.2: **SCS pay bands and median pay by pay band, 2021-22**

Pay band	Number in pay band	Pay band minimum £	Pay band maximum £	Median salary[1] (excluding bonus pay) £
1 (Deputy Director)	4,789	71,000	117,800	77,900
1A (Deputy Director)[2]	45	71,000	128,900	84,700
2 (Director)	1,082	93,000	162,500	102,900
3 (Director General)	174	120,000	208,100	135,800
Permanent Secretary	43	150,000[3]	200,000	172,500[4]
Total	6,135[5]			

1 At 1 April 2021.

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.

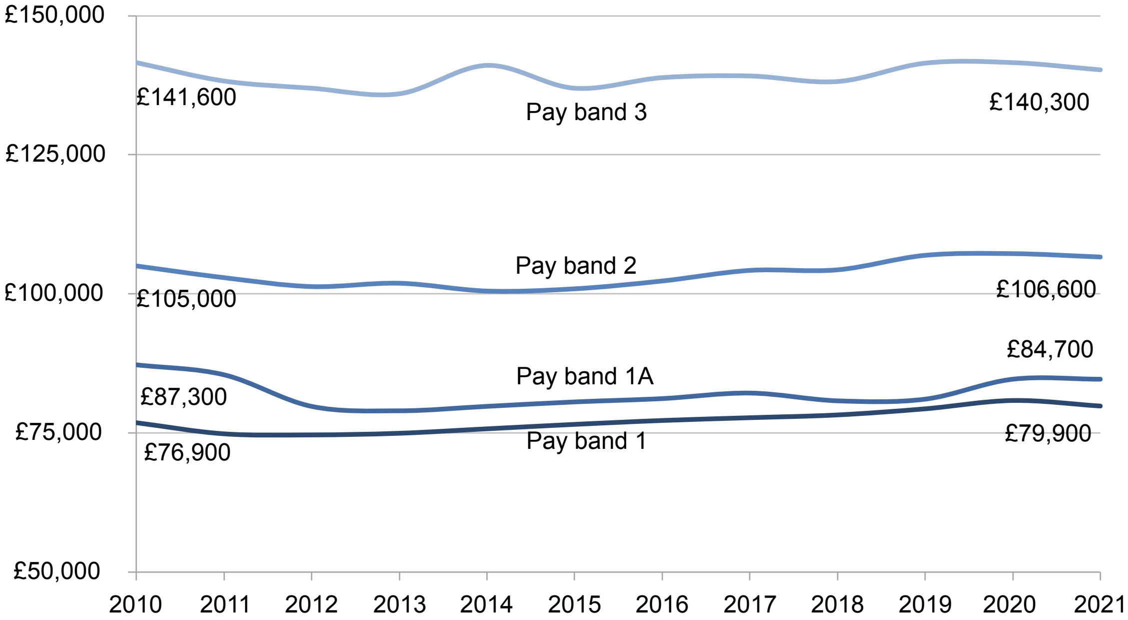
Note: The Scottish Government operates with slightly different pay bands and a system of five target steps.

Source: Cabinet Office written evidence.

3.78 Median salaries including bonuses were lower in 2021 than in 2020 across all pay bands (see figure 3.10). This is likely to be a combination of the public sector pay pause last year and the high level of recruitment at the lower end of the pay scale. In pay band 1A, which is a closed grade, median pay was unchanged.

- Median pay in band 1 decreased by 1.2 per cent (£1,000) to £79,900.
- Median pay in band 1A was unchanged at £84,700.
- Median pay in band 2 decreased by 0.6 per cent (£600) to £106,600.
- Median pay in band 3 decreased by 0.9 per cent (£1,300) to £140,300.

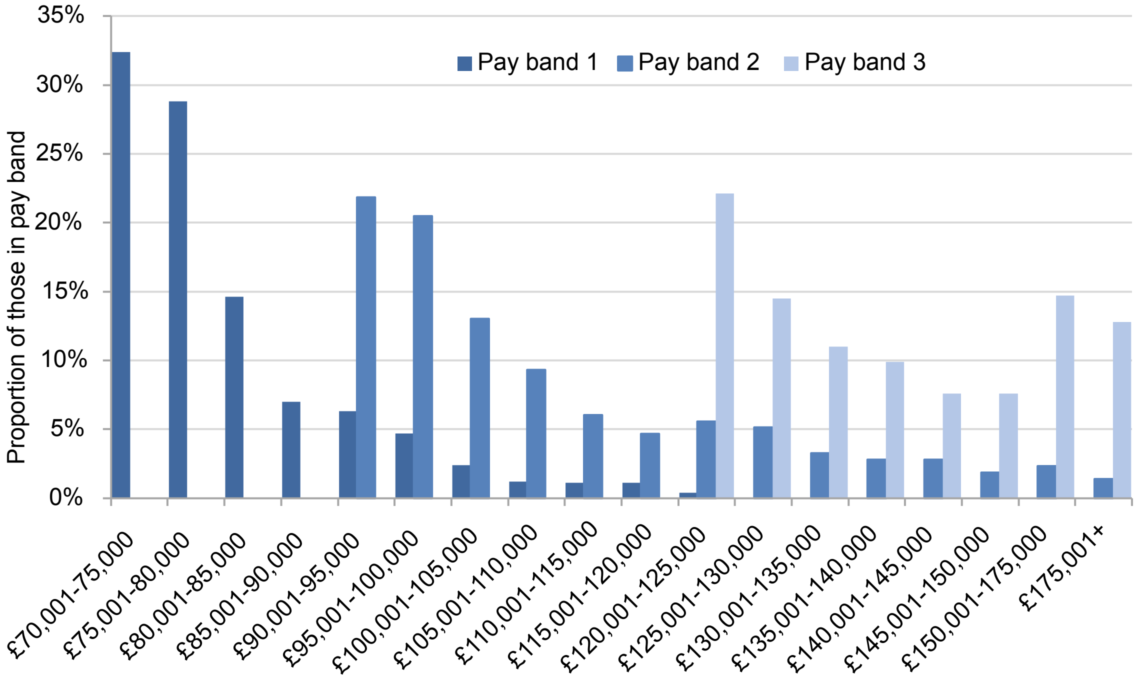
Figure 3.10: **SCS median salaries, including bonuses, 2010 to 2021**



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

3.79 There is an increase in clustering of SCS towards the lower end of pay bands, especially for SCS1. In 2021, 61 per cent of SCS1 were paid below £80,000, up from 56 per cent in 2020. Over three-quarters (76 per cent) were paid below £85,000, the proposed target rate for pay progression, up from 72 per cent in 2020. In the SCS2 pay band, 65 per cent were paid below £110,000 in 2021, up from 62 per cent in 2020. The proposed target rate for this band is £112,000. Figure 3.11 shows the distribution of SCS within pay band.

Figure 3.11: **Distribution of SCS within pay band, 2021**

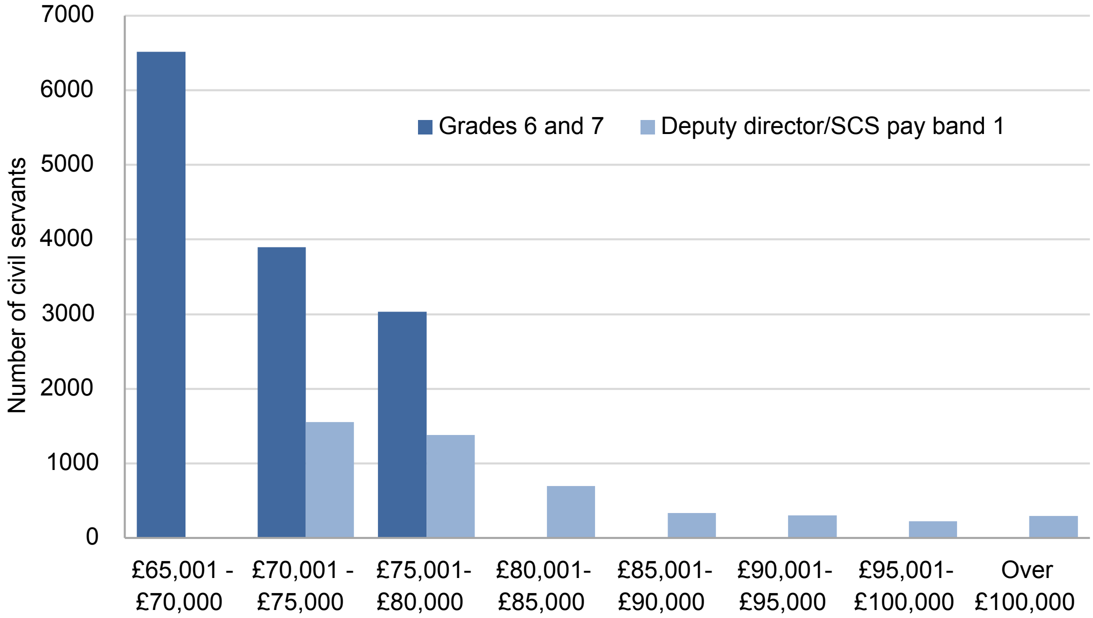


Source: Cabinet Office supporting data to the SSRB, unpublished.

3.80 In 2020, almost a quarter of grade 6s earned over the SCS1 minimum. The total number of civil servants below SCS earning above £71,000 increased by over a third from 4,615 in 2020 to 6,355 in 2021. The number earning above £75,000 increased by over a half from 1,980 to 3,035 (see figure 3.12). In 2021, most civil service organisations had a London grade 6 maximum higher than the London SCS1 minimum. Within departments, the largest overlap was seen for grade 6s working in specialist roles such as Medicine or Psychology (44 and 32 per cent overlap in 2020), while only 6 per cent of grade 6s working in policy roles in 2020 earned above the lower-paid deputy directors in their department.

3.81 In discussion groups with SCS members, we heard about discontent with variation in pay between departments. We would like to receive evidence on this in future.

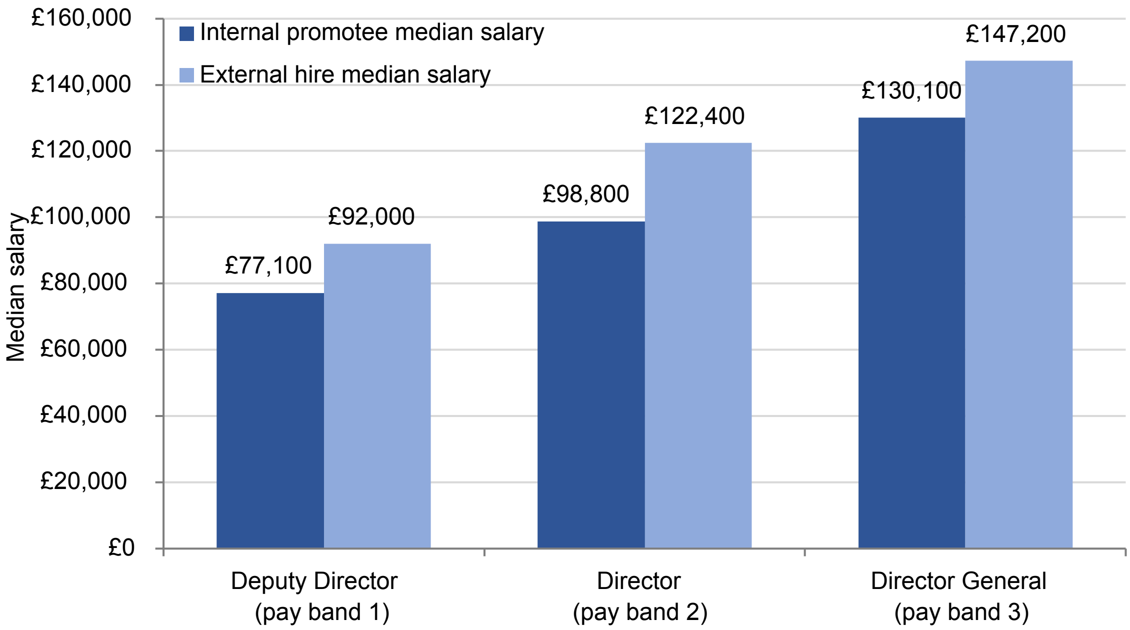
Figure 3.12: **Distribution of SCS and grades 6 and 7 earning above £65,000, 2021**



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

3.82 The gap in median base pay between internal promotees and external hires ranged from 19.3 per cent for pay band 1 to 23.9 per cent for pay band 2 and 13.1 per cent for pay band 3. These gaps all narrowed slightly on the previous year. Figure 3.13 shows SCS median base salaries for internal promotees and external hires.

Figure 3.13: **SCS median base salaries for internal promotees and external hires, 2021**

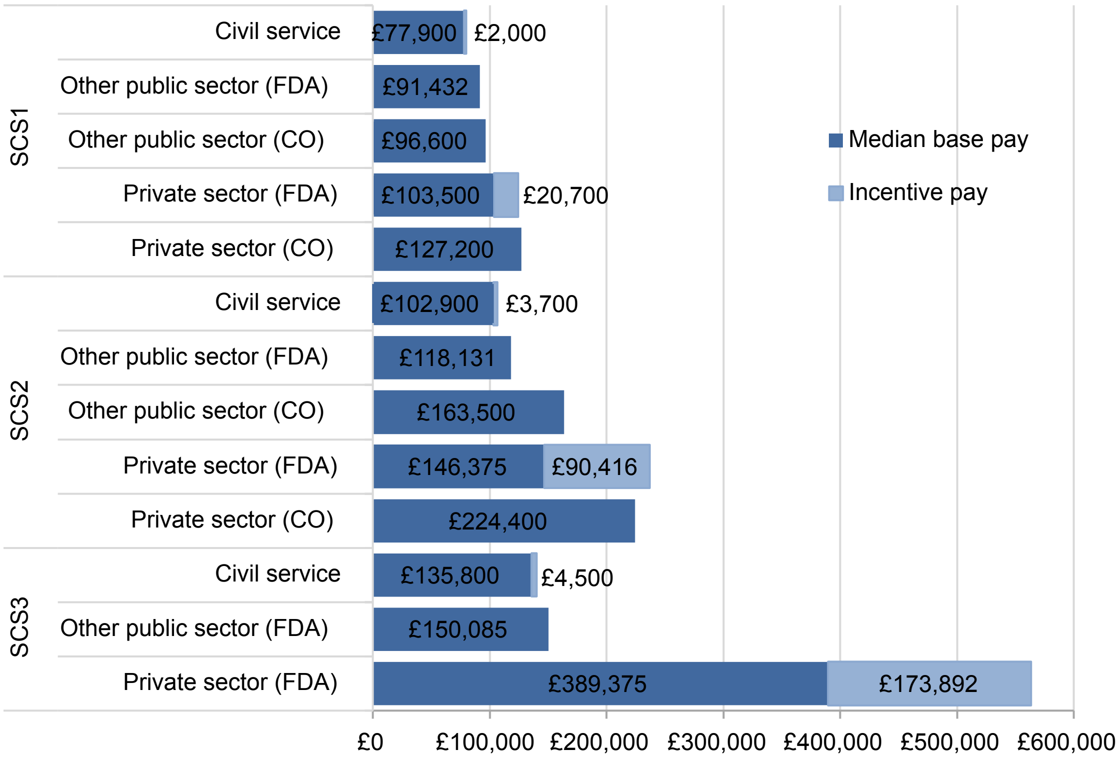


Source: Cabinet Office supporting data to the SSRB, unpublished.

Pay comparisons

3.83 Both the Cabinet Office and the FDA/Prospect provided pay benchmarking data in their evidence. This evidence agrees that salaries in the SCS are behind equivalent roles in the rest of the public sector and, to a greater extent, the private sector. The differential increases with seniority and with the inclusion of incentive pay. Figure 3.14 shows SCS pay comparisons.

Figure 3.14: **SCS pay comparisons**



Sources: CO – Cabinet Office written evidence. April 2021 for SCS and October 2020 for private and public sectors. Private sector figures are based on market data from the 2021 CSHR benchmarking tool produced by Korn Ferry. Comparison figures are not available at Director General level.

FDA – FDA/Prospect written evidence. IDR Pay comparison report for the FDA, January 2022.

Performance and recognition awards

3.84 Those rated as top performers in the SCS are eligible for non-consolidated performance awards. Following the removal of a forced distribution for performance markings, there is no cap on the number of SCS eligible for an end-of-year award. All SCS are also eligible for in-year awards to recognise high performance provided they are not on formal poor performance measures. Total non-consolidated bonuses (end-of-year and in-year) are limited to 3.3 per cent of a department's SCS paybill.

3.85 All but two of the 16 departments had used the full pot for non-consolidated performance payments. Like last year, the Home Office used its full 2.88 per cent available pot (having previously transferred 0.5 per cent to fund consolidated pay increases).

- End-year performance bonuses for SCS1 ranged from £3,000 to £10,750.
- End-year performance bonuses for SCS2 ranged from £3,500 to £13,500.
- End-year performance bonuses for SCS3 ranged from £4,000 to £16,750.

3.86 The proportion of SCS in each department that received an end-of-year bonus ranged from 25 to 56 per cent. For most departments this was between 25 and 34 per cent of staff. Only the Foreign, Commonwealth and Development Office (FCDO) paid outside this range. While 56 per cent of its staff received an end-of-year bonus, it did not pay any in-year performance awards.

3.87 The Department for Education did not make end-year payments as it is still piloting the SCS ABLE approach. This includes in-year awards and sustained excellence awards paid towards the financial year end. The latter awards were paid to 25 per cent of SCS staff in the department, averaging £3,890 an award.

3.88 The Department for Work and Pensions gave different amounts of end-year awards depending on whether the individual had already received an in-year award. Individuals that met the criteria for an end-year bonus who had already received an in-year award were paid a reduced end-year bonus so that the total of bonuses they received over the full performance year did not exceed the amount of a full end-year award.

3.89 In-year awards were used by all but one department and ranged from £500 to £5,000. The most common reasons for awarding payments included contribution to the response to the COVID-19 pandemic or EU exit transition projects, going the extra mile on specific pieces of work and just missing out on an end-year top performance award.

3.90 The SCS corporate recognition scheme was introduced in 2019 to give individual awards of up to £1,000 from a budget worth 0.1 per cent of the paybill. These are for individuals that have made a significant contribution: to a cross-departmental initiative; to the development of a function or profession; or outside the civil service, which enhances the reputation of the civil service.

3.91 The scheduling of nominations for the 2020-21 financial year was altered as a result of the COVID-19 pandemic. Due to the demands on departments, nominations were paused so that no awards were made in June 2020. However, in September the awards were reopened. Between September 2020 and January 2021, 62 awards were made, totalling £61,750.

3.92 For Permanent Secretaries, the 3.3 per cent non-consolidated pot is used for performance-related awards of £17,500 to top performers. Overall, 34 per cent were designated top performers in 2020-21, compared to 32 per cent in 2019-20; 66 per cent were designated 'achieving' and nobody was placed in the 'low performance' category.

Pay controls, exceptions and retention tools

3.93 The pay controls (as introduced in April 2018) remain in place, so that no pay increase is given for moves on level transfer, and, on promotion, individuals receive no more than a 10 per cent increase or the minimum of the new grade. A pay exceptions process is in place for internal candidates moving to roles with greater scale or responsibility.

3.94 In July 2020, the Directors General Pay Committee agreed stricter conditions for pay exceptions to ensure greater consistency. For a promotion to Director General, an exception must be based on the role's weight/challenge and an individual's proven expertise. For a Director General level transfer, an exception must be based on the role's weight/challenge, considering an individual's niche skills, sustained high performance and demonstrated deepened capability.

3.95 The Cabinet Office said in evidence that introducing the capability-based pay progression system and the higher range minimum should supersede the need for pay exceptions for Directors General in the longer term.

3.96 Seven Director General pay exceptions were agreed, out of eight cases considered: six pay on promotion exceptions and one level transfer exception. The median salary agreed through exception was £128,295. There were 46 Director General appointments in this period, of which 39 were internal moves – 29 on promotion and 10 level transfers.

3.97 The median increase agreed through a pay exception for SCS pay bands 1 and 2 in 2020-21 was 10 per cent for level transfer and 18 per cent for pay on promotion.

- 13 Director pay exceptions were agreed, with a median appointment salary of £106,950.
- 33 Deputy Director pay exceptions were agreed, with a median appointment salary of £77,693.

3.98 Pivotal role allowances (PRAs) were introduced in 2013 to retain SCS members in highly specialised roles and those delivering the riskiest projects. They are removable and non-pensionable and controlled within a notional central pot set at 0.5 per cent of the overall SCS paybill.

3.99 Since their introduction, 222 PRAs have been agreed, with 65 still in place. In 2020-21, 17 PRAs were agreed, compared to 24 in 2019-20. From April 2021 to the end of November, a further 35 PRAs were agreed. PRAs generally range from £10,000 to £15,000 a year in value. The PRAs currently in place are spread across a range of professions but are being used mainly by policy (25 per cent of PRAs), science and engineering (18 per cent) and project delivery (9 per cent).

3.100 In addition, in March 2021, the Infrastructure and Projects Authority was given the authority to use 20 to 30 PRAs to support the recruitment and retention of senior responsible officers responsible for delivering projects in the Government Major Projects Portfolio. To qualify, the agreed tenure of the role must be for at least three years. The level of PRA is £10,000 to £30,000 a year depending on the size of the project.

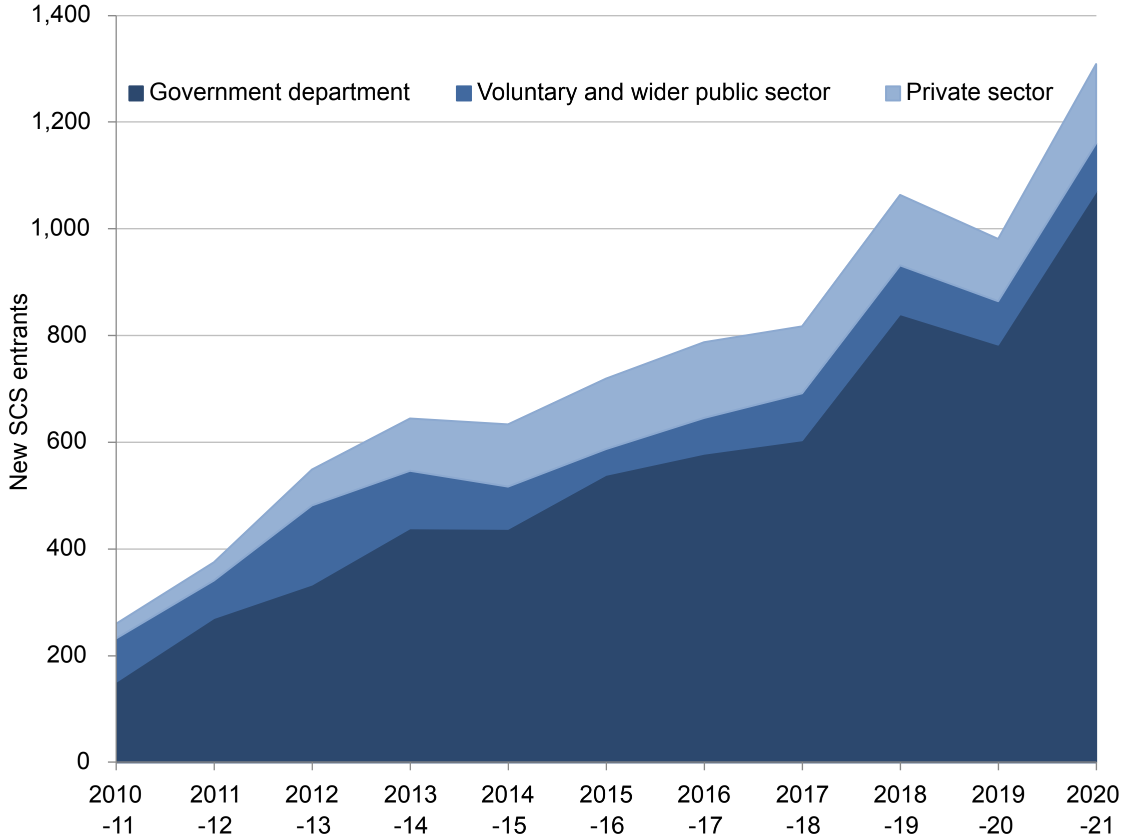
3.101 In September 2021, it was agreed that the digital profession could pilot a proposal for 10 bespoke PRA packages to support the recruitment and retention of highly skilled SCS1 and SCS2 digital, data and technology (DDaT) specialists. This is to help address high turnover in the digital profession and reliance on contingent labour and contractors to fill specialist SCS DDaT posts, specifically chief architects, chief technology officers, chief data officers and chief information security officers. Higher value PRAs (up to £35,000 a year for SCS pay band 1 and up to £45,000 for SCS pay band 2) are linked to achievement of key milestones.

Recruitment

3.102 The number of new entrants to the SCS in 2020-21 was at a record high of 1,309 (see figure 3.15). Overall, 82 per cent of new entrants to the SCS in 2020-21 were promotions (up slightly from 80 per cent in the previous year); 11 per cent were from the private sector and 7 per cent were from the voluntary and wider public sectors.

3.103 The Government has said that it aims to increase the number of external hires joining the SCS from around 20 to 25 per cent and to have 2 per cent of the workforce at grade 7 and above filled by secondments by 2023. In May, it announced that all SCS vacancies across the civil service would be advertised externally. Figure 3.15 shows new SCS entrants by previous employment sector.

Figure 3.15: **New SCS entrants, by previous employment sector, 2010-11 to 2020-21**



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

3.104 The Civil Service Commission (CSC), which chairs selection panels for advertised competitions at SCS pay band 2 and above, said that out of 163 advertised posts in 2020-21, 149 (91 per cent) resulted in an appointment, down from 156 out of 161 (97 per cent) in 2019-20. Overall, 61 per cent of the 2020-21 appointments were classed as 'good to outstanding', compared to 65 per cent in 2019-20 and 68 per cent in 2018-19. Out of the 149 appointments in 2020-21, 96 (64 per cent) were existing civil servants, compared to 71 per cent in 2019-20.

Table 3.3: **Advertised posts and appointments**

	Posts advertised	Appointments made	% of posts appointed to	% classed as good/ outstanding
2018-19	192	183	95.3	68
2019-20	161	156	96.9	65
2020-21	163	149	91.4	61

Source: Civil Service Commission.

3.105 Of the competitions chaired by Commissioners in 2020-21 where an appointment was made, there were 46 instances (31 per cent) where there was only one appointable candidate, down from 34 per cent in 2019-20. Eight competitions (5 per cent) in 2020-21 produced no appointable candidate, compared to six (4 per cent) in 2019-20.

3.106 The CSC commented that while there was no apparent difficulty in filling senior roles, in almost a third of competitions there was no reserve candidate. It could only provide anecdotal evidence on whether pay was a constraining factor in recruitment but noted a number of specific roles where the applicant field was felt to have been limited by the salary level.

3.107 Data from the 2020-21 CSC annual report for commission-chaired competitions indicated a decrease in the diversity of appointable candidates:

- Women made up 24 per cent of applications; 41 per cent of those interviewed; and 33 per cent of appointable candidates in 2020-21 (down from 41 per cent in 2019-20).
- Those from an ethnic minority background made up 23 per cent of applications; 12 per cent of those interviewed; and 6 per cent of appointable candidates (down from 9 per cent in 2019-20).
- Those declaring as having a disability made up 5 per cent of applications; 5 per cent of those interviewed; and 3 per cent of appointable candidates (down from 7 per cent in 2019-20).

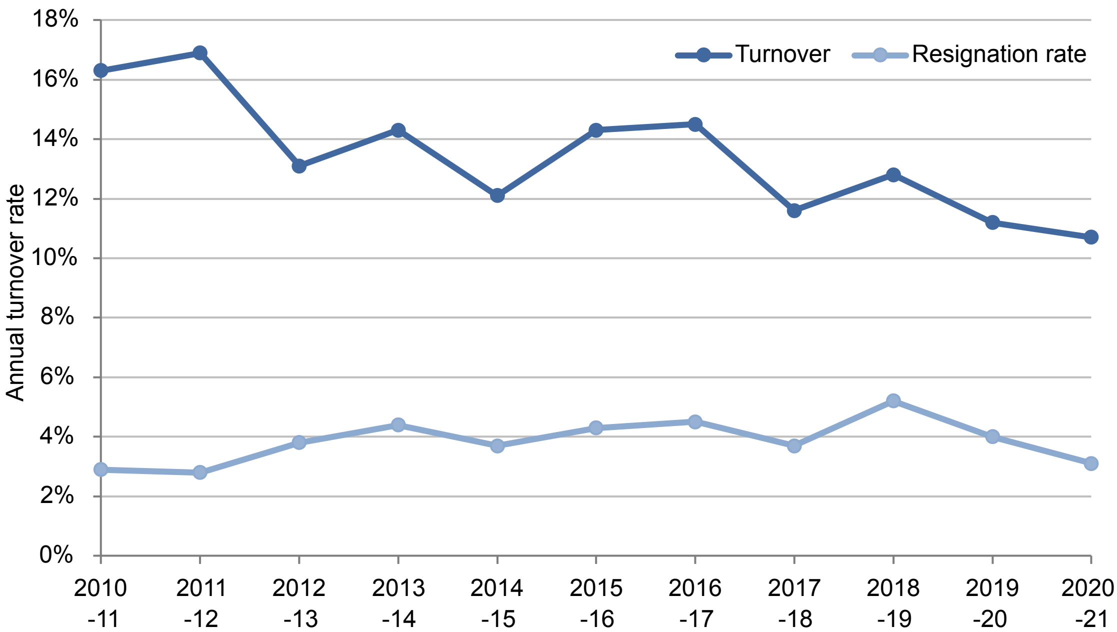
3.108 Of the 213 Directors who applied on promotion for Director General roles between April 2020 and March 2021, 36 per cent were assessed as star or excellent, with the proportion increasing at each stage of the process to 71 per cent at appointment. In 2019-20, 38 per cent of the 123 Directors who applied for Director General were assessed as star or excellent.

Retention

3.109 Over half (53.8 per cent) of members have been in the SCS for less than four years. This is up slightly from 52.3 per cent in the previous year. The median tenure of SCS members in their current post is two years, with 64.2 per cent being in post for less than three years, similar to the previous year.

3.110 The resignation rate for the SCS fell to 3.1 per cent in 2020-21, down from 4.0 per cent in 2019-20. The overall turnover rate (which includes all leavers) was 10.7 per cent in 2020-21, down from 11.2 per cent in 2019-20 (see figure 3.16). This rate has been gradually falling over the last decade. High performers in the SCS were less likely to resign than low performers. Low performers in March 2020 had higher resignation rates (5.0 per cent) than top performers (2.7 per cent). Figure 3.16 shows SCS annual turnover and resignation rates since 2010-11.

Figure 3.16: **SCS annual turnover and resignation rates, 2010-11 to 2020-21**



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

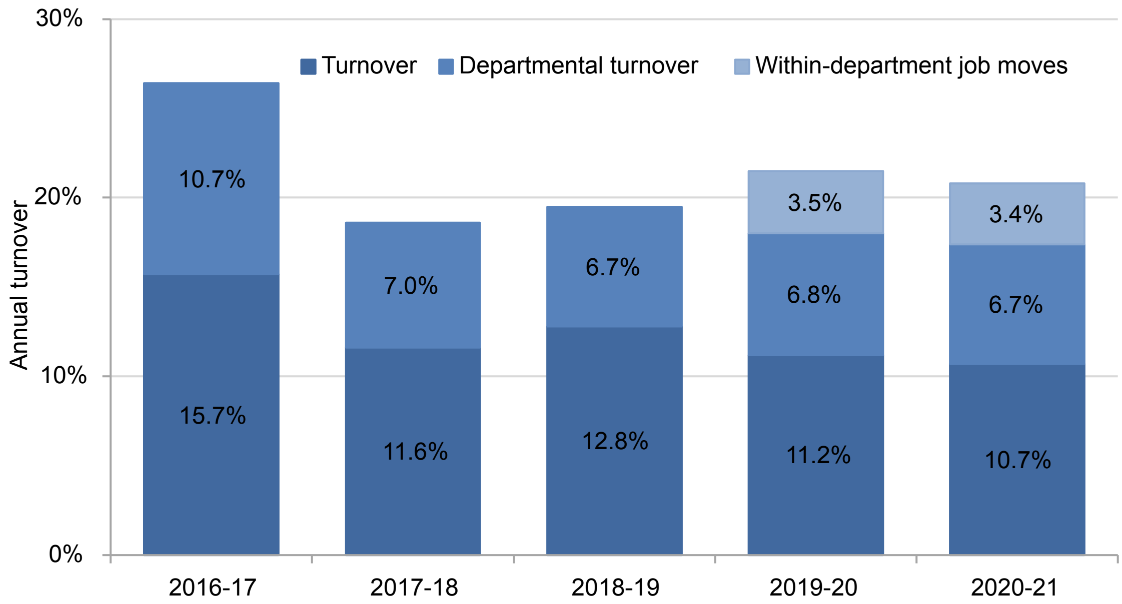
Note: Turnover rate includes all moves out of the centrally managed SCS over the specified year, including resignations, retirements, early departures, end of temporary promotions and end of contract/secondment.

3.111 The turnover rate for SCS recruited externally was at 12.8 per cent in 2020-21, up from at 12.4 per cent in 2019-20. This remains higher than the 10.3 per cent for those recruited internally, down from 10.9 per cent in 2019-20.

3.112 The rate of SCS moves between department remained fairly stable at 6.7 per cent in 2020-21. The rate remained significantly higher for Directors General, at 10.3 per cent (see figure 3.17). In addition to this, an estimated 3.4 per cent of SCS changed jobs within their department in 2020-21, the same rate as in 2019-20.

3.113 In contrast to this, one in five respondents (21 per cent) to the FDA/Prospect members' survey said that they had changed their role by internal lateral move in the last year. Two in five respondents (40 per cent) said that they had had substantial changes in their role/ responsibilities, while a further 31 per cent had experienced some changes. Over half (57 per cent) agreed that there had been significant turnover to the people they line manage during the last year. Figures 3.17 and 3.18 show SCS turnover since 2016-17.

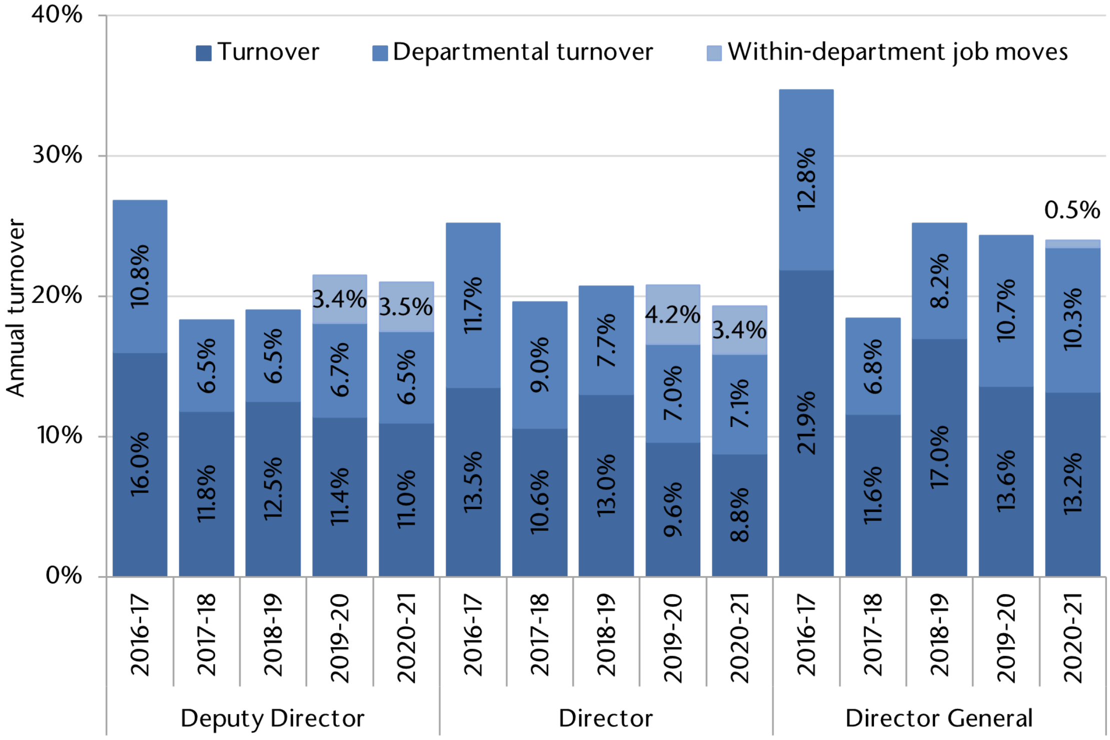
Figure 3.17: **Turnover and departmental turnover for all the SCS, 2016-17 to 2020-21**



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 series is only available since 2019-20.

Figure 3.18: **Turnover and departmental turnover by pay band, 2016-17 to 2020-21**

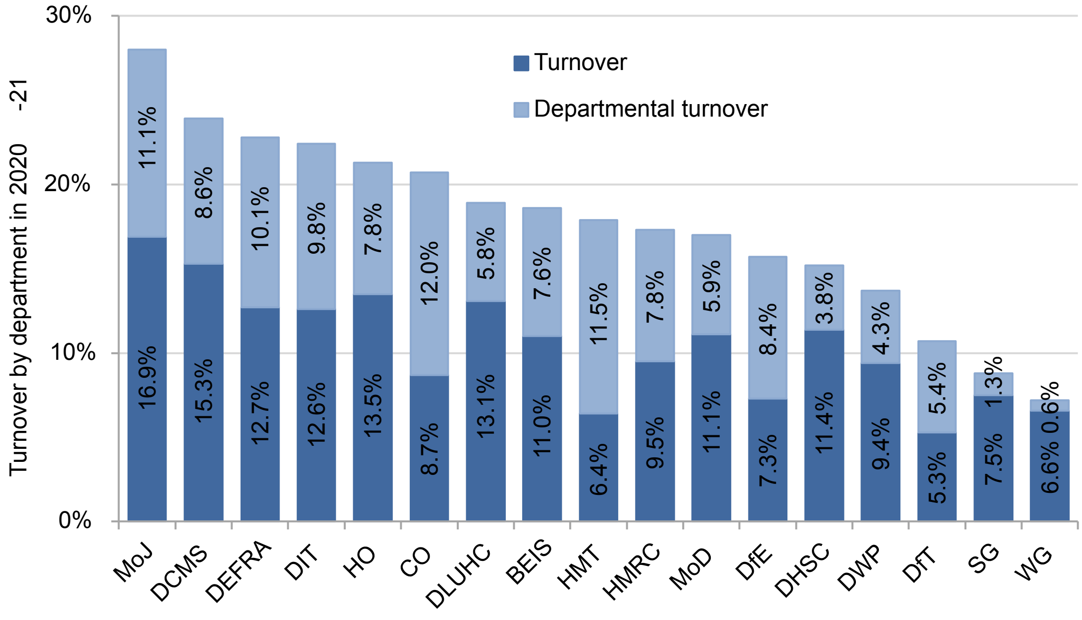


Source: Cabinet Office supporting data to the SSRB, unpublished.

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 during the year. This series is only available since 2019-20.

3.114 Total turnover (leavers plus inter-department moves but excluding intra-department job moves) ranged from 7.2 per cent in the Welsh Government (with moves to other departments at just 0.6 per cent) to 28.0 per cent in the Ministry of Justice. The Cabinet Office saw the highest proportion of exits to other departments, with 12.0 per cent of SCS making a move. Overall, the number of department-to-department job moves was stable, at 6.7 per cent in 2020-21 and 6.8 per cent in 2019-20. Figure 3.19 shows turnover by department.

Figure 3.19: **Turnover by department, 2020-21**

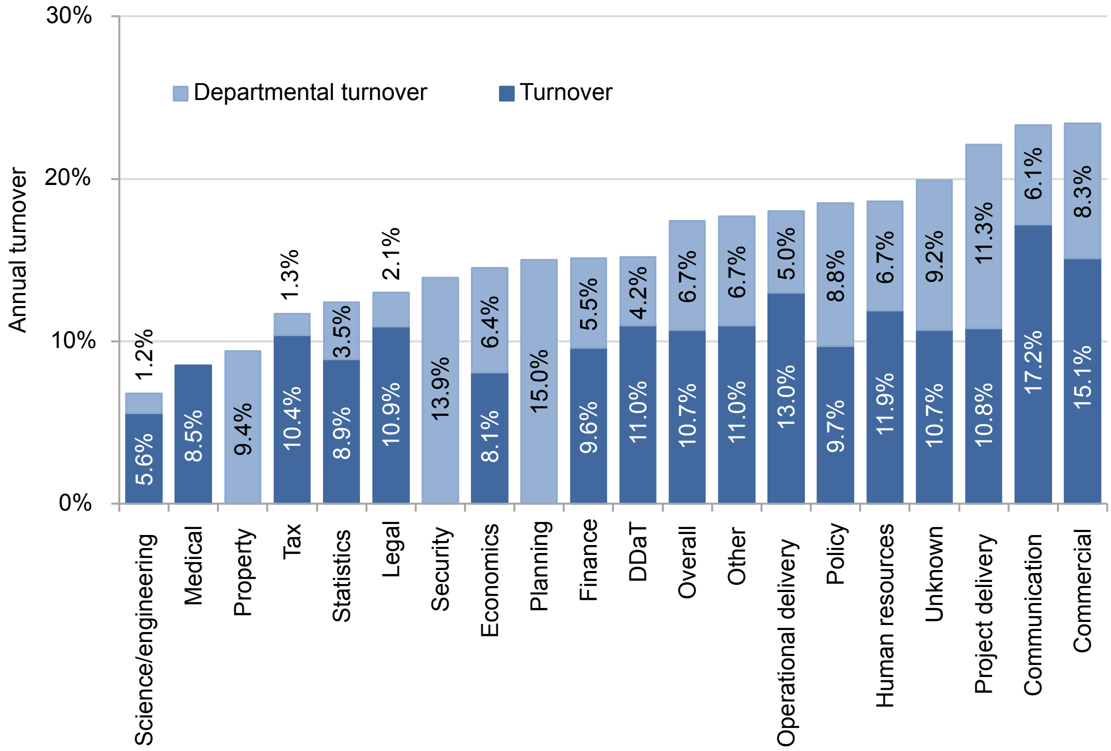


Source: Cabinet Office written evidence.

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.

3.115 External turnover rates by profession ranged from 5.6 per cent for science and engineering to 17.2 per cent for communication (see figure 3.20). Including department-to-department moves, turnover ranged from 6.8 per cent for science and engineering to 23.4 per cent for commercial.

Figure 3.20: **Turnover by profession, 2020-21**



Source: Cabinet Office written evidence.

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.

3.116 Data from exit interviews indicate that the most common reason for leaving remained the opportunity for career development outside the civil service, with 62 per cent of leavers citing this as a reason in 2020-21, down from 81 per cent in the previous year. There was a large fall in the number of SCS leaving because of how their pay compared with people doing a similar job in other organisations, down from 60 to 34 per cent, and in the proportion citing their satisfaction with the total benefits package as a reason for leaving, down from 54 to 34 per cent of leavers. The proportion of leavers citing how fairly treated, respected or valued they felt at work as a reason for leaving also fell back to 41 per cent in 2020-21 down from 54 per cent in the previous year. There was an increase in the number leaving because of the impact their work had on their work-life balance, from 29 to 34 per cent.

3.117 In the 12 months to September 2021, 85 exit interviews or surveys were completed (56 per cent of recorded resignations). Of these, 67 per cent were deemed 'regrettable losses', up from 61 per cent in the previous year (and 44 per cent in 2018-19).[22] Of those who recorded their next steps in the exit interviews, 31 per cent went to the private sector, down from 40 per cent in the previous year, and 34 per cent went to the wider public sector, up from 23 per cent.

3.118 Exiting SCS members remained very positive about their interest in their work within the civil service and their relationships with work colleagues. They were less negative about the competitiveness of pay than in the previous year: 28 per cent felt that their pay was reasonable compared to people doing a similar job in other organisations, up from 16 per cent in 2019-20. Nearly half (49 per cent) were satisfied with the overall benefits package, up from 23 per cent in 2019-20. There was a significant fall in the number agreeing that they had an acceptable workload, from 58 to 45 per cent.

Motivation and morale

3.119 The overall SCS engagement index of 76 per cent was down by one percentage point from 2020.[23] It remains 13 percentage points above the overall 63 per cent figure for the whole civil service. The SCS engagement index ranged from 87 per cent at HM Treasury to 72 per cent at the Cabinet Office and the FCDO. In 2021, 19 per cent of SCS said they wanted to leave within the next 12 months, up 2 percentage points from the previous year. There were small falls in the proportion of SCS reporting that they were satisfied with the total benefits package (from 53 to 50 per cent) and those who felt their pay adequately reflected their performance (from 50 to 47 per cent), reversing the improvements of the previous year. Figure 3.21 shows the civil service people survey results since 2010.

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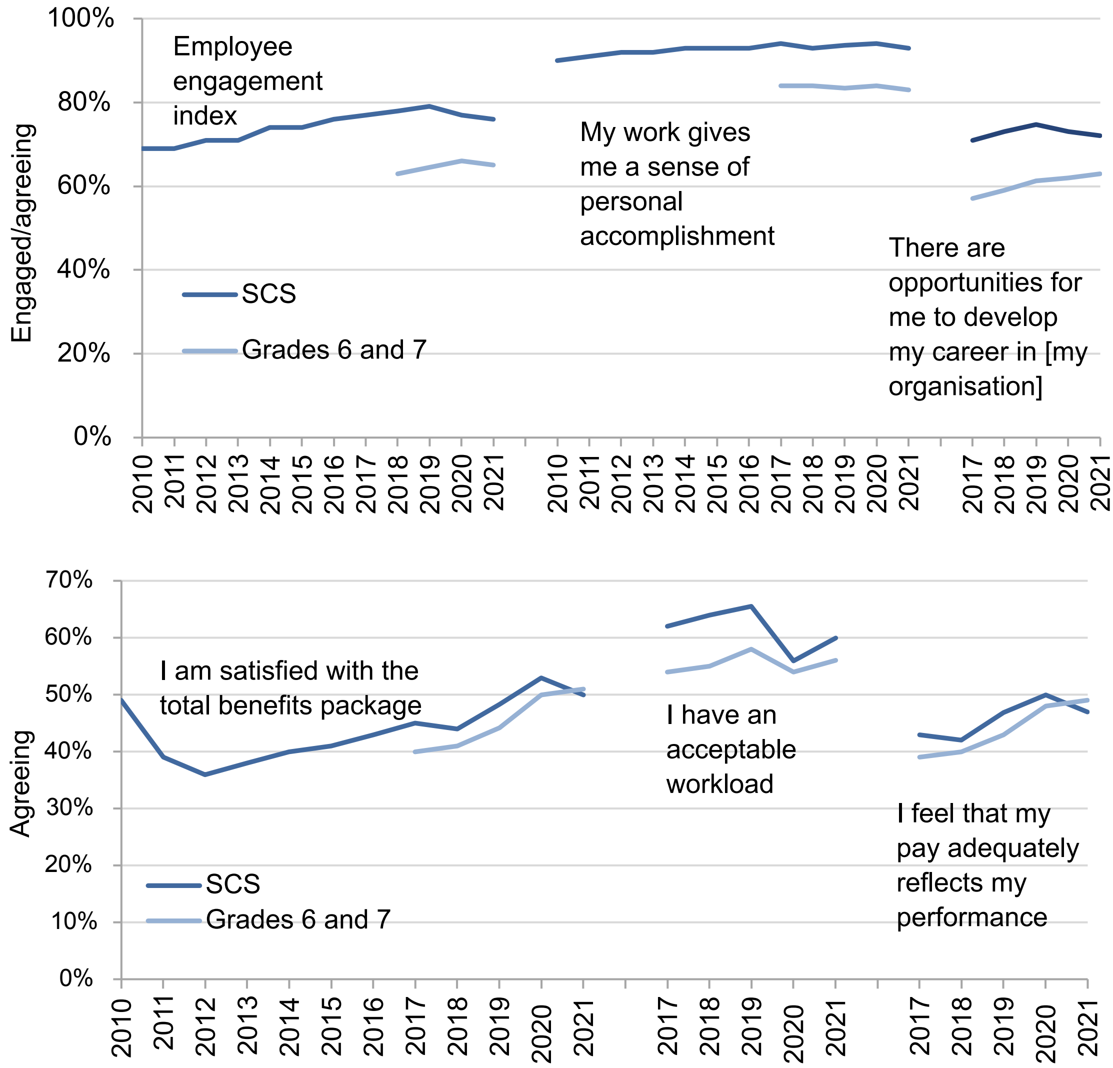
22 This is defined by an individual's position in the 'talent grid', which indicates if they are considered to have high potential for promotion. Assessment of the position in the talent grid is a separate process to performance management marking and the two are not necessarily linked.

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

Figure 3.21: **Civil service people survey, 2010 to 2021**

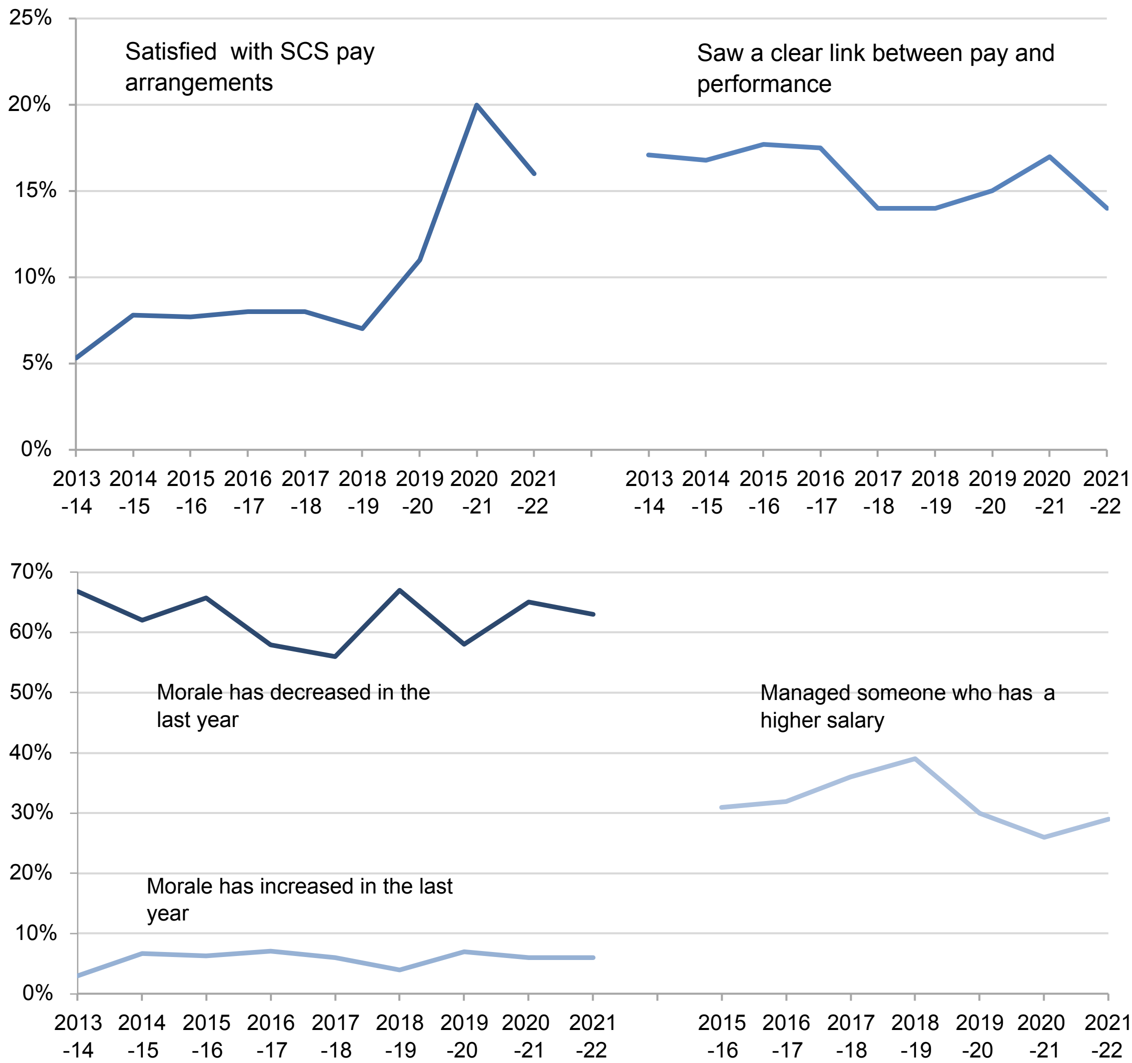


Source: Civil service People Survey.

3.120 According to the FDA/Prospect member survey, the proportion of SCS who were satisfied with the overall pay arrangements fell to 16 per cent in 2021-22, having increased to 20 per cent in 2020-21. Twelve per cent of respondents said they were satisfied with the pace at which they were progressing in their pay band, down from 16 per cent in 2020-21. Only 14 per cent of respondents agreed that they saw a clear link between their performance and their pay outcomes.

3.121 Reported levels of morale remain low in the FDA/Prospect survey, with 63 per cent of survey respondents reporting a decrease in morale over the last year and 6 per cent reporting an increase. These are similar levels to previous years. The FDA and Prospect drew particular attention to low morale in FCDO following the merger of the Foreign and Commonwealth Office and the Department for International Development. Figure 3.22 shows the FDA and Prospect SCS survey results since 2013-14.

Figure 3.22: **The FDA and Prospect SCS survey, 2013-14 to 2021-22**



Source: FDA and Prospect written evidence.

Pensions

3.122 Since 1 April 2022, all civil servants are in the career-average, defined-benefit, Alpha pension scheme.[24] At October 2021, most civil servants, 89 per cent were already in the Alpha scheme which was introduced in April 2015. Separate pension data are not available for the SCS but data on those earning over £70,000 indicate that 9 per cent of all civil servants earning over £70,000 remained as active members of the legacy pension schemes last year (down from 13 per cent in 2020), typically in the final salary Classic scheme. Table 3.4 shows civil service pension scheme membership.

[24] This is due to the passing of the Public Service Pensions and Judicial Offices Act 2022.

Table 3.4: **Civil service pension scheme membership**

	2020				2021			
Scheme	**Number of members**	**%**	**Number of members earning £70,000+**	**%**	**Number of members**	**%**	**Number of members earning £70,000+**	**%**
Alpha	431,300	85	11,600	84	498,392	89	14,398	89
Classic	47,900	9	1,200	9	36,773	7	883	5
Premium	14,600	3	500	4	11,592	2	377	2
Partnership	6,600	1	300	2	7,192	1	296	2
Nuvos	3,200	1	100	1	2,307	0	70	0
Classic plus	1,700	0	100	1	1,263	0	80	0
Non-member	4,300	1	<100	–	4,911	1	82	1
Total	509,600		13,800		562,430		16,186	

Source: Cabinet Office written evidence.

3.123 Since 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. There is an employer contribution of up to 14.75 per cent without any matched employee contributions. Only 1 per cent of civil servants are active members of the Partnership scheme (and 2 per cent of those earning over £70,000) with 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.

3.124 As a consequence of the McCloud judgment, civil servants in post at 31 March 2012 with service after 1 April 2015 will be provided with a choice of pension benefits for the period 2015 to 2022. The choice will be between pre-2015 scheme benefits or Alpha benefits for this period. From April 2022, all civil servants will move to the Alpha scheme for future pension accrual.

3.125 Evidence from the pension schemes indicates that in 2020-21, 8,408 pension savings statements were issued to members who breached the annual allowance and/or earned over £100,000, or who requested a statement. This was up from 7,820 in 2019-20 which would be expected with the increase in scheme membership. Overall, 38 per cent of all statements issued (3,228) were to members earning over £72,500. Around 42 per cent of pension savings statements involved pension inputs between £40,000 and £50,000 and a further 42 per cent were for pension inputs over £50,000 (with the rest being for pension inputs under £40,000). It is not known how many individuals received an annual allowance tax charge, or the amount of these charges.

Take-home pay and total net remuneration

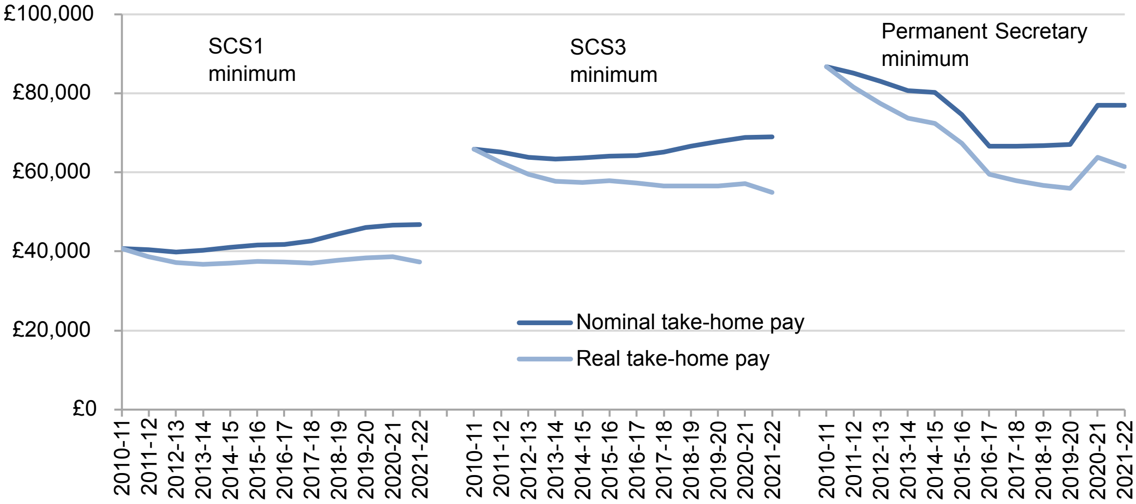
3.126 We have updated our analysis of take-home pay and total net remuneration, which tracks reward for specific roles over the last decade. This analysis uses the pay band minima because it enables a single point to be tracked over time. This does not reflect the experience of individuals who may have started the period above the minimum but experienced lower pay growth. 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.

3.127 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. Full details have been given in previous SSRB reports.

3.128 The pay freeze last year means that there has been only minimal change in nominal take-home pay and total net remuneration, with a small uprating in the personal tax allowance giving a 0.1 per cent increase in take-home pay and total net remuneration for the SCS pay band 1 minimum, and less than this for our other groups.

3.129 In real terms, all groups saw a fall in take-home pay and total net remuneration in line with inflation of around 3.8 per cent for the year 2021-22. Figure 3.23 shows take-home pay since 2010-11.

Figure 3.23: **Nominal and real take-home pay, 2010-11 to 2021-22**

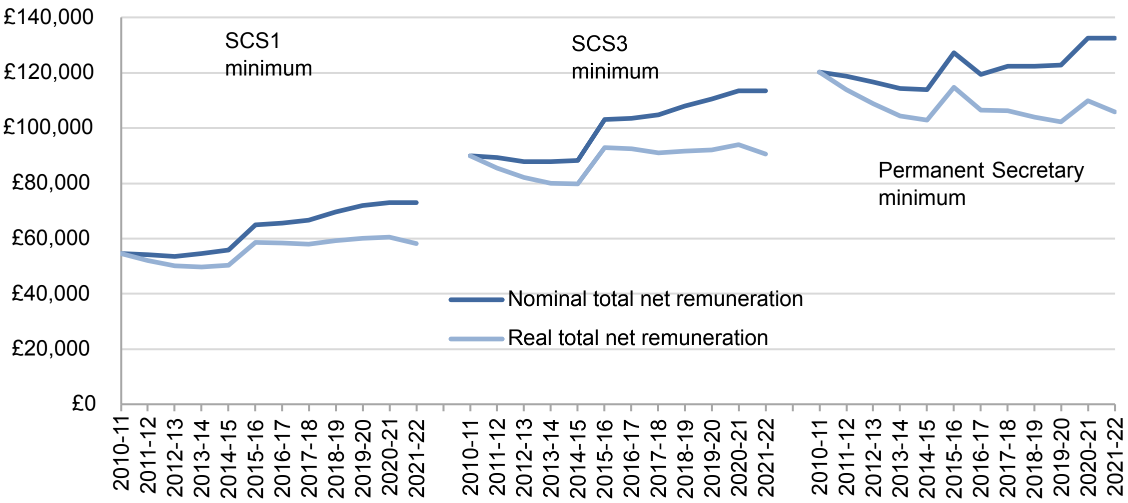


Source: OME analysis.

Notes Nominal take-home pay makes no adjustment for inflation. Real take-home pay based on the 2010-11 CPI.

3.130 Since 2010-11, the SCS1 pay band minimum has seen a nominal increase of 14.9 per cent in take-home pay and 34.1 per cent in total net remuneration. This is due to increases in the pay band minimum, an increased personal tax allowance and an improved accrual rate in the 2015 pension scheme. In real terms, take-home pay at the SCS1 minimum has fallen by 8.4 per cent while total net remuneration has increased by 6.9 per cent since 2010-11. Figure 3.24 shows total net remuneration since 2010-11.

Figure 3.24: **Nominal and real total net remuneration, 2010-11 to 2021-22**



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, income tax on pensions in payment or the changing retirement age. Nominal total net remuneration makes no adjustment for inflation. Real total net remuneration based on the 2010-11 CPI.

3.131 Since 2010-11, the SCS3 pay band minimum has seen a nominal increase of 4.7 per cent in take-home pay and 26.2 per cent in total net remuneration. With a salary at £120,000, this group will have been liable for an annual allowance charge of around £1,800 in 2021-22 and is also subject to the tapered personal tax allowance for those earning between £100,000 and £125,140. In real terms, take-home pay at the SCS3 minimum has fallen by 16.5 per cent while total net remuneration has increased by 0.6 per cent since 2010-11.

3.132 Since 2010-11, the Permanent Secretary minimum salary has seen a nominal fall of 11.2 per cent in take-home pay and an increase of 10.2 per cent in total net remuneration. With a salary at £150,000, this group will have been liable for an annual allowance charge of around £6,500 in 2021-22. In real terms, take-home pay at the Permanent Secretary minimum has fallen by 29.2 per cent while total net remuneration has fallen by 12.1 per cent since 2010-11.

Chapter 4

Senior Officers in the Armed Forces

Summary

4.1 We have been asked to recommend a pay award for senior officers this year, following last year's pay pause. The Ministry of Defence (MoD) has also asked us to consider, and make recommendations on, four options in relation to changing the structure of senior pay at OF7 (2-star) and OF8 (3-star) level. It is intended that these changes will increase the incentives for promotion from OF6 to OF7 and from OF7 to OF8.

4.2 Our main focus is on the recruitment, retention and morale of the senior military and its feeder group. However, we also take into consideration the strategic issues facing the MoD in respect of senior military reward.

4.3 The evidence shows that there are currently no recruitment and retention issues in respect of senior officers in the Armed Forces. The number of senior military officers voluntarily leaving the Armed Forces fell during 2020-21 compared to the previous year. The Armed Forces are still able to attract sufficient numbers of the feeder group to replace the most senior officers that leave. However, we note a small increase in the voluntary outflow rates for those at OF6, following several years of declining rates.

4.4 We are mindful that members of the remit group, along with everyone else, face significant increases in the cost of living this year due to the very high levels of inflation.

4.5 We note that the MoD, unlike most other departments, received a real-terms cut in its budget allocation in the autumn 2021 Spending Review[25] and that it has allocated 2.5 per cent for the pay award for members of the Armed Forces.

4.6 As we have emphasised in previous reports, the Armed Forces need to carefully monitor the recruitment and retention situation to ensure that it is not the most skilled and talented members of the senior military and the feeder group that are leaving. Robust data need to be collected on the numbers that refuse promotion or decline an invitation to apply for promotion. More information should also be collected on the reasons why officers leave the Armed Forces and on what roles they take up following their military careers.

4.7 Results from the 2021 Armed Forces Continuous Attitude Survey (AFCAS) showed that levels of morale among members of the senior military remained similar to the previous two years, with 81 per cent rating their morale as high. However, there were some issues of concern raised by the MoD and by members of the remit group in their evidence to us.

4.8 As stated in our 2021 Report, the existing remuneration and career model based on the long-standing rank structure for senior officers has served the Armed Forces well in the past. Today, however, we believe the requirements for in-depth experience, specialist skills and the ability to manage those with specialist skills mean there is a need for officers to remain in some roles for longer. We acknowledge that the policy of one guaranteed posting at 1-star and above allows for the flexible management of the senior cohort and provides promotion opportunities for talented officers. However, it is important that it does not act as a disincentive for those considering promotion to the senior ranks,

[25] The real-terms cut is in relation to resource funding.

encourage officers to think prematurely about their futures outside the military, or lead to an untimely loss of talent or specialist skills.

4.9 We also stated last year that the shrinking size of the feeder pool, because of the decreasing size of the military, could lead to an insufficient supply of suitably skilled officers able to lead in technologically complex fields. We said that there was a strong case for exploring the potential for external recruitment to fill certain roles. It is therefore encouraging to hear that lateral entry is being considered for some specialist roles at OF4 level. We would like to hear how this is taken forward and of any plans to extend lateral entry to other more senior military roles. It may also be necessary to consider the greater use of enhanced rates of pay for specialist skills.

4.10 For a number of years, we have been told by members of the senior military, and have stated in our reports, that the increase in pay on promotion to 2-star and 3-star is not commensurate with the increase in accountability, responsibility, challenge and workload that comes with it. We welcome that the MoD has put options to us which would ensure that a minimum increase to base pay on promotion from 2-star to 3-star is established and that the minimum 10 per cent increase to base pay on promotion from 1-star to 2-star is maintained. We agree with the principle that there should be a minimum 10 per cent increase to base pay on promotion to both 2-star and 3-star. We think it is for the MoD to decide what changes it needs to make to the 2-star and 3-star pay structure in order to achieve this. However, we have provided some comments on the options that the MoD has suggested in paragraphs 4.39 to 4.43 below.

4.11 In our discussion groups, members of the senior military and the feeder group questioned the attractiveness of senior roles and the employment offer as a whole, which was felt to be outdated. It was thought that the Armed Forces' response to this was changing, but not quickly enough. The majority of those we met were prepared to accept the limitations of the employment package, particularly in relation to the impact it had on families, because they loved their job and were proud to serve. However, it was thought that the next generation coming through would not be as willing to serve under the current arrangements. We conclude that reform of the remuneration strategy and the employment offer are needed as a priority to attract and retain the most skilled and talented officers in the longer term.

4.12 The Armed Forces continue to face growing challenges as they seek to maintain the quality of senior leadership. The Review of Armed Forces Incentivisation, chaired by Rick Haythornthwaite,[26] is now underway. This should provide the opportunity to reform the remuneration strategy and employment offer to ensure the Services are capable of attracting and retaining the future senior leaders required. We think that an employment offer for the senior military is needed that:

- Provides a reasonable degree of security of employment for able officers while also allowing timely promotion opportunities for talented individuals.
- Identifies talent early and supports its development.
- Facilitates longer postings where appropriate.
- Significantly increases the diversity of the senior cadre, possibly including external recruitment to some roles.

4.13 Any new employment offer needs to be underpinned by robust data, including how far the apparent absence of recruitment and retention difficulties is masking the loss of the most skilled and talented officers.

[26] See: https://questions-statements.parliament.uk/written-statements/detail/2022-04-26/hcws787

4.14 We welcome the opportunity to be a key stakeholder in the Haythornthwaite Review and look forward to our continuing engagement and consultation. This will allow us to provide advice and ensure our analysis takes account of any developments relating to the remuneration and terms and conditions of the senior military.

4.15 We remain concerned that some of the X-Factor components appear to be affecting members of the senior military to a greater extent than previously. We will work closely with the MoD and the Armed Forces Pay Review Body (AFPRB) on the forthcoming five-yearly review of X-Factor in the 2023 pay round to ensure appropriate consideration is given to the X-Factor taper for senior officers at OF5 and above.

4.16 We note that significant numbers of senior officers, including those in the feeder group, are still receiving large pension annual allowance tax charges. These can influence individuals' decisions on whether to take promotion and to remain in Service. We request that the MoD continues to provide data on the effect of pension taxation charges on both the remit and feeder group for future pay rounds.

4.17 Increased diversity of the senior cadre is a key measure of the success of talent development. The lack of improvement within the senior military in the last two years is disappointing. The number of female senior officers remains at five, the same figure as for the previous two years, and there are no officers from an ethnic minority background in the remit group. We are aware of the strong commitment from senior leaders to improve the diversity of the senior military and of the many initiatives that are underway to improve diversity in the whole of the Armed Forces, including improvements to the culture and career structure. However, it would be helpful to have a clearer articulation of what the specific goals are in relation to the senior military.

Government response to our 2021 recommendations

4.18 We were not asked to make a pay recommendation for members of the senior military last year due to the public sector pay pause. However, the Government accepted the following recommendations from our 2021 Report:

- A change to the Incremental Progression date from 1 April to the anniversary date of promotion and to the transition arrangements set out by the MoD in its evidence to us.
- No change to the current pay differentials for senior Medical Officers and Dental Officers.

Context of our 2022 review

4.19 Departments' expenditure limits were set out in the autumn 2021 Spending Review. We note that the MoD, unlike most other departments, received a real-terms cut in its budget allocation for the Spending Review period.

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.[27] The Haythornthwaite Review aims to consider the structural, remuneration and incentivisation policies for all members of the Armed Forces. The review is due to submit an interim report in autumn 2022 and a final report in April 2023. In our 2021 Report, we requested that we be treated as a key stakeholder. In its evidence, the MoD said that it would be grateful for our positive engagement with the Review to consider how senior remuneration may need to differ from that of the rest of the Armed Forces. Regular meetings between the SSRB and the Chair and secretariat of the Review have begun and are planned to continue for its duration.

[27] See: https://www.gov.uk/government/publications/defence-in-a-competitive-age

4.21 The MoD told us that the many initiatives which are part of the *Defence People Strategy*, published in 2020, would continue to build greater flexibility and equip military personnel to deliver outputs required by Government in a rapidly changing environment. We were informed that the *Defence People Strategy* would inject enhanced flexibility, adaptability and diversity into the senior leadership cadre to provide a more dynamic workforce.

4.22 The Minister for Defence People and Veterans said at oral evidence that the Armed Forces did not just want the brightest and the best senior leaders but that they also needed those that were skilled in cyber and digital warfare and were agile in their thinking and able to innovate. He acknowledged that the context was a competitive marketplace, with these skills being in demand both globally and in the private sector in the UK.

Key points from the evidence

4.23 The MoD provided us with evidence on the senior military and feeder group workforce. Details are provided in the Annex to this Chapter.

4.24 The key points from this year's evidence are as follows:

- The number of senior military officers increased by four to 132 over the year to 1 July 2021. The number of senior military officers has remained fairly stable over the last ten years.
- The number of Medical and Dental Officers increased from three in 2019-20 to five in 2020-21. These were all at OF7.
- There are currently no recruitment and retention issues in the senior military. During the 12 months to 30 June 2021, 20 officers were promoted into the remit group and six were promoted within it. The number of senior military officers voluntarily leaving the Armed Forces fell to four officers during 2020-21, compared to eight officers the previous year.
- There were five female officers in the senior military (four 2-stars and one 3-star) on 1 July 2021, the same figure as for the previous two years. No members of the remit group declared themselves as being from an ethnic minority or as having a disability.
- Despite the pay pause, salary growth per head for members of the senior military averaged 3.9 per cent last year. This was due to a combination of pay progression, promotions and an increase in the number of officers at OF8.
- The number of members of the senior military facing a pension annual allowance tax charge continued to increase from 120 officers in 2019-20 to 134 officers in 2020-21. A large majority who responded to a survey conducted by our secretariat said they expected to breach the lifetime allowance during their military career.[28]
- Results from the 2021 AFCAS showed levels of morale remained elevated in the senior military, with 81 per cent rating their own level of morale as high. Satisfaction with their job in general, with the sense of achievement and with the challenge in their roles all increased slightly to 93 per cent, 93 per cent and 95 per cent respectively.
- However, concerns were raised in the discussion groups about the future attractiveness of the military employment package. Senior officers argued that the military offer needed to be updated and the pay rise on promotion from OF7 to OF8 increased commensurate with the added responsibility and accountability that came with it.

[28] The SSRB's secretariat conducted an online survey that was sent to all members of the senior military again for this year's Report. The survey ran from September 2021 to March 2022.

- In the feeder group, the number of OF6 (1-star) officers voluntarily leaving the Armed Forces increased slightly to 24 officers (7.7 per cent) during 2020-21 from 21 officers (6.6 per cent) in 2019-20. This follows a period of decreasing levels of voluntary outflow for those at OF6 between 2016-17 and 2019-20.
- The voluntary outflow rates for those at OF5 and OF4 decreased during the 12 months to 30 June 2021, compared to the previous year.

Proposals

4.25 The MoD did not propose a specific figure for the pay award this year. However, it said that a 2.5 per cent award had been budgeted for all its civilian and military personnel. The MoD also told us that any increase above 2.5 per cent would lead to reductions in spending in other areas. It asked us to recommend:

- A pay award which aims to recruit and retain a highly-skilled and highly-motivated cadre of senior officers through the offer of a competitive remuneration package which remains within departmental affordability.
- No change to the pay structure for senior Medical Officers and Dental Officers.

4.26 The MoD also asked us to make recommendations on four options it put forward to change the structure of senior pay for implementation in either the 2022 or 2023 pay round. It says these changes would incentivise promotion from OF6 to OF7 and from OF7 to OF8. The options are discussed in more detail below.

Observations and recommendations

Recruitment, retention and morale

4.27 The evidence shows there are currently no recruitment and retention problems within the senior military and that voluntary outflow rates for 2020-21 have fallen compared to 2019-20. The remit group is able to attract sufficient numbers of officers from the feeder group. However, as we have consistently stated in our previous reports, it is crucial for the Armed Forces to ensure they are not losing the most skilled and talented members of the senior military.

4.28 Since the Armed Forces currently have no lateral entry to the senior military, it is vital that the most skilled and talented individuals in the feeder group are retained so that they are available to fill the most senior roles. We note a slight increase in the voluntary outflow of officers at OF6. This follows a declining trend in the number of OF6s leaving the military between 2017 and 2020. This increase needs to be monitored carefully to ensure it is not an emerging trend. As mentioned in our previous reports, measures should be put in place to track the quality of those remaining in and leaving the Armed Forces.

Pay award recommendation

4.29 In making our recommendations, we focus on the requirement for the senior military offer to be attractive enough to retain and incentivise sufficient numbers of highly-skilled and motivated officers. We also take into account the evidence on affordability in the context of an ambitious reform programme and a decreasing real-terms budget.

4.30 We have not received any evidence to suggest that there should be a differential pay award between the different ranks of the senior military.

4.31 We note that the majority of our remit group, except for those on the top increment of their pay scale, will receive a pay increase through the award of an annual increment.

4.32 The current economic climate is particularly challenging with inflation running at its highest rate for several decades. We note that our remit group, along with everyone else, will face large increases in the cost of living.

4.33 The above considerations lead us to recommend an across-the-board consolidated pay award of 3.5 per cent for all members of the senior military, including Medical Officers and Dental Officers (MODOs). This recommended award will add an estimated £1.15 million to the paybill, including employer costs. The pay scales for a 3.5 per cent pay award are set out in table 4.1.

Recommendation 3: We recommend that all members of the senior military, including Medical Officers and Dental Officers, should receive a 3.5 per cent consolidated increase to base pay.

Table 4.1: **Recommended 2-star, 3-star, 4-star and Chief of the Defence Staff pay scales with effect from 1 April 2022**

						Increment level
	1	2	3	4	5	6
2-star	125,035	127,478	129,970	132,512	135,105	137,748
3-star	145,476	152,605	160,091	166,379	171,284	176,337
4-star	190,800	195,570	200,460	205,471	209,581	213,772
CDS	274,884	280,381	285,989	291,709		

Notes: Figures are rounded to the nearest pound.

For 2-star and 3-star officers, the values include X-Factor applied at the rate of £2,881. This is equivalent to 25 per cent of the cash value of X-Factor at the top of the OF4 pay scale and is contingent on the Government's acceptance of the recommendations of the fifty-first Report of the AFPRB.

4.34 We note that, as usual, the AFPRB will make a recommendation to the Government this year about the pay award for its remit group which covers those up to, and including, 1-star. This will also apply to MODOs.

4.35 The MoD has requested there be no change to the pay arrangements for MODOs. We have not seen any evidence to suggest that the current percentage pay differentials between the 1-star, 2-star and 3-star MODOs should change this year. We recommend that all 2-star and 3-star MODOs receive a pay award that maintains these differentials and is in line with the pay award recommendation for the rest of the senior military.

Recommendation 4: We recommend no change to the current pay arrangements for Medical Officers 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-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.

The structure of senior pay and pay increases on promotion

4.36 We welcome the MoD's request that we consider some options and make recommendations in relation to changes to the structure of senior pay at OF7 (2-star) and OF8 (3-star), which are aimed at incentivising promotion through larger pay uplifts. These are for implementation in pay round 2022 or 2023. We have heard in discussion groups for a number of years that the pay rises on promotion from OF6 to OF7 and from

OF7 to OF8 are not commensurate with the increase in responsibility, accountability and workload.

4.37 We note that the options put forward by the MoD are aimed at providing a minimum increase of 10 per cent to base pay on promotion to both the OF7 and OF8 ranks. We agree with the principle that there should be a minimum increase of 10 per cent to base pay for officers on promotion both to 2-star and to 3-star to incentivise promotion and reflect the large increase in responsibility, accountability and workload that comes with it. However, we think it is for the MoD to decide what changes it needs to make to the 2-star and 3-star pay structure in order to achieve this.

4.38 The options presented to us and our observations on these are set out in the paragraphs below.

4.39 **Option A**: Restoration of the automatic 10 per cent increase in base pay (i.e., excluding X-Factor) on promotion from the top of the OF6 (1-star) pay scale to the bottom of the OF7 (2-star) pay scale by either: increasing the bottom increment level for OF7; or removing the bottom increment level from the OF7 pay scale. We have previously suggested these solutions to the MoD as a more strategic approach to maintaining the minimum 10 per cent increase in base pay on promotion to OF7, rather than the use of a specially determined rate of pay (SDRP).

4.40 We note that increasing the bottom increment of OF7 (to £121,841) to ensure a 10 per cent increase would lead to a reduction in the differential between increment levels 1 and 2 (from 2.0 per cent to 1.1 per cent). The removal of the bottom increment level of the OF7 pay scale would provide a larger percentage pay increase on promotion (11.2 per cent excluding X-Factor) for those promoted from the top increment of OF6. It would also provide some protection for the minimum 10 per cent pay increase in the event of differential pay awards between the senior military and the rest of the Armed Forces.

4.41 **Option B**: Removal of the bottom increment level from both the OF7 and OF8 pay scales. We note the removal of the bottom increment levels for OF7 and OF8 would provide a higher minimum pay increase than is currently the case for officers being promoted from the top increment levels of OF6 to OF7 and from OF7 to OF8. This would represent an increase from 10.0 per cent to 11.2 per cent for those being promoted to OF7 and an increase from 5.7 per cent to 11.0 per cent for those being promoted to OF8.

4.42 **Option C**: An increase to the bottom increment level of the OF8 pay scale to provide a minimum 10 per cent increase to base pay on promotion from the top increment of the OF7 pay scale. This option would provide an increase in pay on promotion from the top increment of OF7 to OF8 from 5.7 per cent to 10 per cent, excluding X-Factor. However, the increase in the bottom increment level of OF8 (to £146,114) would lead to a reduction in the percentage differential between the first and second increment levels of the OF8 pay scale (from 4.9 per cent to 0.7 per cent).

4.43 **Option D:** The removal of two increment levels from the bottom of the OF7 pay scale. We note that most promotions from OF7 to OF8 are from officers who are not on the top increment of the OF7 pay scale. This suggests that the reduction in the number of increment levels from six to four should not lead to officers being disincentivised to serve beyond three years. This was a potential issue raised by the MoD. The removal of the two bottom increment levels from the OF7 pay scale would also ensure that differential pay awards for members of the senior military and the rest of the Armed Forces would protect the minimum 10 per cent increase in base pay for officers promoted from the top increment of OF6 for a number of years.

4.44 We reiterate the recommendation made in our previous reports about the need for a minimum 10 per cent increase in base pay on promotion from 1-star to 2-star.

Recommendation 5: We recommend that the minimum guaranteed increase to base pay (excluding X-Factor) on promotion from 1-star to 2-star does not fall below 10 per cent.

4.45 We restate the observation made in our 2021 Report 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. We agree with the members of the remit and feeder that groups this is unlikely to reflect the significant increase in responsibility, accountability, challenge and workload that comes with the most senior roles. Therefore, we recommend that there should be a minimum 10 per cent increase in base pay on promotion from 2-star to 3-star.

Recommendation 6: We recommend that the minimum guaranteed increase to base pay (excluding X-Factor) on promotion from 2-star to 3-star does not fall below 10 per cent.

4.46 As stated in our Report last year, it is our opinion that a more even pay path is preferable. The MoD should take the opportunity to address this when making the changes to the OF7 and OF8 increment levels to achieve a minimum increase of 10 per cent in base pay on promotion to both 2-star and to 3-star.

X-Factor taper

4.47 We continue to be concerned that some of the X-Factor components 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 of Service life on families. We will work closely with the MoD and the AFPRB on the forthcoming five-yearly review of X-Factor in pay round 2023 to ensure appropriate consideration is given to whether changes are needed to the X-Factor taper for senior officers at OF5 and above.

Looking ahead

4.48 In our Report last year, we said we expected to be treated as a key stakeholder in the Haythornthwaite Review. We are pleased that regular engagement and consultation with the Chair and the secretariat of the Review has been established and we look forward to it continuing. This will allow us to provide advice and ensure our recommendations are aligned with any developments relating to the remuneration and terms and conditions of the senior military. We look forward to considering the interim report in autumn 2022 and the final report in April 2023.

4.49 The urgent need for better data on the quality of those leaving and remaining in the Armed Forces in both the remit group and the feeder group is something we have repeatedly highlighted in our reports. It is also important to understand the reasons why senior officers decide to leave the military and what roles they take up on leaving the Armed Forces. We have requested previously that, as a minimum, independent exit interviews should be carried out with all members of the remit group and the feeder group to understand why they are leaving. We recognise they may have multiple reasons. We believe it is a priority for the MoD to put in place mechanisms to provide better data on the number and quality of those leaving the remit group and the feeder group and on their reasons for leaving. Robust data should also be collected on the numbers that refuse promotion or decline an invitation to apply for promotion.

4.50 As mentioned in this and previous reports, we also urge the MoD to increase the number of OF5 and OF6 officers that are asked to complete the AFCAS and the Continuous Working Patterns Survey. This will provide more robust survey data, act as a useful engagement tool and allow the MoD to obtain more reliable feedback on the various elements of the employment offer from its senior military feeder group.

4.51 The Armed Forces are acutely aware of the need to better represent the society they exist to defend in order to attract and retain the most talented individuals from the widest possible pool. The *Defence Diversity and Inclusion Plan 2018-30*[29] sets the direction and intentions and this is built upon in the *Defence in a Competitive Age* Command Paper. From these plans and the evidence sessions, we are aware of the senior leadership's continuing commitment to increasing the diversity of the Armed Forces as a whole through changes to the culture and career structure. We understand from further information provided by the Chief of Defence People that there is a considerable amount of work going on to increase diversity and inclusion throughout the Armed Forces and some initiatives are specifically aimed at the senior military and the feeder group.

4.52 We acknowledge that in an organisation such as the Armed Forces, where there is currently no external recruitment above entry level, it will take time for increased diversity at the lower ranks to feed through into the feeder group and the senior military. We note that all military roles, including front-line operational roles, have been open to all Service personnel since 2018. It is encouraging that the percentage of those declaring as being from an ethnic minority background at OF4 to OF6 has increased slightly during 2020-21, following a fall during the previous year. However, the number of female officers at OF4 to OF6 has fallen compared to the previous 12 months. It is also disappointing that the number of female officers in the senior military remains at five, the same figure as for the previous two years, and that there are no officers from an ethnic minority background in the remit group.

4.53 We were told in oral evidence that the individual Services have set levels of ambition and targets aimed at improving diversity and inclusivity. Given the lack of measurable progress in this area, it is essential to have a clear articulation of the goals and ambitions for diversity within the senior military and details of the key initiatives intended to deliver these aspirations, together with their timings and metrics. We ask the MoD to provide us with this information in its written evidence to us next year.

4.54 Significant numbers of senior officers, including those in the feeder group, are still receiving large pension annual allowance tax charges. In addition, almost all members of the senior military will incur breaches of the lifetime allowance. We ask that the MoD continues to provide data on the effect of the pension taxation charges on our remit group and the feeder group for future pay rounds.

4.55 We greatly appreciate the feedback received directly from members of the senior military and from members of the feeder group. The additional discussion groups (under the auspices of the AFPRB) held for the fourth year running via the individual Service Headquarters in autumn 2021 were extremely informative. These allowed us to hear directly from more members of our remit group and from the feeder group. We would like to hold these discussion groups annually and will seek the MoD's assistance in arranging these for this year.

[29] See: https://www.gov.uk/government/publications/defence-diversity-and-inclusion-strategy-2018-to-2030-a-force-for-inclusion

Annex: Data and evidence

4.56 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), the Chief of Defence People (CDP), the Permanent Secretary for the MoD and the Head of Armed Forces Remuneration. In addition, we held one in-person discussion group and three virtual discussion groups with a total of 23 members of the senior military from all three Services and UK Strategic Forces Command. We also met virtually with a total of 29 OF5 and OF6 officers from across the three Services.

The remit group

4.57 There were 132 senior officers at 2-star rank and above on 1 July 2021, an increase of four over the year. A breakdown of the numbers by rank since 2012 is shown in table 4.2. The number of senior military officers has remained fairly stable over the last ten years. A list of officer ranks in the UK military is set out in Appendix O.

Table 4.2: **Number of senior officers as at 1 July, 2012 to 2021**

Rank	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	Change from 2020 to 2021
2-star	94	92	95	91	86	89	87	88	93	94	1
3-star	22	27	27	30	31	25	28	29	26	31	5
4-star[1]	9	9	8	7	8	8	8	8	9	7	-2
Total	125	128	130	128	125	122	123	125	128	132	4

Source: Ministry of Defence written evidence, unpublished.

[1] Includes the Chief of the Defence Staff.

4.58 There were five female officers (3.8 per cent) in the senior military on 1 July 2021, including one MODO. This is the same number as the previous year. Four of these were at 2-star rank and one at 3-star rank. No members of the senior military reported as being from an ethnic minority or as having a disability.

Workforce diversity

4.59 We were provided with diversity data for the senior military and for officers at OF6 to OF4 (paragraphs 4.105 and 4.106). The MoD stated again this year 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 emphasised that it values diversity of talent, experience, personal characteristics, perspectives and background. It said that this was not only morally correct but that it was also essential to operational effectiveness.

4.60 The leadership of the Armed Forces, is fundamentally, internally sourced. The MoD said that, consequently, work on improving diversity in the senior military was dependent on improvements in the feeder group and below moving through to the senior levels. The Permanent Secretary said in oral evidence that this inevitably limited the speed at which improvements to the diversity of the senior military could be made. It was acknowledged that lateral entry, which was being explored at OF4 level, could facilitate improvements in diversity and inclusivity, including diversity of thought.

4.61 The CDS stated that progress on diversity had been ‘pretty poor’ and that the Armed Forces did not look good as an organisation, particularly at the senior level. Following the oral evidence session, the CDP provided further information on the range of diversity and inclusivity initiatives currently taking place in the Armed Forces, including some aimed specifically at the senior military and the feeder group. He stated that diversity and inclusion continued to be a priority. While there had been much progress made, the findings of reports, including the *Wigston Review on Inappropriate Behaviours*,[30] the *Lived Experience Report* and the *Women in the Armed Forces Inquiry: From Recruitment to Civilian Life,*[31] demonstrated there was still further to go to achieve the culture change needed. The CDP highlighted that retention was key to delivering a more diverse pipeline of senior leaders in the Armed Forces.

4.62 Initiatives to improve the diversity and inclusivity of the senior military included the establishment of the Gender Balance Working Group in 2019. This was established to understand better the challenges faced by servicewomen reaching 2-star and above and to develop a series of interventions designed to increase representation of servicewomen in the senior military. One of these included the introduction of a package of Flexible Service opportunities and Alternative Working Arrangements to support hybrid working and those with caring responsibilities. We were informed that 25,000 Service personnel register for Alternative Working Arrangements each year and that 370 individuals had taken up Flexible Service arrangements. We understand that two members of the senior military and 79 OF6/OF5s have registered for Alternative Working Arrangements. The provision of childcare for extended working hours had been expanded to more sites and we were told that there would be a full roll-out this year.

4.63 The Gender Balance Working Group also identified other barriers to promotion which were now being addressed, for example, the requirement to serve in certain operational roles before being eligible for promotion to a specific rank. A new Senior Officers Appraisal Report had been introduced that uses multiple sources to give equal weight to different leadership qualities to encourage and reward empathetic and inclusive leadership. We were told that the Female Talent Programme was launched in November 2021. This is a 12-month executive coaching and leadership programme for selected female OF5 and OF6 officers with the potential to reach 2-star. The MoD said that it had received positive feedback from the first cohort of eight officers who had attended the programme. We understand that a female Director General also provides mentoring for a group of female SCS pay band 2s and 2-star officers.

4.64 We were told that race and disability action plans were being drawn up. These would include initiatives to attract, retain and promote individuals across the whole of Defence.

Pay and the pay system

4.65 Members of the senior military were paid between £120,800 and £281,844 in 2021-22 with an associated paybill of £32.9 million. This included employers' national insurance and pensions contributions.

4.66 Last year, there was no pay award for members of the senior military due to the public sector pay pause but salary growth per head averaged 3.9 per cent (see figure 4.1). This growth was due to pay progression, promotion and an increase in the number of officers at OF8.

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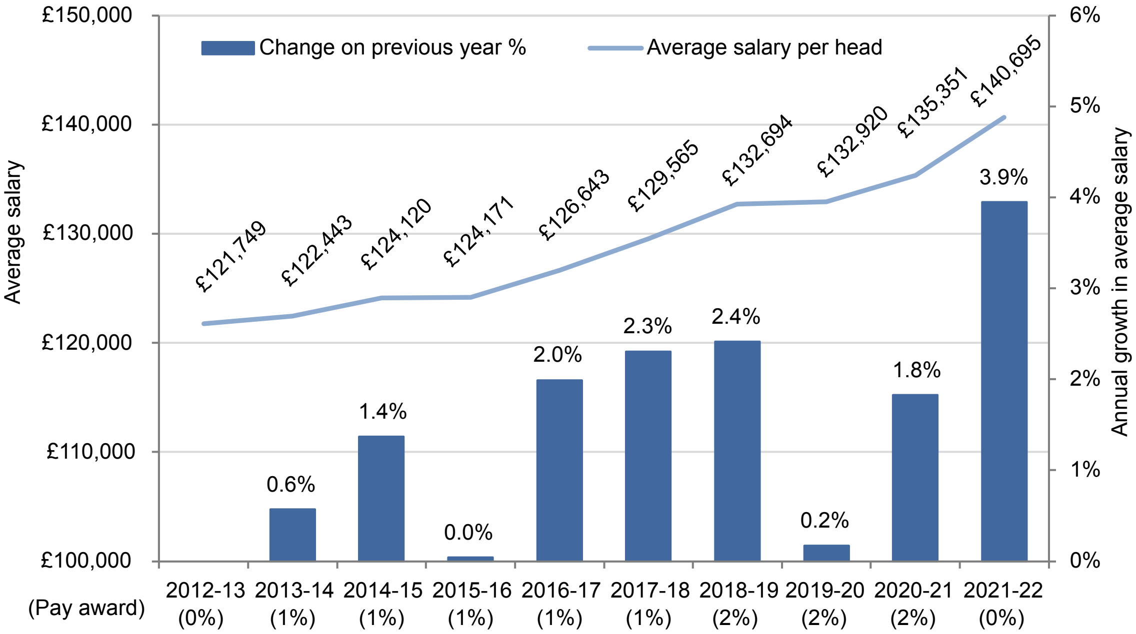
30 See: https://www.gov.uk/government/publications/wigston-review-into-inappropriate-behaviours

31 See: https://committees.parliament.uk/committee/343/defence-subcommittee/news/159310/women-in-the-armed-forces-subcommittee-publishes-government-response/

Figure 4.1: **Average salary per head and annual growth, 2012-13 to 2021-22**



Source: OME calculations using MoD data, unpublished.

Note: Excludes employer national insurance and pension contributions.

4.67 The pay system for the senior military differs from that of our other remit groups because it includes incremental pay progression and a non-contributory pension scheme. All 2-star and 3-star officers also receive X-Factor but at a tapered rate.[32] The senior military do not receive performance-related pay.

Career structure

4.68 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 expected Engagement End Date, there is no guarantee of a second posting at 1-star and above. We were told that when no suitable employment can be found at either the current or higher rank, officers are released from Service under the Senior Officer Compulsory Retirement terms (SOCR).[33] SOCR allows for the compulsory retirement of senior officers on completion of their first appointment or three years in rank, even though this can be before their expected Engagement End Date. The MoD stated that SOCR facilitated the agile management of the senior cadre.

4.69 We were told by the CDS in oral evidence that the employer needed to have some control over who remained in the senior military. He explained that this policy introduced a stronger culture of consequence into the Armed Forces and allowed it to renew and refresh talent at the most senior levels.

4.70 The MoD explained that individuals were informed of their terms of service on accepting an OF6 role. The MoD said it recognised that the uncertainty of tenure of employment could affect decisions on whether to take promotion to OF6 or to leave the Armed

32 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 and 2021-22 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 pay 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 pay scale (£2,777). 4-star officers and above do not receive X-Factor. There are different arrangements for senior officers in the Reserves.

33 SOCR can be either compensated or uncompensated depending on the circumstances of each case. However, the MoD told us that it was very rare for an individual to leave under compensated terms.

Forces. However, it stated there was no evidence to suggest that the situation had changed over time and that it would continue to monitor leaving and promotion patterns to identify any emerging issues.

4.71 This year, we were provided with data on the number of officers that had left under SOCR terms over the last three years (see table 4.3). We note that over the last three years this has affected a total of 41 senior officers, over half of whom were OF6 officers in the Royal Navy.

Table 4.3: **Number of OF6 to OF8 Officers released under uncompensated SOCR terms 2019-2021**

	Royal Navy			Army			RAF		
	OF6	**OF7**	**OF8**	**OF6**	**OF7**	**OF8**	**OF6**	**OF7**	**OF8**
2019	8	0	1	0	3	2	0	1	0
2020	5	0	0	0	1	1	1	2	0
2021	9	4	0	0	1	0	1	1	0
Total	22	4	1	0	5	3	2	4	0

Source: MoD unpublished evidence.

4.72 We requested data on the length of time senior officers spent in rank and the length of time they spent in each specific role. The MoD supplied us with data on the average length of time senior officers from each Service spent in rank between 1 April 2014 and 1 April 2021. It was unable to provide us with data on the length of time senior officers spent in each specific role. The MoD said that it would attempt to provide this information to us next year. We concluded that the data on the average length of time spent in rank (around two and a half years) were not particularly informative. We ask that any future data provides us with the median length of time spent in role and in rank.

4.73 The CDP said in oral evidence that the current career structure did tend to encourage high rates of churn. He explained that the Armed Forces wanted to encourage some officers, for example Senior Responsible Officers for projects, to remain in role for longer than the standard two to three years in order to see projects through to the end.

4.74 We were informed in oral evidence that a move to de-couple pay from rank was under consideration. This was particularly in relation to those with specialist skills, for example cyber skills, as a way to incentivise length of time in role and retention overall. We also understand that this feeds into the consideration of options for specialised career structures and to allow for lateral movement between the military and private industry.

Increments and pay on promotion

4.75 The MoD reiterated to us the value of annual increments as a mechanism for recognising and rewarding the skills and experience built up by members of the Armed Forces. It said these were increasingly important at the most senior levels as they helped the retention of the best officers and were a valued part of the overall military offer. We were informed that our recommendation in last year's Report to change the increment date to the anniversary of the date of promotion had been welcomed, particularly as it realigned the process for senior officers with the one for those below them.

4.76 Annual increments equated to an average increase of 2.6 per cent in pay in 2021-22 for those that received them. The MoD told us that, as of 1 April 2021, five members of the senior military (four 2-stars and one 3-star) did not receive an annual increment as they were on the maximum for their rank.

4.77 Since 2010, there has been a policy of a minimum 10 per cent increase in base pay on promotion from 1-star to 2-star. The implementation of a differential pay award for members of the senior military and the rest of the Armed Forces in 2019 led to the erosion of the minimum 10 per cent increase in base pay for those promoted from the top increment of 1-star to 2-star. The MoD addressed the issue by the use of a specially determined rate of pay (SDRP) for these individuals.

4.78 Evidence provided by the MoD showed that of the 68 individuals promoted from 1-star to 2-star between 1 July 2018 and 30 June 2021, 11 were on the top increment of the 1-star pay scale and would have only received a 9.0 per cent increase in base pay on promotion to 2-star. The SDRP was used for these individuals to maintain the 10 per cent increase in base pay on promotion. We are conscious that a lower pay award for the senior military than the rest of the Armed Forces this year could result in a further erosion of the 10 per cent increase in base pay on promotion from the top increment of OF6 to OF7. We return to this in paragraphs 4.82 and 4.83.

Medical Officers and Dental Officers

4.79 There were five 2-star Medical Officers and Dental Officers (MODOs) at June 2021, an increase of two from the previous year. We note that the 3-star Director General Defence Medical Services post is currently held by a civilian.

4.80 The 2-star rate of pay for MODOs (£163,566) is 10 per cent above the base pay at the top of the MODO 1-star scale plus X-Factor. The 3-star MODO rate of pay (£171,523) is 5 per cent above the MODO 2-star base rate plus X-Factor.[34] The associated paybill costs for 2021-22 for the MODOs, including employer's national insurance and pensions contributions, was £1.75 million.[35]

Senior officers pay structure

4.81 The MoD stated that, given the relatively small cohort, there was limited scope for innovation in the pay of members of the senior military. However, it said that feedback from discussion groups last year highlighted some areas where changes to the structure of senior pay could incentivise promotion and have a positive impact on the perceptions of those in the senior military and the feeder group. The MoD suggested four options for the Review Body to consider and make recommendations about for implementation in either the 2022 or 2023 pay round. The options presented to us and our observations on these are set out in paragraphs 4.39 to 4.43.

4.82 The current pay increases on promotion to OF7 and OF8 from each pay point are set out in table 4.4.

[34] X-Factor is paid to 2 and 3-star MODOs at 25 per cent of the cash value of the consultant OF3-OF4 pay scale at level 22. The amount the 2 and 3-star MODOs receive as X-Factor each year is £4,419.

[35] These costs also include the salary of an additional MODO who is currently occupying a General Service post but is paid at the MODO OF7 spot rate of pay.

Table 4.4: **Pay increases on promotion from 1-star to 2-star and 2-star to 3-star**

Pay point before promotion (£pa)			Pay point after promotion (£pa)			Pay increase (excluding X-Factor) %	Pay increase (including X-Factor) %	Number of individuals promoted in 2020-21
1-star	1	109,368	2-star	1	120,800	13.7	10.5	1
	2	109,368		1	120,800	13.7	10.5	1
	3	110,475		1	120,800	12.5	9.3	5
	4	111,581		1	120,800	11.3	8.3	12
	5	112,688		1	120,800	10.2	7.2	1
	6	113,794		1	120,800	9.0*	6.2	0
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	2
	4	128,024		1	140,550	10.0	9.8	2
	5	130,529		1	140,550	7.8	7.7	1
	6	133,083		1	140,550	5.7	5.6	1

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

Note: Salaries include X-Factor.

4.83 We note that not all officers promoted from OF6 to OF7 and from OF7 to OF8 are on the top increment level of the OF6 and OF7 pay scales. Data provided by the MoD showed that none of the 20 officers promoted from OF6 to OF7 during the period 1 July 2020 to 30 June 2021 were on the top increment of the OF6 pay scale.[36] The other increases were as follows:

- The one officer promoted from increment level 5 received a 10.2 per cent increase in base pay.
- The 12 officers promoted from increment level 4 received a 11.3 per cent increase in base pay.
- The remaining seven officers were promoted from increment levels 3, 2 and 1 and received increases in base pay of 12.5, 13.7 and 13.7 per cent respectively.

4.84 The data showed that during the period 1 July 2020 to 30 June 2021, one of the six officers promoted to OF8 had been on the top increment level of the OF7 pay scale.[37] This individual would have received an automatic increase in base pay of 5.7 per cent. The other increases were:

- The one officer promoted from increment level 5 received a 7.8 per cent increase in base pay.
- The two officers promoted from increment level 4 received a 10.0 per cent increase in base pay.
- The two officers promoted from increment level 3 received a 12.2 per cent increase in base pay.

[36] The number of OF6s promoted to OF7 from the top increment of the OF6 pay scale was six out of 24 in 2019-20 and five out of 24 in 2018-19. The MoD applied a Specially Determined Rate of Pay to maintain the 10 per cent increase to base pay.

[37] The number of OF7s promoted to OF8 from the top increment of the OF7 pay scale was 2 out of 6 in 2019-20 and 3 out of 11 in 2018-19.

4.85 The MoD said that adopting any of the four options it proposed would provide the opportunity to smooth the increments for the senior military by revaluing each increment level to deliver the same, or similar, percentage increase each year. Table 4.5 sets out the current value of each increment level from OF7 to OF9.

Table 4.5: **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%

Recruitment

4.86 The senior military only appoints officers from within the Armed Forces. It develops its own personnel from the feeder group and promotes them to fill the most senior positions.

4.87 The MoD stated that recruitment to the senior military remained buoyant. There was no evidence of large numbers of officers turning down promotion into the most senior roles. We requested data on the number of officers turning down promotions but the MoD was unable to provide these.

4.88 During the 12 months to 30 June 2021, 20 officers were promoted into the remit group and six were promoted within it. This was sufficient to replace the 12 that retired from the senior military and the four officers that left voluntarily.

Talent management

4.89 We were informed that the process for senior talent management has been developing over the last three years. The Senior Appointments Committee continued to manage talent across the senior military by looking six to eight years ahead to ensure individuals with the right skills and experience were available at the right time to fill key roles. However, it was now looking further ahead in several key skills areas.

4.90 The MoD told us that it is considering creating a central coherence role for senior talent management which will be able to provide additional consistent evidence to the Review Body. It hoped that this role would be put in place this year. It stated that improvements made to Senior Officer Appraisal Reports – more focus on the impact of the delivery of objectives, 180-degree feedback and mandatory gradings for leadership and behaviours, along with improvements to talent management and professional development and education – would provide the Senior Appointment Committee with enhanced data and evidence to support the long-term career management of its officers.

Retention

4.91 Excluding normal retirements, the voluntary outflow rate for the senior military for the 12 months to 30 June 2021 was 3.0 per cent. Four 2-star officers left voluntarily during this period, half the number that left in the same period a year earlier. Table 4.6 shows the number and rate of voluntary outflow over the last eight years.

Table 4.6: **Officers in the senior military remit group leaving the Services voluntarily, 2013-14 to 2020-21**

Rank	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21
2-star	6 (6%)	5 (5%)	5 (6%)	4 (4%)	4 (5%)	4 (5%)	7 (8%)	4 (4%)
3-star	0 (0%)	0 (0%)	0 (0%)	0 (0%)	0 (0%)	0 (0%)	1 (4%)	0 (0%)
4-star	0 (0%)	0 (0%)	0 (0%)	0 (0%)	0 (0%)	0 (0%)	0 (0%)	0 (0%)

Source: Ministry of Defence written evidence, unpublished.

Notes: The 12 months here is from 1 July to 30 June.

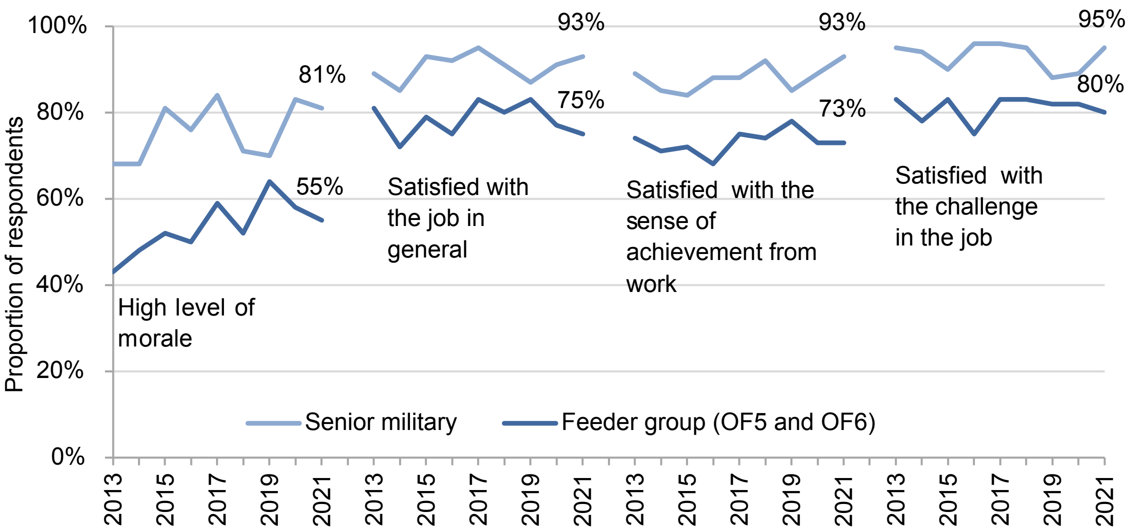
The table shows early departures and not those at normal retirement age. Normal retirement age is 55 for 2-star, 57 for 3-star and 58 for 4-star officers.

4.92 We were provided with data from the Joint Personnel Administration system on the reasons given for voluntary early exit by the 2-star officers. Three 2-star officers cited 'offer of civilian employment' and one 2-star officer gave 'seeking fresh challenges' as their reasons for leaving the military.

Motivation and morale

4.93 The MoD provided the results from the 2021 Armed Forces Continuous Attitude Survey (AFCAS) in its evidence.[38] These showed that the percentage of senior officers rating their own morale as high had fallen slightly to 81 per cent, from 83 per cent the previous year. The percentage rating their morale as low remained the same as the previous year at 7 per cent. Respondents' satisfaction with their job in general remained similar to the previous year at 93 per cent. Satisfaction with the sense of achievement and with the challenge in their jobs increased by 4 and 6 percentage points to 93 and 95 per cent respectively. Figure 4.2 shows the levels of morale and satisfaction for the senior military and the feeder group from 2013 to 2021.

Figure 4.2: **Levels of morale and satisfaction, 2013 to 2021**



Source: Ministry of Defence written evidence, unpublished.

Note: Questions from the AFCAS: How would you rate your level of morale? How satisfied are you with your job in general? How satisfied are you with the sense of achievement you get from your work? How satisfied are you with the challenge in your job? For the question about morale, the figure shows the percentage of respondents answering high or very high. The other questions show the percentage of respondents answering satisfied or very satisfied.

38 The 2021 AFCAS was carried out between September 2020 and February 2021.

4.94 The SSRB's secretariat conducted an online survey (the OME survey) that was sent to all members of the senior military.[39] The survey contained questions that complemented those in the AFCAS and elicited a response from 49 per cent of the remit group (66 responses total). The results showed that 88 per cent of respondents said they were either motivated or highly motivated to do a good job, an increase from 81 per cent over the previous year.

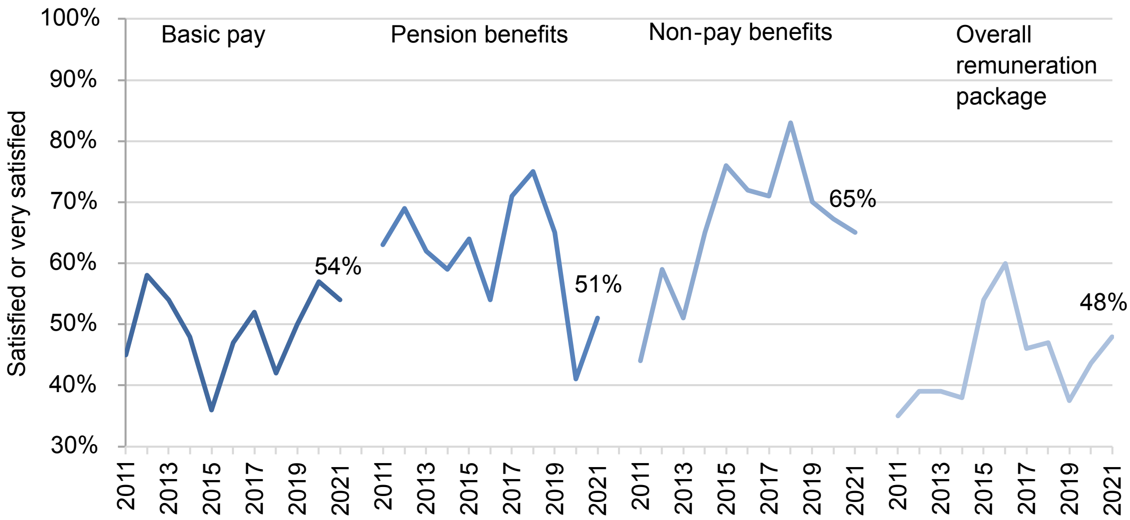
4.95 The AFCAS showed a small decrease in satisfaction with the basic rate of pay (including X-Factor but excluding allowances) from 57 per cent to 54 per cent. However, there was an increase in satisfaction with pension benefits, from 41 per cent to 51 per cent. The OME survey showed that 48 per cent of respondents were either satisfied or very satisfied with the overall remuneration, an increase from 44 per cent in the previous year. There was a small fall in satisfaction with non-pay benefits, from 67 to 65 per cent.

4.96 The AFCAS showed that there was a significant increase in satisfaction on the amount of time spent away from family and friends, from 39 per cent to 67 per cent. Factors affecting this were likely to have been the change in working practices due to the COVID-19 pandemic. There was also an increase in those who thought their family benefited from being a Service family from 26 per cent to 35 per cent.

4.97 We note that the AFCAS results are subject to fluctuations year on year as the remit group is small. Of the 106 members of the senior military asked to complete the survey, the response rate was 58 per cent (up from a response rate of 47 per cent in 2020). Given the low overall number of responses to both the AFCAS and the OME survey, due to the small cohort, we treat the results with a degree of caution.

4.98 Figure 4.3 shows the levels of satisfaction with basic pay and other benefits for members of the senior military between 2011 and 2021.

Figure 4.3: **Satisfaction with basic pay and benefits for officers at 2-star and above, 2011 to 2021**



Sources: Ministry of Defence written evidence, unpublished (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.

39 The OME survey ran from September 2021 to March 2022.

4.99 The discussion groups we held with members of the senior military suggested there were a number of issues of specific concern. Most of these were similar to those raised in previous years, including concerns about pension taxation, the increase in pay on promotion and the attractiveness of the senior military employment offer to the next generation. More detail is provided below.

4.100 Pension taxation in relation to the annual allowance and lifetime allowance was still a major concern for members of the remit group. While it was acknowledged that the changes to the annual allowance in the March 2020 budget had ameliorated the situation, many members of the senior military were still receiving large pension annual allowance tax charges. Some commented that the taxation was demotivating, did not make them feel valued by their employer and acted as a disincentive to remain in Service and accept promotion. Scheme Pays was not thought to be a good option as it reduced the future benefit for the individual.

4.101 There was concern that those in the feeder group were reluctant to take promotion due to the additional responsibility, accountability and workload for a relatively small increase in pay, the risk of receiving a large tax bill and increased insecurity of employment. The increase in responsibility and accountability from 1-star to 2-star was considered to be significant.

4.102 Those we spoke to were aware that they could earn much higher salaries outside the Armed Forces and have a better work-life balance. Most said they had not joined for the money and that the opportunity to do interesting and valuable work and to serve their country kept them in. There was a suggestion that de-coupling pay from rank/length of time in rank and paying individuals for their skills and experience may prevent those with specialist skills from leaving the Armed Forces at an earlier stage in their careers.

4.103 Those attending discussion groups agreed that many aspects of the military employment package were rigid and not suited to the 21st century family. It was thought that the military was changing but almost reluctantly and not quickly enough. Many commented that the next generation coming through would not necessarily be prepared to accept the conditions that Service life could place on both themselves and their families. This included, for example:

- The difficulty for partners pursuing careers and families due to frequent house moves.
- The disruption to children's education despite the Continuity of Education Allowance and the ever-changing rules and scrutiny around this allowance
- The poor standard of some of the accommodation and its maintenance.
- The amount of separation due to long hours worked.
- The bureaucracy and scrutiny involved in claiming expenses.

The feeder group

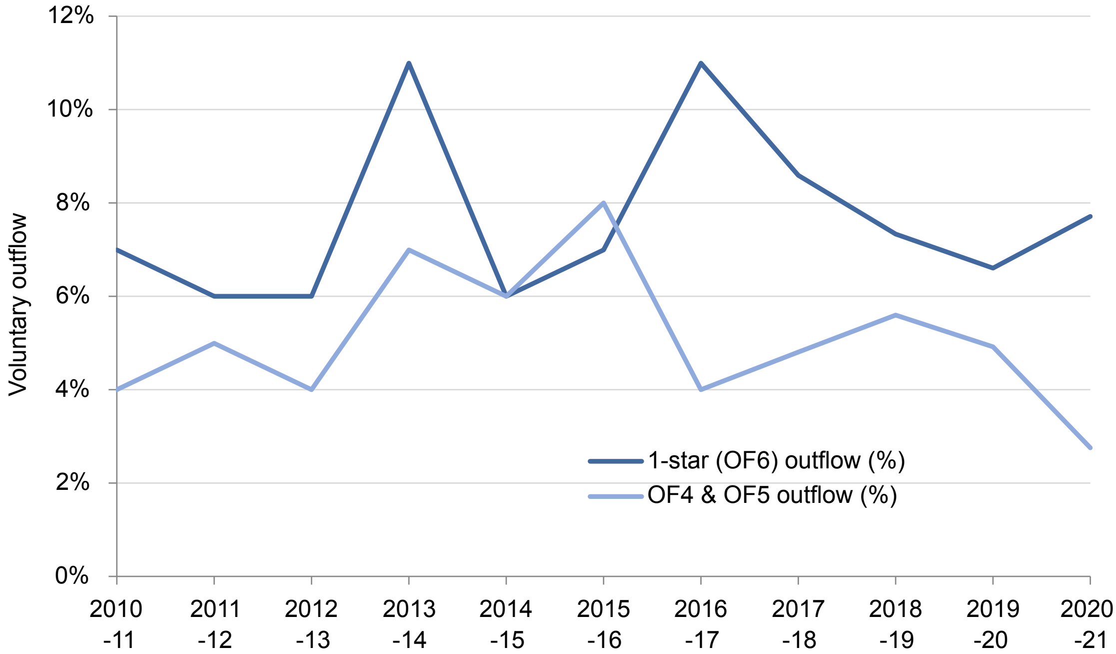
4.104 The immediate feeder group for the senior military is the OF6, 1-star rank. The feeder group is especially important in an internally sourced organisation such as the Armed Forces where there is no external direct recruitment at senior level. There were 311 officers at this rank at 1 July 2021, down from 318 a year earlier.

4.105 The two groups below the immediate feeder group are the OF4 and OF5 ranks. On 1 July 2021, there were a total of 4,659 officers in these three ranks, down from 5,148 a year earlier.[40] Of these, 8.8 per cent (412 individuals) were female officers, a decrease from 10.3 per cent in 2019-20,[41] but an increase from 8.1 per cent in 2018-19.[42]

4.106 The percentage of officers declaring themselves as being from an ethnic minority background increased to 3.7 per cent (172 individuals) at 1 July 2021 from 1.9 per cent in 2020[43] and 3.6 per cent in 2018-19.[44] The MoD said that the low number in 2020 was thought to be down to an increase in those not declaring an ethnic background from six to 105. No officers in the OF4 to OF6 ranks declared themselves as having a disability.

4.107 Data provided by the MoD showed that 24 OF6s (7.7 per cent) left the Services through voluntary outflow in the 12 months to 30 June 2021. This was a slight increase from 21 officers (6.6 per cent) who left during the 12 months to 30 June 2020. Trend data supplied showed decreasing levels of voluntary outflow for those at OF6 between 2016-17 and 2019-20 (see figure 4.4).

Figure 4.4: **Percentage of officers in the feeder group (OF4 to OF6) leaving the Armed Forces voluntarily, 2010-11 to 2020-21**



Source: Ministry of Defence written evidence, unpublished.

4.108 There was a decrease in the voluntary outflow rate for OF5 officers in 2020-21. The number of OF5s leaving the Armed Forces voluntarily in the 12 months to 30 June 2021 fell to 31 officers (3.1 per cent) from 72 officers (6.7 per cent) in the 12 months to 30 June 2020. The MoD said that it thought the reason for the decrease in voluntary outflow in 2020-21 could be due to the economic uncertainty created by the COVID-19 pandemic.

4.109 The trend of decreasing voluntary outflow rates for OF4s continued in 2020-21. A total of 89 OF4s (2.7 per cent) voluntarily left the Armed Forces in the 12 months to 30 June 2021. This compares to 166 OF4 officers (4.4 per cent) in the 12 months to 30 June 2020.

[40] This was made up of 311 OF6s, 1,002 OF5s and 3,346 OF4s.

[41] 529 female officers out of 5,148 personnel at 1 July 2020.

[42] 367 female officers out of 4,534 personnel at 1 July 2019.

[43] 100 officers from an ethnic minority background out of 5,148 personnel at 1 July 2020.

[44] 162 officers from an ethnic minority background out of 4,534 personnel at 1 July 2019.

4.110 We were provided with responses to the 2021 AFCAS from OF5s and OF6s. The responses were more positive in relation to pay, X-Factor and pensions compared to the remit group. However, levels of morale were lower.

4.111 There was an increase in the proportion of respondents satisfied with their basic rate of pay (includes X-Factor but excludes allowances) from 62 to 65 per cent and in those who thought that X-Factor was sufficient compensation for Service lifestyle, working conditions and expectations from 55 to 59 per cent. There was a significant increase in the proportion satisfied with their pension benefits from 62 to 76 per cent.

4.112 However, there were some negative findings, with a slight decrease in the proportion of respondents rating their own morale as high from 58 to 55 per cent. There were also decreases in the proportion of respondents who were satisfied with the fairness of the promotion system, from 58 to 50 per cent and in those satisfied with the opportunities for promotion, from 49 to 43 per cent. While there was an increase in the proportion who thought their family benefited from being a Service family, from 28 to 29 per cent, this figure remained low.

4.113 Figure 4.2 shows the trends in morale, satisfaction with the job, sense of achievement and challenge in the job for the OF5s and OF6s from 2013 to 2021. 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 the level of challenge and variety in the job.

4.114 We were informed that 313 OF5s and OF6s had been asked to complete the AFCAS and that the response rate was 70 per cent. With the low number sampled, we acknowledge that the results need to be treated with a degree of caution. We suggest again this year that the MoD increases the number of OF5 and OF6 officers sampled. This will provide more robust data. The survey also acts as a useful engagement tool.

4.115 The MoD also provided us with the results from its 2020-21 annual Continuous Working Patterns Survey for the OF5s and OF6s. The results indicated a fall in the average number of weekly hours worked (from 59.6 in 2019-20 to 55.7 in 2020-21), the average number of weekly hours on duty (from 85.7 to 70.8), the average number of weekly hours on call (from 21.4 to 10.1) and the average number of weekly unsociable hours worked (from 12.1 to 9.4). We note that the number of usable responses was very low (38 individuals) so that the results cannot be considered reliable. We urge the MoD to extend this survey to provide more robust data on working hours.

4.116 Many of the issues raised at the feeder group discussion sessions were similar to those highlighted last year and to those raised by the senior military. The increase in take-home pay on promotion from 1-star to 2-star was thought to be insufficient to compensate for the increase in responsibility and accountability, both personally and legally. Participants were also concerned about the risk of large pension tax bills on promotion.

4.117 While it was acknowledged that the Armed Forces Pension Scheme was a good one, those further down the ranks (to OF4) were increasingly being affected by the pension annual allowance tax charges. This was influencing decisions on whether to stay in Service and aim for promotion or to leave at an earlier stage in individuals' careers.

4.118 The policy of only one guaranteed posting at 1-star and above was raised as a concern by some when deciding whether to take promotion. There was also a fear that this would be extended to OF5 level. However, others accepted the policy as a means for facilitating promotion opportunities and pointed out that those who had reached this level would be capable of securing good jobs outside the military if necessary.

4.119 Pay was considered to be competitive on joining the Armed Forces but as individuals gained experience it fell below that earned by civilian counterparts, particularly in specialist roles. The issue of de-coupling pay from rank was raised. While most acknowledged that they had not joined the Armed Forces for the pay, it was noted that experienced individuals, particularly those in specialist roles, could earn higher salaries and have a better work-life balance in outside industry. Incentives to remain in Service were needed.

4.120 It was thought that there was an over-reliance on the loyalty and good will of members of the military who were proud to serve. The next generation coming through was considered to be more transactional and so pay would be a more important element of the military package for these individuals. We were told that the employment package needed to be more bespoke to attract and retain the next generation of talented officers.

Pensions

4.121 Data provided by the MoD showed that on 1 July 2021, 29 per cent of the senior military belonged to the 1975 Armed Forces Pension Scheme (AFPS75) and 8 per cent to the 2005 scheme (AFPS05) (see table 4.7). The remaining 63 per cent were members of the scheme that was introduced on 1 April 2015 (AFPS15). All members of the Armed Forces will have moved to the 2015 scheme from 1 April 2022.

Table 4.7: **Number of senior military that belong to each Armed Forces pension scheme at 1 April 2021**

	AFPS75		AFPS05		AFPS15	
Rank	**Number of members**	**%**	**Number of members**	**%**	**Number of members**	**%**
2-star	17	18	5	5	72	77
3-star	17	55	4	13	10	32
4-star	4	44	2	29	1	14
Total members	38	29	11	8	83	63

Source: Ministry of Defence written evidence, unpublished.

4.122 The MoD told us that the non-contributory Armed Forces Pensions Scheme continued to be a valued element of the military employment offer. It said that the changes to the pension annual allowance taper from April 2020 were well received. However, the fact that no changes were made to increase the standard annual allowance limit of £40,000, and that it had remained at this level for seven years, was an issue of concern to the MoD and the more senior members of the Armed Forces. This had led to members of the senior military, the feeder group and some OF4s receiving sometimes quite considerable pension annual allowance tax charges.

4.123 We were informed that the Armed Forces Remuneration team and the single Services were continuing their communication initiative aimed at emphasising the value of the pension scheme and addressing misconceptions about it. The key message was that the Armed Forces Pension Scheme remained an excellent one, despite the pension taxation issues, and that all members continued to accrue pension value. The MoD said that the pension taxation seminars introduced last year would continue to be offered this year. One-to-one sessions would also be provided to those who had breached their annual allowance and had a tax charge to pay. In addition, several pension taxation videos had been introduced to supplement the comprehensive guidance provided internally and on the Government website.

4.124 The MoD told us that for the tax year 2020-21, 134 members of the remit group[45] received a letter informing them that they had exceeded the pension annual allowance.[46]This compares to 120 officers in 2019-20, 114 in 2018-19 and 112 in 2017-18. The number of members of the senior military seeking to use Scheme Pays to settle their pension annual allowance tax charge increased from 84 in the tax year 2018-19 to 109 in 2019-20. We were told that the numbers opting to uses Scheme Pays for 2020-21 would be available in the summer.

4.125 The MoD has explained to us previously that it is only possible to get an indication of how many individuals have received a pension annual allowance tax charge through the number that opt to use Scheme Pays to settle the bill. It did not know how many individuals may have decided to pay the charge themselves directly.

4.126 Results from our secretariat's survey showed that 97 per cent of respondents had incurred a pension annual allowance tax charge for 2020-21 (63 out of 65 who were able to answer this question). Of those 63 officers, 89 per cent intended to use Scheme Pays to pay the charge, 6 per cent did not intend to use Scheme Pays and 5 per cent did not know. Sixty-three per cent of those who responded said that they understood the effect of the annual allowance on their pension well or very well.

4.127 A large majority of those who responded to the survey, 85 per cent (56 individuals), said they expected to breach the pension lifetime allowance during their military career. A further 12 per cent of respondents (eight individuals) said they did not know. Around 70 per cent of respondents knew roughly what proportion of their lifetime allowance they had used so far and a majority of these had used or exceeded their lifetime allowance. In total, 44 per cent of those who responded said they understood the effects of the lifetime allowance on their pension well or very well.

Take-home pay and total net remuneration

4.128 We have updated our analysis of take-home pay and total net remuneration, which monitors reward for specific roles over the last decade. This analysis tracks a single point (the minimum or maximum salary) over time. This does not reflect the experience of individuals who are likely to have received pay progression or promotion over the period. 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.

4.129 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. Full details have been given in our previous reports.

4.130 The pay freeze last year means that there has been only a minimal change in nominal take-home pay and total net remuneration, with a small uprating in the personal tax allowance giving a 0.1 per cent increase in take-home pay for the 2-star minimum, and close to zero for the 4-star minimum and the CDS maximum.

4.131 In real terms, all groups saw a fall in take-home pay and total net remuneration in line with inflation of around 3.8 per cent for the year 2021-22.

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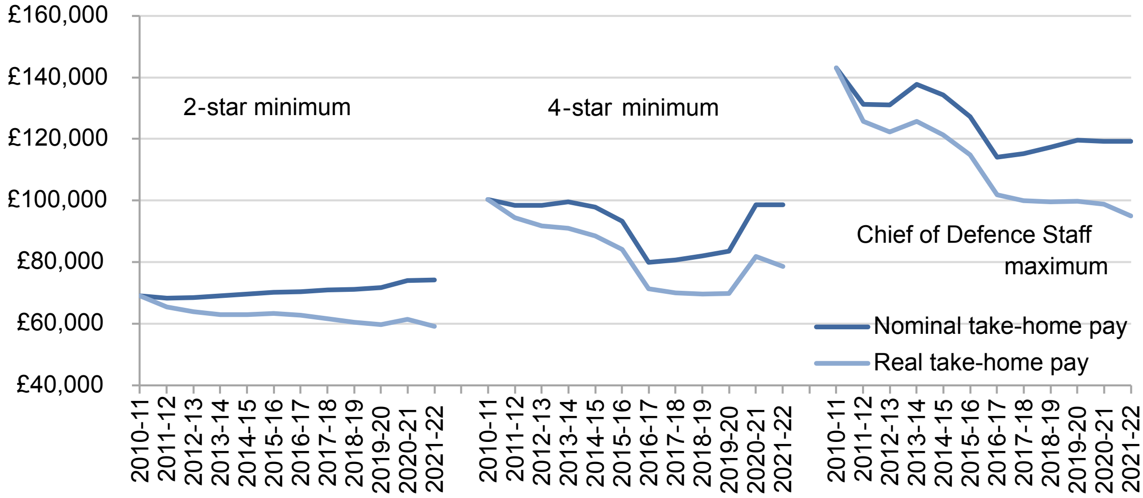
45 This is out of a total of 137 officers – the 132 members of the senior military listed in Table 4.1 and five Medical Officers and Dental Officers.

46 Not all of those who received a letter will have incurred a pension annual allowance tax charge as some may have annual allowance carry over from previous years.

4.132 Figures 4.5 and 4.6 show the take-home pay and total net remuneration between 2010-11 and 2021-22.

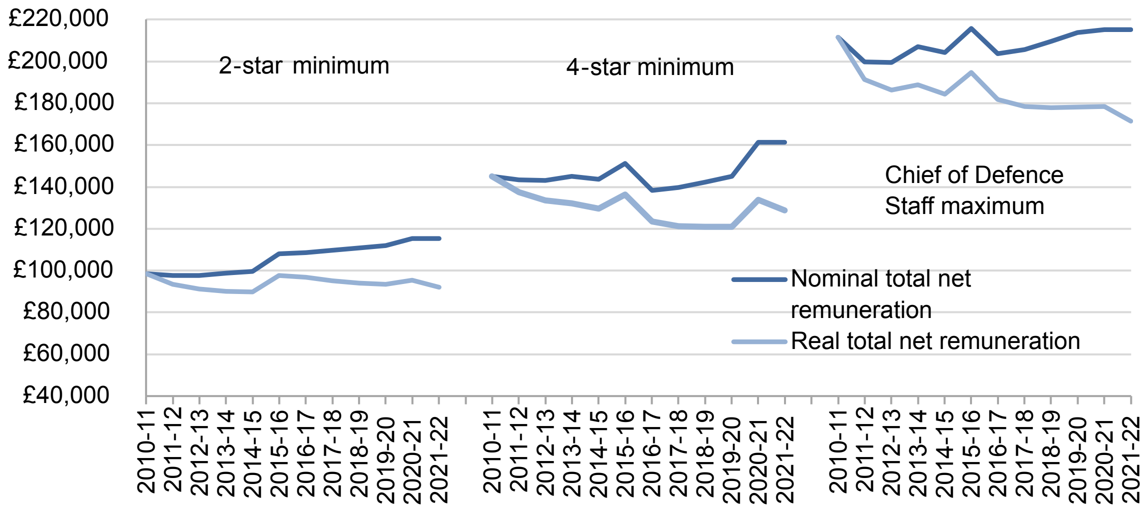
Figure 4.5: **Nominal and real take-home pay, 2010-11 to 2021-22**



Source: OME analysis.

Notes: Nominal take-home pay makes no adjustment for inflation. Real take-home pay based on the 2010-11 CPI.

Figure 4.6: **Nominal and real total net remuneration, 2010-11 to 2021-22**



Source: OME analysis.

Notes: Assumes switch from AFPS05 to AFPS15 in 2015. Only looks at in-year earnings and does not include the impact of the lifetime allowance, income tax on pensions in payment or the changing retirement age. Nominal total net remuneration makes no adjustment for inflation. Real total net remuneration is based on the 2010-11 CPI.

4.133 Since 2010-11, the 2-star minimum has seen a nominal increase of 7.3 per cent in take-home pay and 17.1 per cent in total net remuneration. This is due to general pay uplifts and an improved accrual rate in the 2015 pension scheme. A basic salary of £120,800 at this rank is subject to the income tax personal allowance taper for those earning between £100,000 and £125,140. It is also subject to a small annual allowance tax charge of around £450. In real terms, take-home pay at the 2-star minimum has fallen by 14.4 per cent while total net remuneration has fallen by 6.6 per cent since 2010-11.

4.134 Since 2010-11, the 4-star minimum has seen a nominal fall of 1.6 per cent in take-home pay and an increase of 11.2 per cent in total net remuneration. With a basic salary at £184,348, this group will have been liable for a pension annual allowance charge of around £10,000 in 2021-22 but will have benefited from the move in the annual allowance taper from 2020 which would have reduced the tax charge by around £13,500. In real terms, take-home pay at the 4-star minimum has fallen by 21.6 per cent while total net remuneration has fallen by 11.3 per cent since 2010-11.

4.135 Since 2010-11, the CDS maximum has seen a nominal fall of 16.7 per cent in take-home pay and an increase of 1.6 per cent in total net remuneration. A salary at £281,844 will have been liable for a pension annual allowance charge of around £41,000 in 2021-22. In real terms, take-home pay at the CDS maximum has fallen by 33.6 per cent while total net remuneration has fallen by 19.0 per cent since 2010-11.

Chapter 5

The Judiciary

Summary

Key points

5.1 The judiciary is the only one of our remit groups to show real and persistent evidence of recruitment shortfalls. These exist mainly for the court-based judiciary in England and Wales. Shortfalls are largest at the District (Civil) Bench where they have grown over the last few years. Last year, only a third of District (Civil) vacancies were filled. Shortfalls also continue at the Circuit Bench, though these have not worsened recently. Until May 2022, there were vacancies at the High Court but we were informed shortly before completion of this Report that the High Court is now at full complement.

5.2 The 'quality' of applications, as judged by the Judicial Appointments Commission's (JAC) ratings[47] of candidates selected for appointment, has fallen over time, again particularly for the District Bench. While we recognise the limitations of these ratings, the size of the changes is, we believe, significant enough to be a concern.

Context

5.3 Unlike our other remit groups, all those joining the judiciary do so from an external labour market of mostly highly paid individuals – barristers, advocates, solicitors or more rarely academics – who are already well-established in their careers. They need to be positively attracted to leave their existing careers to apply to become judges. While evidence from our 2018 *Major Review of the Judicial Salary Structure*[48] and the years since shows that high-quality barristers and solicitors with a wide range of civil, commercial or criminal experience are attracted by a commitment to public service and the intellectual challenges of becoming a judge, we also found that individuals would not apply unless they believed that the overall financial package on offer was sufficiently attractive, even if it did not match their earnings as practitioners.

5.4 As we highlighted in our Major Review, having the right number of judges of the correct calibre matters. They make decisions that affect individuals, families, businesses and society. Judges need to be of sufficient quality that their rulings are respected and there needs to be enough of them 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 and make a sizeable contribution to the UK economy.

5.5 Our remit from the Lord Chancellor this year is to recommend an annual pay award for all judicial office-holders for whom he sets the rate of remuneration. In its evidence, the Ministry of Justice (MoJ) also said it was concerned about recruitment to the District Bench. It asked the SSRB to comment on the extent to which recruitment problems particularly apply to the salaried District Bench and to consider whether the pay position is the cause of these issues or if other factors have an impact.

5.6 Judicial recruitment shortfalls started to arise at the High Court in 2014-15, the Circuit Bench in 2016-17 and the District Bench somewhat later, though we were already concerned by the time of the Major Review that there could be a problem on the

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47 Gradings are an internal assessment measure of a candidate's performance in a particular selection exercise and against the specific criteria for that role at that time. They do not indicate performance upon appointment. Candidates are graded from A (outstanding) to D (not selectable).

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

horizon. The Major Review identified the decrease in total net remuneration arising from changes to the judicial pension scheme and the pensions taxation regime as among the most important causes, though not the only ones. Our recommendation was that substantial pay increases were necessary to address the recruitment crisis.

5.7 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, though it would also preserve elements of the 2015 scheme to meet the Hutton principles of public sector pension reform.

5.8 Those pension changes have now been enacted through the Public Service Pensions and Judicial Offices Act 2022 (and Judicial Pension Regulations 2022) and were implemented from 1 April 2022. However, as we noted in our Report last year, the fact that the legislation had been progressing for some time means it is likely to have already affected expectations of prospective applicants and so the benefits may have already been 'priced in' to some extent.

5.9 We suspect that this 'pricing in' may be more true for the High Court and Circuit Bench than for the District Bench. We have had some evidence this year to support this, particularly as the new pension scheme confers less benefit for District Judges in terms of take-home pay, though it markedly improves post-retirement income and hence total net remuneration. It is important to ensure that current and prospective District Judges understand the benefits of the new judicial pension scheme but the question remains as to whether the financial benefits of the new scheme will be sufficient to resolve the recruitment shortfalls. We have taken this into account when making our recommendations this year.

5.10 We are mindful that members of the remit group, along with everyone else, face significant increases in the cost of living this year due to the very high level of inflation.

5.11 In the Major Review, we consulted widely about key principles that would underpin our judgements on job placement and the judicial salary structure. These were agreed with, and supported by, the judiciary and governments across the United Kingdom. The agreed principles were:

- There should be no inherent distinction between the work of courts-based judges and tribunal judges; the salary structure should place them in the same broadly comparable groups.
- Judges at the same level should, with few exceptions, be paid at the same rate, regardless of the area of law within which they work.
- Judges should continue to be paid at a spot rate, with no progression up a pay range.
- Geographical location within the United Kingdom should not affect judicial pay (with the exception of the Group 7 judges who receive London weighting).
- Full-time, part-time, salaried and fee-paid judges who do the same job should be paid the same *pro rata*, in line with legal rulings.

5.12 Each of these principles has costs, particularly when any are at odds with labour-market facing evidence that differs for different groups. For instance, the evidence from the Major Review showed that, on average, those appointed as District Judges took a pay cut when joining the judiciary, while this was not generally true of tribunal judges at first-tier level. Judicial appointees in Scotland and Northern Ireland were, on average, paid less before they became judges than those in England, particularly those practising in London and the South East. If pay rates do not attract those in the more competitive labour markets, larger shortfalls in judicial recruitment result, but if they are attractive across the piece, it brings larger gains to some than to others.

5.13 The reason for accepting the financial costs of the principles is that they were felt necessary to secure other benefits, namely recognising the constitutional importance of having a UK-wide judiciary, incentivising more flexible deployment of judges within England and Wales and promoting desired aims like cross-ticketing between the courts and the tribunal judiciary. We have continued to adhere to these principles in making our recommendations this year but we are aware of the tension between them and the affordability of our recommendations. This is likely to need discussion in any future Major Review.

Findings and recommendations

5.14 We recognise and welcome the efforts made by bodies involved in judicial appointments, particularly the JAC, the MoJ and the judicial leadership, to continue an ambitious and proactive schedule of regular recruitments to fill judicial vacancies at all levels, including the fee-paid judicial feeder pools (Deputy District Judges, Recorders and fee-paid tribunal judges) that are required in the medium term to fill salaried judicial posts. We note too the growing number of exercises aimed at filling tribunal posts, for both tribunal judges and non-legal members. Having regular and predictable recruitment rounds, with more efficient systems in place, is important to address judicial vacancies in the long term. We discuss this further at paragraphs 5.48 to 5.79.

5.15 Judicial independence requires that judges, rather than government, lead and manage the judicial workforce. We welcome the continued efforts of the judicial leadership and the Judicial Offices and the increased resourcing from governments for more strategic and proactive management of the judiciaries across the United Kingdom than we found at the time of the Major Review. This includes signs of better day-to-day management of and support for judges, managing the newly recognised categories of judicial leadership positions agreed in 2020 and considering how court procedures can be streamlined after the COVID-19 pandemic. We discuss this further at paragraphs 5.95 to 5.102.

5.16 However, we are extremely concerned about the continuing recruitment problems for the courts-based salaried judiciary in England and Wales. While there are signs of some improvements in replenishing the feeder pools, judicial vacancies remain an issue for the Circuit Bench, which continues to operate below its desired complement. The situation is worsening at the District Bench, almost entirely due to shortfalls in the District (Civil) division and its associated Deputy District Judge feeder pool. For both the Circuit and District Benches, we are concerned about the number of vacancies and the decline in the JAC quality ratings of those selected. While we understand the limits of these ratings and the caveats around interpreting them, the size of the change in ratings is both striking and worrying. Recruitment challenges are much less apparent in Scotland (with the exception of the Sheriff Principal role), Northern Ireland and, for the most part, the Tribunals judiciary. We discuss this further at paragraphs 5.48 to 5.79.

5.17 We also have growing concerns about the relative attractiveness of fee-paid judicial roles compared to salaried ones. We heard considerable evidence about this issue from various stakeholders. The legally required equalisation of pay and pensions for fee-paid judges, the availability of various allowances which their salaried counterparts do not receive and the greater administrative load and burden of more complex and difficult cases carried by salaried judges all enhance the relative attractiveness of fee-paid roles. The concerns we first expressed in the Major Review about whether fee-paid judges will continue to apply for salaried positions at the same rate as they did in the past are, we believe, becoming increasingly pressing. We understand that the MoJ is conducting a review of various allowances and we will keep this issue in mind. We would, however, point out that the relative attractiveness of the fee-paid roles is further increased when some fee-paid judges can, in practice, work as many days as they wish because of vacancies in the salaried judiciary. Filling the vacancies in the salaried judiciary is necessary not only in its own right but also to reset the incentives for fee-paid judges to apply for salaried posts. We discuss this further at paragraphs 5.61 to 5.63.

5.18 We note the MoJ's recommendation for a 2 per cent increase in judicial pay across the board. We have also considered requests from the judiciary, including not only senior judges but also various judicial associations. We have carefully considered the uplift in total net remuneration that judges at different levels will receive as a result of the new Judicial Pension Scheme 2022 (JPS22). As we explain at 5.123 to 5.135 below, we are not convinced that the pension reforms and a 2 per cent uplift will be sufficient to address continuing judicial vacancies, particularly when the real value of judicial salaries has reduced and when the current rate of inflation is so high.

5.19 Because of the recruitment problems seen in the judiciary, we gave serious consideration to recommending a pay increase higher than the 3.5 per cent we are recommending for our other remit groups. However, new information about improved High Court recruitment and uncertainty about how far the new pension scheme's benefits are understood meant we did not do so. We are therefore recommending a pay increase of 3.5 per cent for the judiciary, in line with our other remit groups.

Recommendation 7: We recommend a pay increase of 3.5 per cent from 1 April 2022 for all members of the judiciary.

5.20 We are particularly concerned about the recruitment shortfalls for the District Bench and the Deputy District Judge feeder pool, which mainly concern District Judges in the civil courts. In 2020, when we last had a pay remit for the judiciary, the view of the MoJ, the JAC and the senior judiciary was that the shortfall at the District Bench was principally due to the depletion of the Deputy District Judge feeder pool and a lack of awareness among District Judges of how beneficial the 2022 new judicial pension scheme would be. This year, there was wider agreement that other issues are also important, not least the case-load pressures, physical working conditions and case composition facing the civil courts. We were told that steps were being taken to address all of these. We consider these issues below and also look in particular at the benefits of the new pension scheme for District Judges. While this results in a real increase in total net remuneration as the pension will not be subject to lifetime allowance caps, it does not improve the take-home pay of District Judges. We discuss this further at paragraphs 5.123 to 5.135.

5.21 We agree that many factors are involved in the vacancy rates for the District (Civil) Bench so, as in 2020, we are loathe to make a recommendation for a differential pay award for the District Bench before we see data on the recruitment situation after the implementation of the pension changes. We are, however, considerably closer to believing that a differential pay award may be necessary. As we note at paragraphs 5.11 to 5.13 above, this would come at a cost given the size of this part of the judicial workforce, especially if the principles of maintaining equal pay for all District Judges, whether they hear criminal or civil cases, and pay parity for first-tier tribunal judges (where there is little evidence of recruitment shortfalls), continue.

5.22 If the introduction of the new judicial pension scheme, additional steps to address the non-pay issues (including case composition) and this year's judicial pay settlement do not result in improvements in judicial recruitment at the District Courts, we think that in 2023 we will have to consider the case for a differential award for the District Bench. We recommend that next year our remit asks us to consider systematic evidence on pay differentiation within the judiciary from all parties and sets out the parameters within which this might be taken into account.

5.23 During and after the Major Review, we have seen evidence on the poor condition of the court estate and the lack of administrative support for judges and the impact these have on morale. We welcome the MoJ budgeting more for court estate improvements, not only because of the impact on judges but also because of the poor experience of citizens using the courts. This undoubtedly also affects judicial recruitment, especially at the District and Circuit Bench levels.

5.24 We welcome the efforts being made by all stakeholders to address judicial diversity. Progress has been made, though everyone agrees that there is more to do. Many of the efforts have involved recognising that different steps and types of outreach are required to increase diversity for different groups, so that, for example, those needed to address the gender composition of the judiciary are not the same as those to recruit more judges from different ethnic minority backgrounds. Challenges vary in different areas of the United Kingdom, partly reflecting their demographics. We recognise too that the feeder groups are not always as diverse as they could be. However, it is important to the long-term legitimacy of the courts and tribunals that the judiciary reflects the composition of wider UK society. We discuss this further at paragraphs 5.112 to 5.122.

5.25 We understand the concerns of the Lady Chief Justice that Coroners in Northern Ireland are paid less than Coroners in England, despite their significant responsibilities. Coroners are not within our remit group, as their pay is set by local authorities in England and Wales, so we are not able to make a recommendation. We would, however, observe that this is an important issue that the MoJ and the Northern Ireland government should consider examining, not least in the light of the particular historical and legal circumstances in Northern Ireland.

5.26 The MoJ, judicial offices and other stakeholders have improved the range and quality of their data since the Major Review. We welcome this and encourage further development of the evidence base.

5.27 We note that the JAC, with agreement from the MoJ, will not be pursuing our request for further data on the pre-appointment earnings of applicants. We look forward to working with the MoJ on alternative sources for these data in time for the next Major Review, as the relative attractiveness of judicial posts to practitioners remains an important question. We also ask Northern Ireland and Scotland to consider this issue and hope they will provide ratings data on the quality of applications they receive. We understand the limitations of the data provided by the JAC but still feel they provide useful insight which we do not have in other jurisdictions.

5.28 We received a number of requests this year to regrade various posts or provide leadership allowances. For regradings in all areas of the United Kingdom we stand by the 2018 Major Review and its methodology. When regrading requests arise, we believe that it is more appropriate to deal with them in the round during Major Reviews (see paragraphs 5.161 to 5.166).

Introduction

5.29 Our standing judicial remit group comprises salaried judicial office-holders in the courts and tribunals of the United Kingdom. The annex to this chapter gives background on the judicial pay structure and provides details about the evidence on recruitment and retention we have received.

5.30 We also have to consider the feeder pools of fee-paid judges, especially Deputy District Judges and Recorders, as these are vital for filling vacancies in the salaried judiciary.

Serving as a fee-paid judge is an essential requirement at some levels of the judiciary and is usually required at other levels of the courts and tribunals. In addition, some tribunals are made up mainly of fee-paid judicial office-holders.

Remit

5.31 Our *Major Review of the Judicial Salary Structure*[49] reported in June 2018. We did not have a remit for judicial pay in 2019, while the Lord Chancellor decided how to respond. We had a remit again in 2020 but did not have one in 2021, due to the Government's public sector pay pause.

5.32 For 2022, the Lord Chancellor asked the SSRB to:

- Make a recommendation for an annual pay award for all judicial office-holders for whom he sets the rate of remuneration.
- Take into account the affordability of any award as well as evidence on recruitment, retention and diversity of judges.

5.33 The remit letter also stated that:

- The Lord Chancellor is committed to continuing to recruit the finest lawyers to take up and remain in judicial office.
- The Government must ensure fair pay for public sector workers while protecting funding for frontline services and ensuring affordability to taxpayers.
- The current pension reforms will play a vital role in resolving the serious recruitment and retention issues highlighted in the Major Review.

5.34 In its evidence, the MoJ also said it was particularly concerned about the recruitment and retention of members of the District Bench, and that it would be helpful for the SSRB to comment on the extent to which these problems apply solely to the salaried District Bench and to understand whether the pay position is the cause of these recruitment issues or if other factors have an impact.

5.35 The Lord Chancellor's recommendation was that judicial pay should increase by 2 per cent and that this should be across the board for all judges, with no differential awards.

5.36 As ever, 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 that allow us to fulfil our remit.

Background

5.37 In 2015, there was a major change to the judicial pension scheme. The 1993 Judicial Pension Scheme (JUPRA) was replaced with the New Judicial Pension Scheme (NJPS). Unlike JUPRA, the NJPS was registered for taxation purposes. This change, combined with other changes in pension taxation policy over the last decade, represented a significant reduction in total net remuneration for the judiciary, over and above the public sector pay restraint after 2010.

5.38 Shortfalls in recruitment started to arise in England and Wales at the High Court in 2014-15, the Circuit Bench in 2016-17 and the District Bench somewhat later, though we were already concerned by the time of the Major Review that recruitment at this level was becoming a problem. There were smaller problems at the Court of Session in Scotland. Evidence has been building that there are issues both in terms of numbers applying and the quality of applications.

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[49] See: https://www.gov.uk/government/publications/major-review-of-the-judicial-salary-structure-2018.

5.39 It is customary for the SSRB to be asked, roughly every five years, to carry out a Major Review of the judicial salary structure. The last such review was published in 2018. It documented the scale of the recruitment and retention issues at that point and some of the causes, including the changes to the judicial pension scheme. To address these, we recommended significant increases in judicial remuneration. We recommended increases of 32 per cent, 22 per cent and 8 per cent respectively for High Court Judges, Circuit Judges and equivalents and District Judges in the NJPS and their equivalents.

5.40 In 2019, the Government responded. Its preferred option was to partially reverse the previous pension changes, rather than make the salary changes recommended, and in particular to revert to a tax-unregistered pension scheme. The key benefit of tax-unregistered status is that lifetime and annual allowance tax charges, which we identified as significant drivers of the recruitment and retention issues in the Major Review, do not apply.

5.41 The new 2022 Judicial Pension Scheme (JPS22) required primary and secondary legislation, which was passed earlier this year. The scheme was implemented on 1 April 2022. The reforms also aimed to equalise future treatment across the judiciary by moving all judges into one pension scheme.

5.42 The reformed scheme continues to follow many of the main principles of the 2015 pension reforms, such as being a career-average defined benefit scheme and being linked to state pension age. Judges are paid a spot rate rather than having any increments due to length of service, so moving to an average salary basis only affects judges who gain higher judicial appointments after their initial appointment.

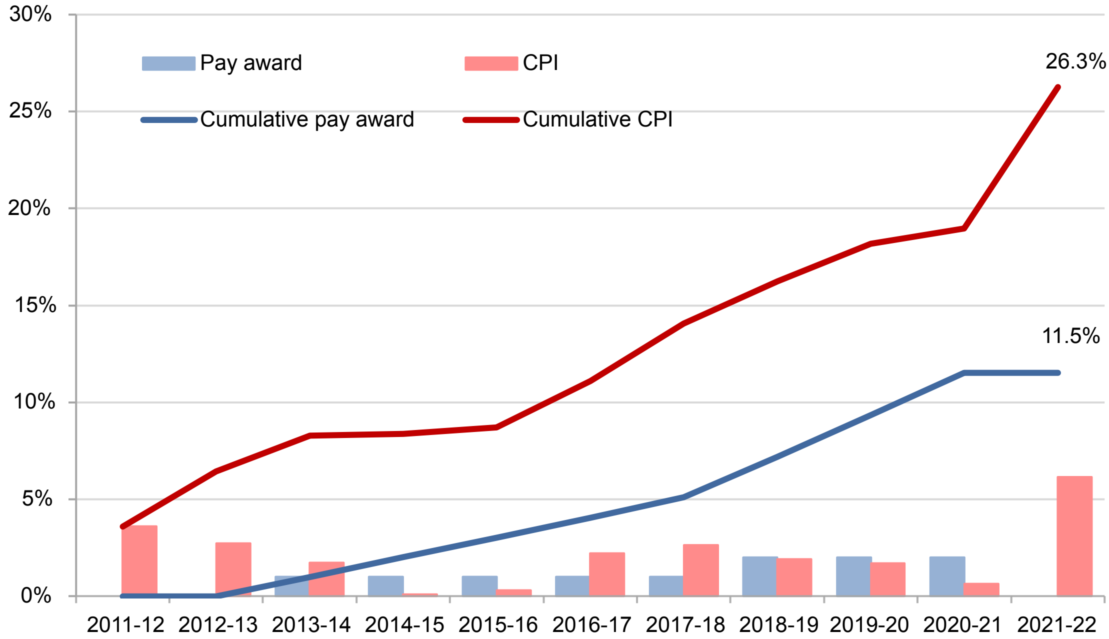
5.43 The scheme's key features are:

- It is tax-unregistered, so pension accrued will not count towards either annual or lifetime allowances.
- It has no service cap, so that, unlike the previous tax-unregistered schemes (for instance JUPRA), there is no longer a 20-year service cap for members.
- It is a defined benefit, career-average earnings scheme.
- It has an annual accrual rate of 2.5 per cent of pensionable earnings.
- It requires a uniform contribution rate of 4.26 per cent of pensionable earnings.
- It is linked to the state pension age, rather than the higher mandatory retirement age for the judiciary.

5.44 The Government has also concluded a consultation on the proposed response to the McCloud ruling that its 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 or the Fee-Paid Judicial Pension Scheme (FPJPS) or NJPS for the remedy period (2015 to 2022). This choice will be made through a formal options exercise which is expected to run in 2023.

5.45 In addition to the recommendations in our 2018 Major Review, we recommended a 2 per cent pay uplift for the judiciary in 2020, when we last had a remit for making recommendations about judicial pay. The Government accepted the recommendation. Figure 5.1 shows the pay uplifts awarded to the judiciary since 2011-12 and their cumulative impact, in comparison with CPI inflation. This excludes the judicial pension changes and the recruitment and retention allowances paid to some judges, so it does not give a complete picture of total net remuneration.

Figure 5.1: **Judicial pay awards and Consumer Price Inflation (CPI), 2011-12 to 2021-22**



Source: SSRB reports; OME calculations of CPI inflation by financial year (based on ONS series D7G7).

5.46 While this is the first year we have made recommendations on the judiciary since the 2022 pension scheme was implemented, it is important to note that both the passage of the Act and its implementation took place only shortly before this Report was finalised. The recruitment data we present here were collected months before the Act was passed. Shortly before we completed this Report, we were informed that the High Court had reached full complement, though no information was provided on other areas of the judiciary. We do not therefore know how the recent pension change may affect future recruitment to the judiciary. We do know, and discuss below, that the benefits of the proposed new judicial pension scheme have been communicated to many current judges and some prospective applicants for judicial posts since the policy was announced in 2019. For example, the MoJ ran JPS22 overview webinars for current judicial office-holders that around 1,000 serving judges attended.

5.47 Communicating the extent of the pension benefits does, however, require conveying a complex message, since the 2022 pension scheme increases both take-home pay and pension income for judges at the Circuit Bench level and above but benefits courts and tribunal judges below this level mainly by means of exemptions from the lifetime allowance tax charge and the increase to pension income. This is a very valuable benefit but it is deferred and only apparent when a judge retires. Its value also varies according to personal circumstances, depending on whether or not a particular individual has pension savings above the lifetime limit. We discuss below the extent to which the revised judicial pension scheme may already have been 'priced in' by prospective applicants for judicial posts and how the benefits vary for different levels of the judiciary.

Recruitment

Introduction

5.48 Judicial appointments at the most senior levels, that is at group 3, Court of Appeal level and above, are made almost exclusively from existing members of the salaried judiciary. However, most other judges are recruited externally from a labour market of relatively high paid individuals, usually solicitors or barristers/advocates or sometimes academics, who are already well-established in their careers. Appointments are made following competitions run by the JAC and its equivalents in the devolved administrations. This external recruitment sets the judiciary apart from all our other remit groups and most public sector workforces.

5.49 Having a UK-wide judiciary with equal pay across England, Wales, Scotland and Northern Ireland was agreed as an underpinning principle in our 2018 Major Review. There are, however, different recruitment issues in the different jurisdictions. The largest and most serious challenges are in England and Wales.

England and Wales

5.50 There are significant recruitment difficulties at almost all levels of the courts in England and Wales. Before 2015, shortfalls were unusual. They are now persistent. The quality of applications has also dropped in several areas, with noticeably fewer 'A' (outstanding) and 'B' (strong) grades for those selected for appointment.[50]

5.51 The JAC says it expects that a continued high level of recruitment will be needed over the next two to three years in order to clear the backlog in cases.

5.52 Table 5.1 presents the data we were provided by the JAC. It shows there has been a significant increase in recruitment activity since 2016-17 and also an increase in shortfalls. There has also been a decline in the quality of applications since 2018-19.

Table 5.1: **Total JAC recruitment, 2011-12 to 2020-21**

Year	Vacancies	Applications	Selections	Shortfall	Applicants per selection	% A and B grade candidates to selections
2011-12	–	5,490	746	–	7.4	–
2012-13	–	4,637	597	–	7.8	–
2013-14	–	5,591	806	–	6.9	87%
2014-15	312	2,056	312	0	6.6	83%
2015-16	359	2,588	340	19	7.6	97%
2016-17	297	2,199	290	7	7.6	103%
2017-18	909	5,125	749	160	6.8	80%
2018-19	1,083	4,917	1,031	52	4.8	57%
2019-20	1,143	8,148	979	164	8.3	69%
2020-21	961	3,574	869	92	4.1	65%

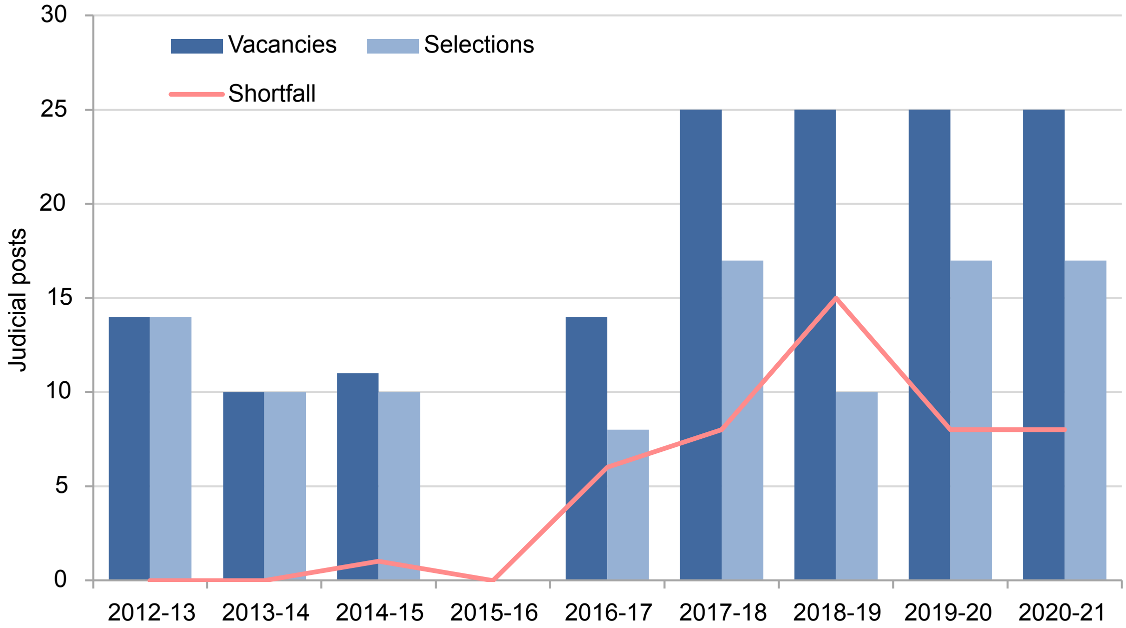
Source: Judicial Appointments Commission.

5.53 Figure 5.2 sets out High Court recruitment since 2012-13. High Court applicants must achieve an A or B grade to be recruited. There has been a deficit in applications of

50 Gradings are an internal assessment measure of a candidate's performance in a particular selection exercise and against the specific criteria for that role at that time. They do not indicate performance upon appointment. Candidates are graded from A (outstanding) to D (not selectable).

sufficient quality every year since 2016-17. There has been a shortfall of between 6 and 15, or between 32 per cent and 60 per cent of vacancies.

Figure 5.2: **Recruitment for the High Court in England and Wales, 2012-13 to 2020-21**



Source: Judicial Appointments Commission.

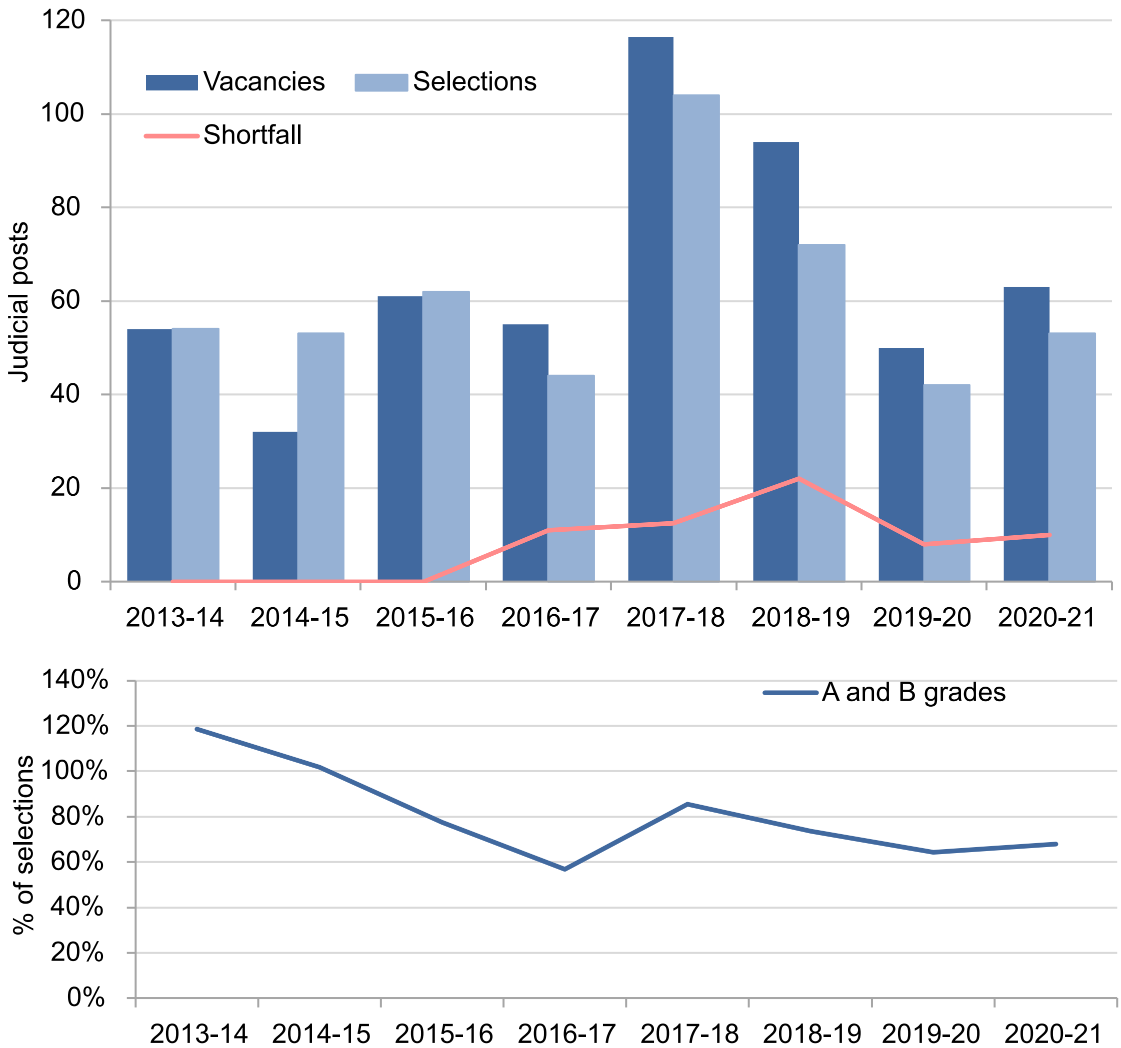
5.54 Shortly before publication of this Report, we were informed that the High Court had reached full complement (108 out of 108 positions). No further information has been given to us but we welcome this news. The High Court has been relying more than usual on some Circuit Judges 'sitting up',[51] in part to cope with the shortfall in High Court Judges.

5.55 We were not given any updated information on Circuit or District Bench recruitment, so we continue to work on the basis of data previously received.

5.56 Figure 5.3 sets out the data for Circuit Bench recruitment since 2013-14. There has been a shortfall every year since 2016-17, varying between eight and 22, or between 11 per cent and 23 per cent of vacancies. Since 2016-17, A and B grade applications have made up 70 per cent of selections on average, compared to 99 per cent in the preceding three years.

[51] Under S9(1) requests.

Figure 5.3: **Recruitment to the Circuit Bench in England and Wales, 2013-14 to 2020-21**



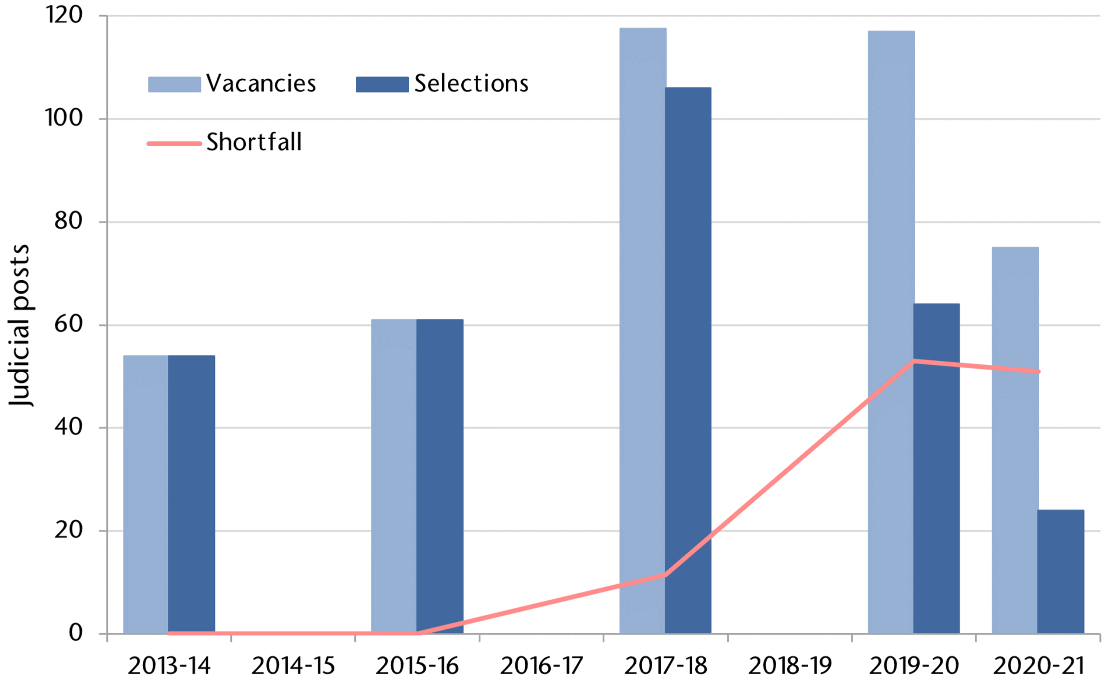
Source: Judicial Appointments Commission.

Note: Where there are more A and B grade applicants than vacancies, some applicants are immediately selected and some are recommended for selection the following year.

5.57 Figure 5.4 sets out the data for District Judge competitions since 2013-14. Since 2016-17, there has been a shortfall every year in which recruitment took place, of between 11.5 and 53, or between 10 per cent and 68 per cent of vacancies.

5.58 There has also been an increase in District Judges moving to become Circuit Judges, which suggests steady state recruitment for District Judges may now need to be higher than in the past.

Figure 5.4: **Recruitment to the District Bench in England and Wales, 2013-14 to 2020-21**

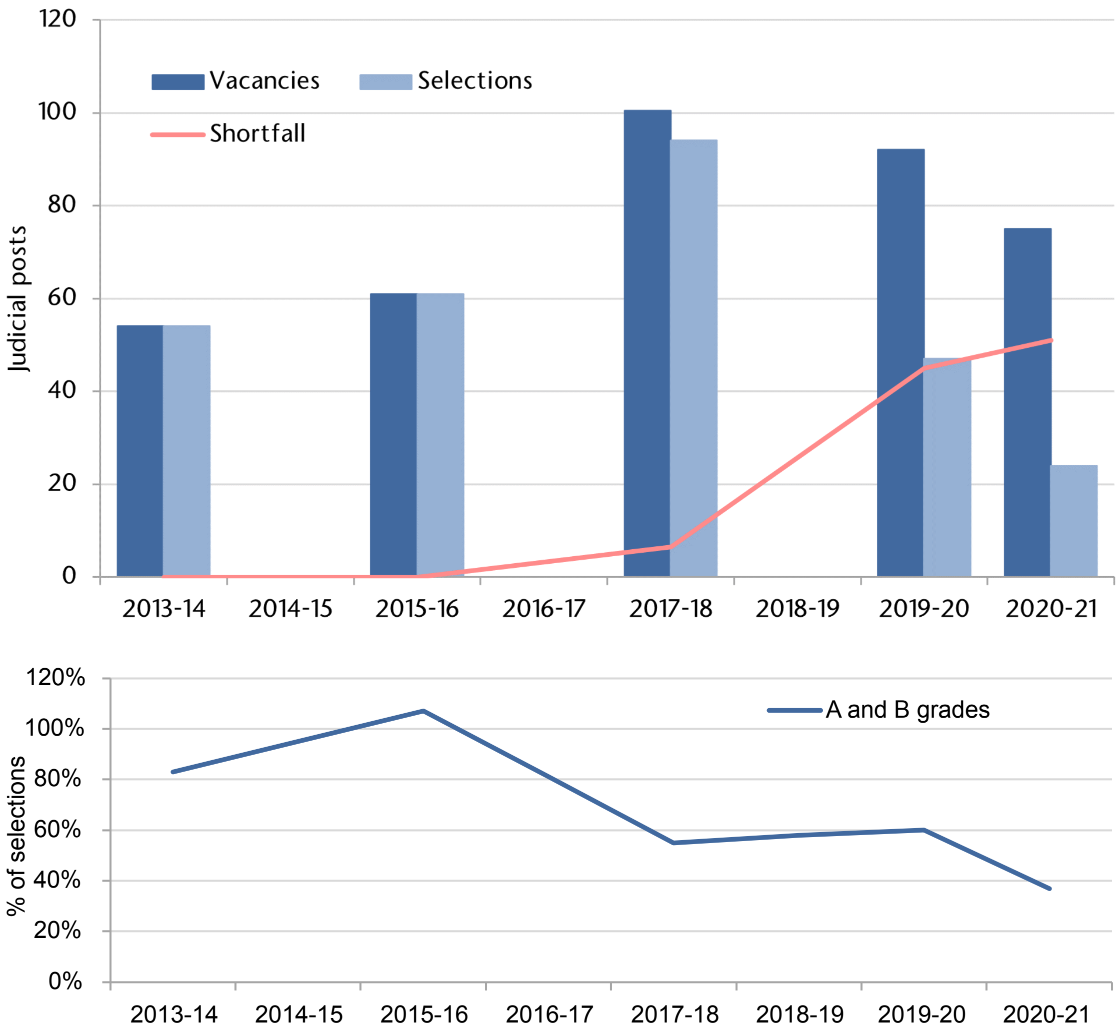


Source: Judicial Appointments Commission.

Notes: For years when there was no recruitment, 'A and B grades' figures are the average of the year before and the year after. Where there are more A and B grade applicants than vacancies, some applicants are immediately selected and some are recommended for selection the following year. Grades are only given for selected applicants.

5.59 As shown in figure 5.5, the problems are mainly at the District (Civil) Bench, rather than for District Judges in the Magistrates' Court. This is likely to be because of the difference in remuneration in the external market for civil and criminal legal practitioners. Recruitment of District (Civil) Judges is of growing concern to us.

Figure 5.5: **Recruitment to the District (Civil) Bench in England and Wales, 2013-14 to 2020-21**

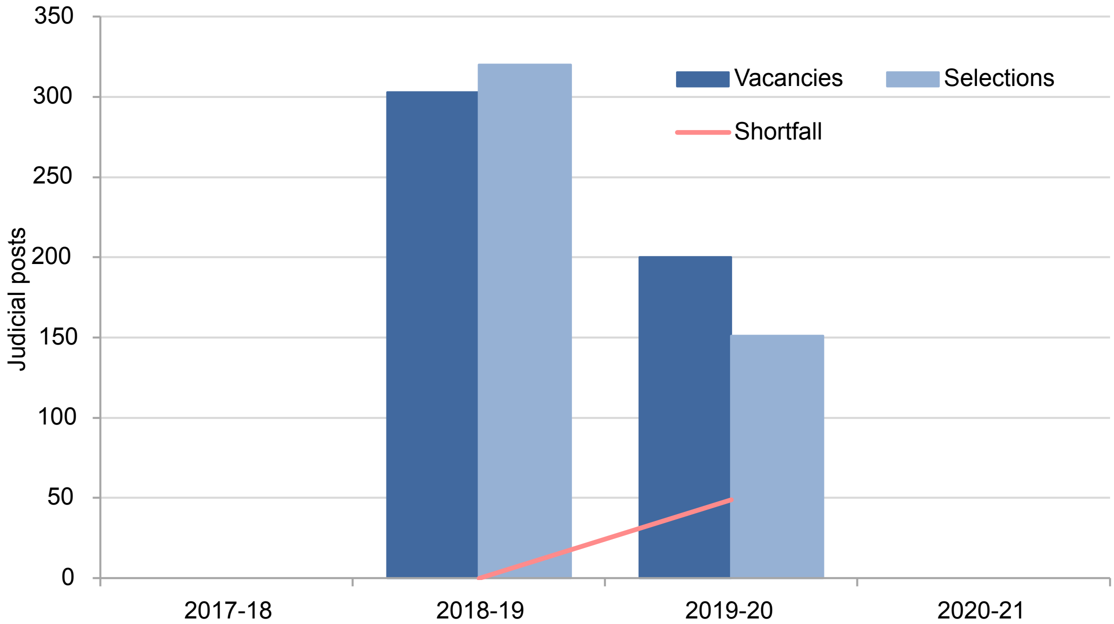


Source: Judicial Appointments Commission.

Notes: For years when there was no recruitment, 'A and B grades' figures are the average of the year before and the year after. Where there are more A and B grade applicants than vacancies, some applicants are immediately selected and some are recommended for selection the following year. Grades are only given for selected applicants.

5.60 Figure 5.6 sets out the data from the Deputy District (Civil) Judge competitions in 2018-19 and 2019-20. Deputy District Judges are fee-paid judges and are the main feeder group for the District Bench. Prior to 2018, there had not been a Deputy District (Civil) Judge competition since 2015 and there was no recruitment campaign in 2020-21.

Figure 5.6: **Recruitment to the Deputy District (Civil) Bench in England and Wales, 2017-18 to 2020-21**



Source: Judicial Appointments Commission.

5.61 The senior judiciary are concerned that fee-paid judges may not apply for salaried roles at the same rate as in the past. We share this concern and have raised it in all our reports from the time of the Major Review.

5.62 Fee-paid work is attractive to those looking for flexibility or a portfolio career. The remuneration structure is more attractive in some ways as fee-paid judges receive the same pay and pension as their salaried counterparts but often receive allowances for expenses. Fee-paid judges tend to preside over less onerous cases and do not have the same administrative duties. In addition, the number of days a fee-paid judge can sit without needing referral to the Judicial Office for approval was increased at the beginning of April 2021, in order to deal with the increased workload from the pandemic and the shortfall of salaried judges.

5.63 The senior judiciary's aim is to return to a situation where 80 per cent of work is carried out by salaried judges and only 20 per cent by fee-paid judges. Until the number of salaried judicial vacancies is reduced, some fee-paid judges operate in an environment where, in practice, they can usually sit as often as they want, which further reduces their incentive to apply for salaried posts.

5.64 There remains a concern about the extent to which the new pension scheme will resolve the recruitment difficulties detailed above. We have heard anecdotal evidence that the Government's commitment to reform pensions has had a positive impact but until we see post-implementation recruitment data, we cannot be sure how far awareness of its benefits is already being taken into account by prospective applicants.

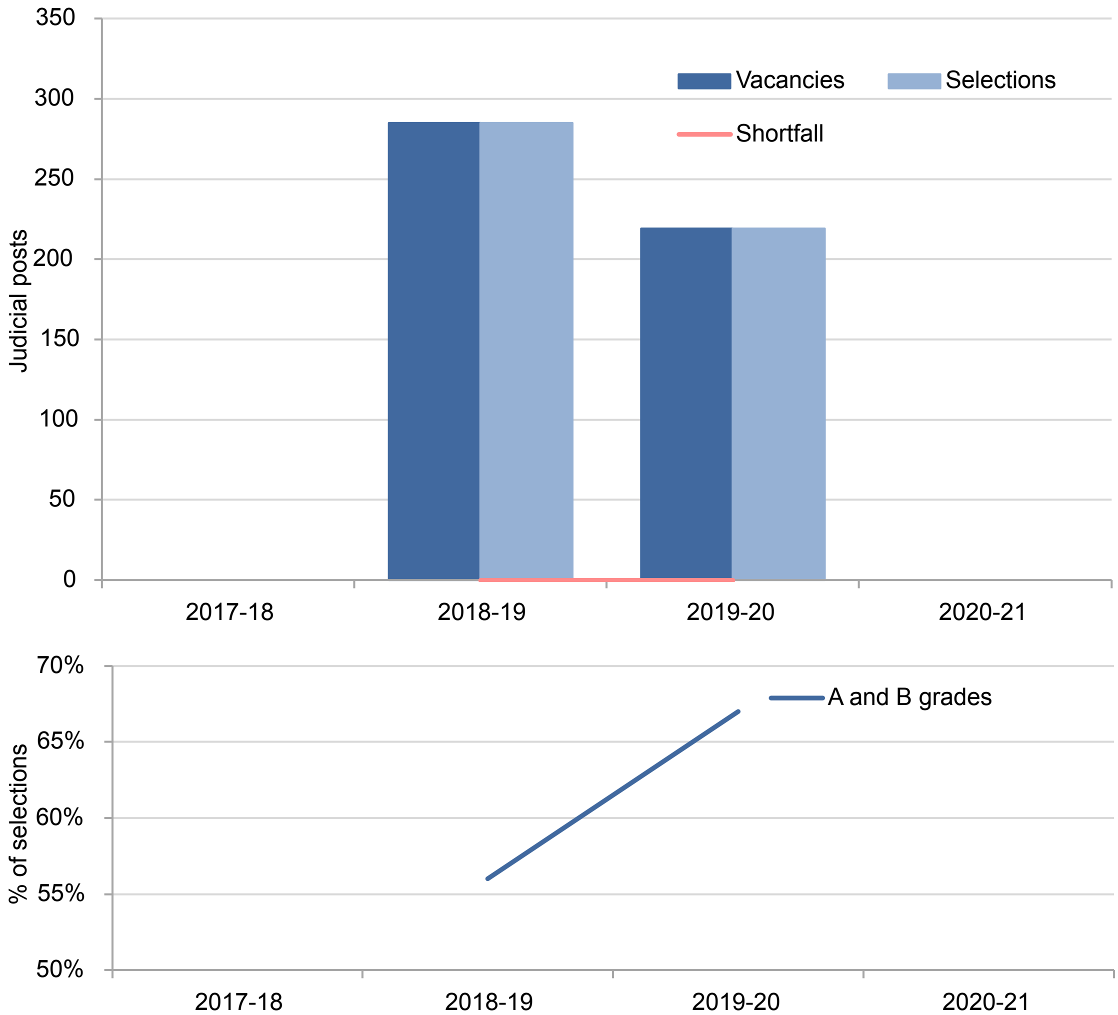
5.65 Like us, the MoJ and the senior judiciary remain concerned about recruitment to the District Bench. The senior judiciary do not feel the impact of the new pension scheme is yet clear to prospective applicants to the District Bench but say that efforts are underway to publicise it. They were glad to see annual and predictable recruitment but pointed out that, having missed several years of hiring, judicial vacancies will take some time to fill and some potential applicants may no longer be interested. They said an enormous amount of work has been carried out to encourage those in private practice to apply for judicial roles at all levels and there are successful mentoring schemes in place to attract a wide pool of applicants.

5.66 The senior judiciary believe there is a mixture of reasons for the recruitment issues at District (Civil) Judge level. These include: a lack of awareness of the benefits of the new pension, which will improve total net remuneration and pension income, though it will not improve take-home pay for the District Bench; court conditions; case load pressures; composition of the caseload; the external labour market for civil justice practitioners as compared to criminal ones; and the relative attractiveness of fee-paid positions.

5.67 One new piece of evidence we heard this year concerns the composition of the caseload at District Courts, with a large rise in the number of family cases (both child protection and private family cases) coming before the District Courts. Some District (Civil) judges are not experienced in these cases and find them difficult, so it was claimed that many civil solicitors and barristers are put off District Judge roles due to the high number of family cases involved. To deal with the problem, Deputy District Judges have been encouraged to sit on family cases if they are able to. In addition, the judiciary and the JAC are considering the case for recruiting specifically for family practitioners in the 2023-24 Deputy District Judge competition.

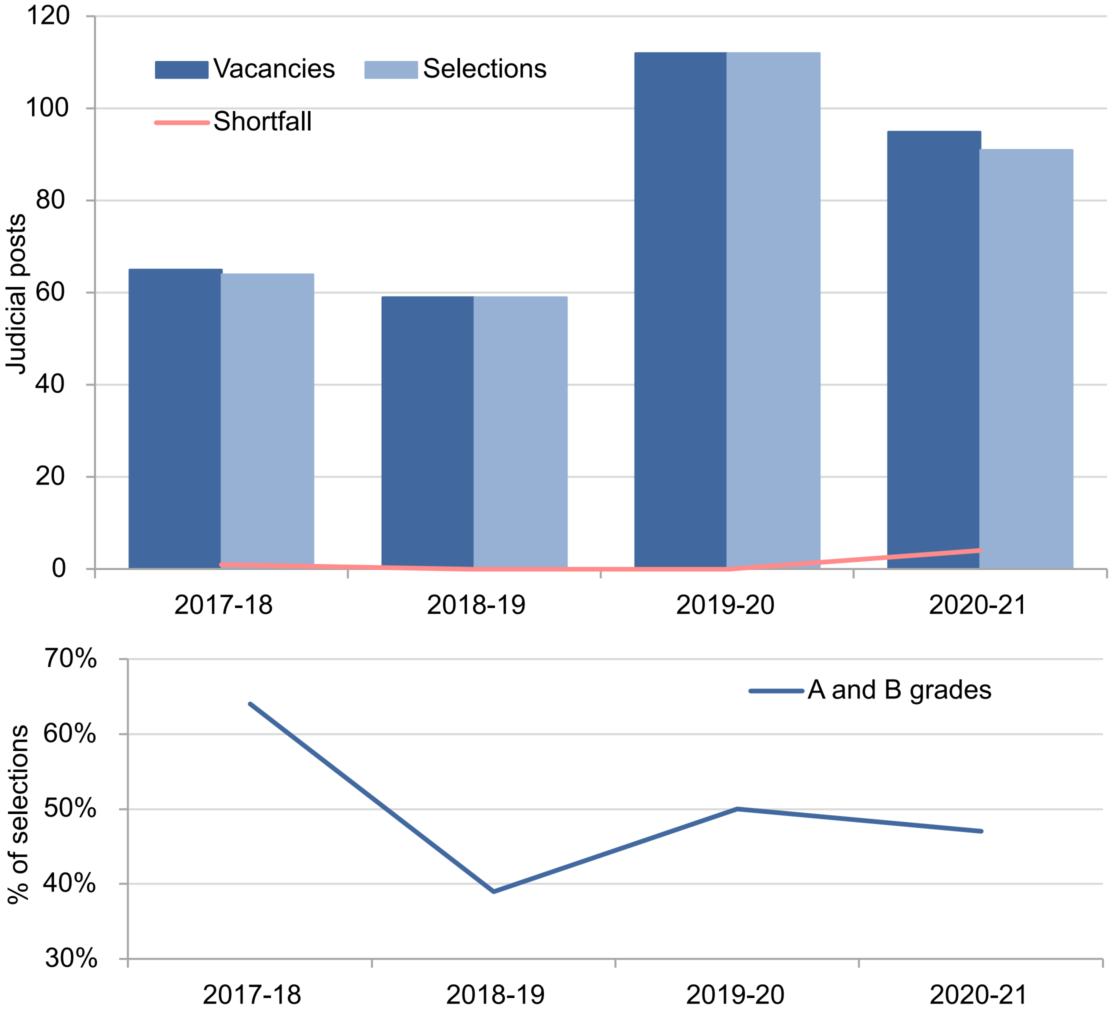
5.68 As shown by figures 5.7 and 5.8, the recruitment situation for tribunal judges is much more positive. Shortfalls are rare. We have heard some concerns about whether some tribunals could operate more efficiently if there were more salaried positions, reducing the dependence on fee-paid posts.

Figure 5.7: **Recruitment of fee-paid First-tier Tribunal and Employment Tribunal Judges in England and Wales, 2017-18 to 2020-21**



Source: Judicial Appointments Commission.

Figure 5.8: **Recruitment of Salaried First-tier Tribunal and Employment Tribunal Judges in England and Wales, 2017-18 to 2020-21**



Source: Judicial Appointments Commission.

5.69 More generally, the senior judiciary voiced their concern that if the pay of the judiciary continues to decline in real terms it will no longer be able to attract the brightest and the best from the legal profession to become judges.

5.70 We welcome the changes made in JAC recruitment activity. It is now recruiting annually and giving advance notice of each round, making it easier for potential applicants to plan their applications. In addition, has streamlined the process for judicial posts below the High Court. It was able to continue with appointments during the pandemic by making the process virtual.

5.71 Longer term, the Lord Chancellor spoke in evidence about opening up more non-graduate entry into the legal profession and the impact this could have on judicial recruitment.

Scotland

5.72 The recruitment situation in Scotland is considerably more positive than in England and Wales, though for certain roles there are some concerns about the quality of applications.

5.73 For Senators of the College of Justice, the ratio of applications to recommended appointments has stayed consistently between four and five since 2011-12. However, the senior judiciary have some concerns about whether Court of Session vacancies are attracting sufficient candidates from the top end of the senior bar.

5.74 At the Sheriff level, the ratio of applications to recommendations was seven in 2020-21. The senior judiciary again have some concerns about whether the roles are attracting sufficient candidates with civil experience. They also say there is a serious problem attracting enough candidates to the Sheriff Principal role, particularly senior advocates or senior salaried solicitors, but there are likely to be a range of reasons for this beyond pay. In the most recent Sheriff Principal recruitment campaign, there were two vacancies and only one was filled. It is difficult to know how much weight to put on relatively small numbers, though this is the first time there has been a shortfall since at least 2011.

5.75 The Sheriffs Principal said in their evidence that they have considerable doubts that candidates of sufficient calibre and experience will offer themselves for appointment to Sheriff Principal, and that the main reason for this is the small differential in salary between Sheriff and Sheriff Principal. We believe this is an issue that a future Major Review should consider.

5.76 The Sheriffs' and Summary Sheriffs' Association said there has been a marked trend in the last few years for a significant number of those appointed as Sheriffs to have been Summary Sheriffs. It said there appears to be an informal career structure developing in the Sheriff Court judiciary.

5.77 As in England and Wales, the new judicial pension scheme is likely to have had an impact. The senior judiciary noted in their evidence that now the Public Service Pensions and Judicial Office Act has passed they are able to advertise the benefits of the new scheme to potential applicants.

Northern Ireland

5.78 The recruitment situation in Northern Ireland is also more positive than in England and Wales. The Lady Chief Justice said in her evidence that High Court Judge and Coroner recruitment exercises in 2020-21 delivered high-quality candidates for the vacancies and there is no difficulty attracting the right people into senior judicial roles.

5.79 However, it is worth noting that there is a backlog of recruitment competitions and vacancies are taking longer to fill. Vacancies are sometimes covered by deputies. The Lady Chief Justice views this positively, as it allows temporary judges to see if they would like to apply for salaried roles. She believes it also helps diversity initiatives in Northern Ireland.

Retention and retirement

Introduction

5.80 For most remit groups, retention and retirement would be considered as distinct categories. For the judiciary, however, appointees join after many years working as legal practitioners and there is a strong and long-standing convention, backed up by practice guidelines, that once someone joins the salaried judiciary they do not return to private practice before the courts. Therefore, most salaried judges leave by retirement.

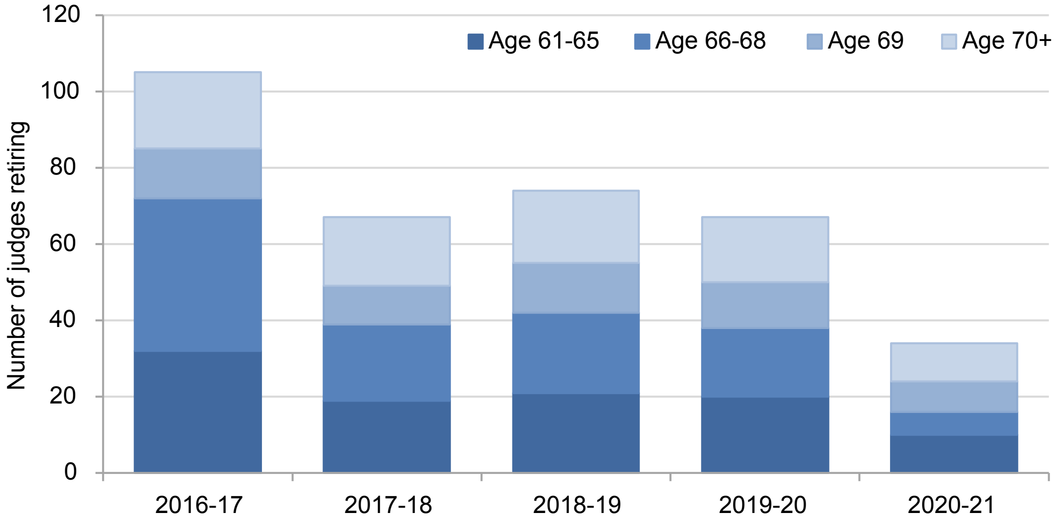
5.81 For 27 years, the judicial retirement age was 70 with only limited possibilities for sitting beyond this. Recent legislation has returned the mandatory retirement age to 75. It is unclear whether this will simply result in a one-time diminution of vacancies, as judges decide to serve longer, or whether it will make the role more attractive to prospective applicants who may be able to extend their working lives by joining the judiciary. The MoJ has estimated that the change could retain an extra 400 judges and tribunal members a year. However, it has not shared any of its modelling assumptions or given the breakdown across different parts of the judiciary.

England and Wales

5.82 There do not appear to be significant retention issues in England and Wales. While there are some judges who say they intend to retire earlier than past historical trends, due mainly to morale issues, the evidence does not currently show these views translating into increased early retirement.

5.83 Court judge retirements since 2016-17 are shown in figure 5.9. Retirements fell considerably in 2020-21. The senior judiciary suggested this may be because people could not travel or socialise and therefore chose to work longer. The average retirement age has stayed consistently around 67 since 2016-17.

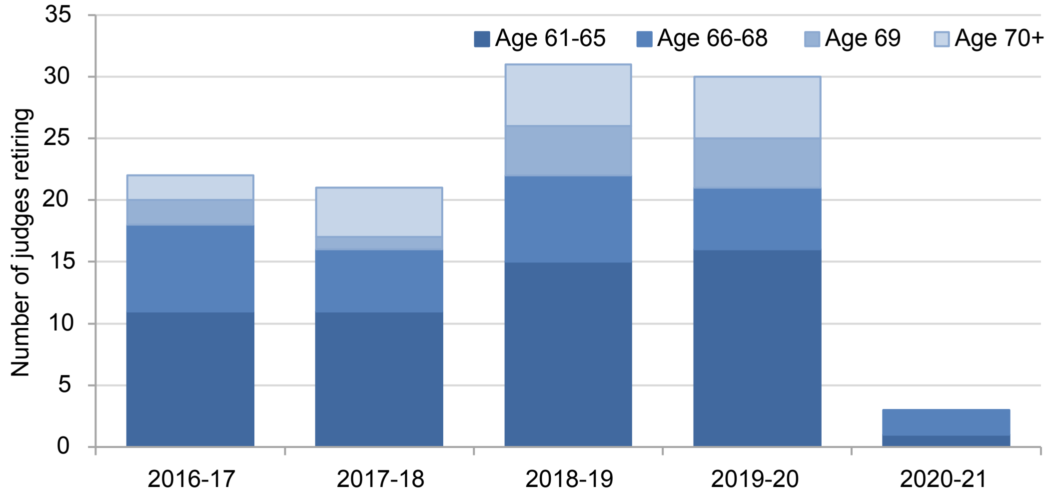
Figure 5.9: **Court judge retirement 2016-17 to 2020-21**



Source: Ministry of Justice.

5.84 Tribunal judge retirements since 2016-17 are shown in figure 5.10. Again, there is a noticeable fall in 2020-21.

Figure 5.10: **Tribunal judge retirement 2016-17 to 2020-21**



Source: Ministry of Justice.

5.85 In the last early leavers' survey, conducted between April and September 2020, the most common reason for leaving was "I had things I wanted to do with my life while I am able" and the next most common was a "deterioration in the judicial work environment". 5 of the 26 respondents said that an improvement in financial compensation would have prompted them to reconsider leaving the judiciary early and 12 said better judicial working conditions, such as administrative support or greater flexibility in working hours, would have done so.

5.86 The MoJ said the retention positions that were of most concern at the time of our Major Review, namely the High Court and Circuit tiers, seemed to be improving or at least holding steady. However, it remains concerned about retention of the District Bench, where judges tend to retire earlier.

5.87 The senior judiciary have some concerns about the implications of the new, higher, retirement age, as it could result in an older judicial workforce and discourage applicants in their 50s from applying. They are clear that serving as a member of the judiciary should not be seen purely as a retirement job. They also noted that it might slow improvements in judicial diversity.

5.88 As we have noted above, there has been some increase in movement between the tiers of the judiciary, in particular in District Judges becoming Circuit Judges.

Scotland

5.89 The senior judiciary in Scotland do not expect the increase in the mandatory retirement age from 70 to 75 to have much impact on retention. This is because individuals tend to apply for judicial roles in Scotland at an earlier age than they do in England and Wales. They said Scottish Court of Session Judges tend to be appointed between the ages of 45 and 55 which gives them time to build up a substantial judicial pension before the statutory judicial retirement age.

5.90 The Lord President said that although the data show the average age of retirement is around 69 in the Court of Session and around 63 for Sheriffs, he thought the data on Sheriffs included some outliers and the typical retirement age was more likely to be around 66.

5.91 Over half of Sheriffs responding to the 2020 Judicial Attitudes Survey indicated that they were considering retirement within the next five years. The Sheriffs' and Summary

Sheriffs' Association feels there may be a serious retention problem among salaried Sheriffs. It says that during the last four years, 53 Sheriffs have retired, representing approximately 45 per cent of the shrieval cohort.

5.92 The unusually high number of retirements is partially due to an expansion in appointments in 2000 which has now worked its way through the workforce. However, the Sheriffs' and Summary Sheriffs' Association says numerous surveys in recent years have shown low morale and that the real value of remuneration has fallen.

5.93 The Sheriffs' and Summary Sheriffs' Association also says that since the Court Reform (Scotland) Act 2014 came into force, the complexity of Sheriffs' workloads has increased. It said that while Sheriffs retain legal competence to deal with all matters which may be dealt with by a Summary Sheriff, Summary Sheriffs deal with an increasing proportion of simple procedure cases (civil claims under £5,000 in value) and summary criminal business, leaving Sheriffs to focus to a greater extent on the higher tariff work falling exclusively within their jurisdiction, such as higher value civil litigation and solemn criminal work. This has resulted in the workload of Sheriffs shifting upwards in terms of value, complexity and length. The Association says significantly more preparatory work and writing is an inevitable consequence of this and insufficient protected time is allocated for it due to pressures of business, hence increasing Sheriffs' working hours.

Northern Ireland

5.94 There does not appear to be a retention issue within the judiciary in Northern Ireland. In the last few years, the expected numbers of judges have been leaving and there has not been an early retirement since 2016-17.

Morale

England and Wales

5.95 The senior judiciary in England and Wales noted pressures on judicial morale in their evidence, as we have heard about for some years. An important source of low morale is the physical environment in which members of the judiciary are expected to work. Buildings are often dilapidated, equipment is frequently outdated and the number of administrative and court support staff has been reduced. Security concerns have grown, with an increase in the number of litigant in person. These concerns were also voiced in our Major Review and in the responses to the Judicial Attitudes surveys carried out since 2016. The senior judiciary noted that the latest Spending Review had increased provision for building maintenance and general IT support but that it was insufficient and there would still be enormous pressure on budgets over the next two years.

5.96 The senior judiciary said the increase in workload and pressure has affected judges at all levels and in all jurisdictions. Steps are being taken to reduce the pressure but workloads are still increasing. This has also affected the tribunals, particularly the employment and immigration tribunals, with a rise in cases in the former following the Supreme Court decision in 2017 to abolish the fees regime put in place in 2013.

5.97 The Judicial Attitudes Survey[52] was last completed in 2020 and published in February 2021; we commented on it in our Report last year.

5.98 This year we also heard about a newer issue for the District Bench around caseload composition, as explained at paragraph 5.69 above. It would be helpful if the next Judicial Attitudes Survey collected evidence about this issue.

52 See: https://www.judiciary.uk/announcements/judicial-attitudes-survey/.

5.99 The MoJ has said that judicial HR resources and efforts have been increased to provide:

- Increased welfare services and diversity and inclusion resources.
- More strategic engagement with workforce planning and placement.
- Consideration of how policies affect judicial recruitment.

5.100 Work has been undertaken to ensure all judicial office-holders have clear and agreed job descriptions. This ensures consistency and clarity about expectations and responsibilities to support appraisals for fee-paid judges and career discussions for salaried judges. In addition, the Judicial College is revising its training programmes for all leadership judges to ensure judicial leadership is professional and effective. This is a great improvement on the situation that existed at the time of the Major Review.

5.101 The HM Courts and Tribunals Service reform programme is still in progress. For the judiciary, reform means operating in a modernised court system, using updated and upgraded IT systems, and with revised procedures to ensure judges have the time to conduct the key role of hearing cases, rather than seeing to administrative tasks or dealing with cases that need not be before them.

5.102 In addition, the Lord Chancellor said in evidence that there were longer-term plans to increase innovation and digital technology to free up time for judges to do more interesting and substantive work.

Scotland

5.103 We received different pictures of morale from the senior judiciary and from the judicial associations in Scotland this year. The senior judiciary felt that morale was high among the Court of Session Judges and thought that it was likely to be good among Sheriffs too. They noted the loss of collegiality and support that had come with remote working but said a welfare strategy had been developed to address this.

5.104 The Sheriffs' and Summary Sheriffs' Association said many colleagues have reported occupational health issues, fatigue, isolation and loss of job satisfaction.

Northern Ireland

5.105 The Lady Chief Justice said in her evidence that morale was being affected by issues such as the understanding of the judiciary and its standing in the community. She also said security for members of the judiciary in Northern Ireland remains an area of significant concern.

5.106 She was also concerned about insufficient support in the form of court clerks and said the role is not currently attractive because it is not amenable to remote working. High Court Judges have commented that the appointment of judicial assistants would be beneficial in providing support in complex cases or researching legal arguments in cases involving personal litigants.

5.107 The Lady Chief Justice has asked her office to develop a welfare strategy which will review the levels of support provided to all judges in areas such as welfare, human resources, training and complaints. This aims to enable the senior judiciary and the presiding judiciary to exercise its leadership and management responsibilities effectively.

5.108 She noted that, while the problems with the court estate were not at the same levels as in England and Wales, there are some courthouses which could benefit from an upgrade, in particular Londonderry courthouse where there have been major issues with ventilation and overcrowding.

5.109 She said that remuneration also played a part in morale and she hoped that the new judicial pension would improve it.

5.110 Increased out-of-court commitments put particular pressure on judicial time in Northern Ireland, arising from its unique history. These commitments include sitting on the Historical Institutional Abuse Redress Board and as Presiding Coroner and President of the Victims' Payments Board. Court of Appeal and High Court Judges also continue to be required to deal with complex social matters that might ordinarily have been the responsibility of government, such as abortion and same-sex marriage.

5.111 The Lady Chief Justice raised again this year the pay of Northern Ireland Coroners. She said that they are paid significantly less than their counterparts in England and Wales, despite having complex issues to address with legacy cases from the Troubles. Coroners are not within our remit group, as their pay is set by local authorities in England and Wales, so we are not able to make a recommendation. We would, however, observe that this is an important issue that the MoJ and the Northern Ireland government should consider examining.

Equality and diversity

England and Wales

5.112 The 2021 *Diversity of the Judiciary* report[53] contained a detailed breakdown of diversity characteristics of the judiciary. Between 2014 and 2021 the proportion of female judges increased by 9 percentage points (to 34 per cent) in the courts and 7 percentage points (to 50 per cent) in the tribunals. Over the same period the proportion of court and tribunal judges from an ethnic minority background increased by 3 and 2 percentage points respectively to 9 per cent of court judges and 12 per cent of tribunal judges.

5.113 The senior judiciary said in their evidence that good progress had been made on appointing people from south Asian backgrounds. There remains, however, a pressing concern about the appointment of judges from black African and Caribbean backgrounds. These are not only much less well-represented in the judiciary but also in the senior legal professions from which judicial appointments are made. The judges and other stakeholders are aware of the need to take focused steps to address this issue, for instance by contacting every senior black lawyer to raise the profile and attractiveness of a judicial career.

5.114 The Judicial Diversity Forum published an update to its action plan in December 2021, including a commitment to further outreach programmes and to publish data and review the processes and barriers to appointment of lawyers from diverse parts of the legal profession. It is encouraging to see a recognition that the issues are different for different groups.

5.115 The MoJ continues to fund the Pre-Application Judicial Education programme, which supports eligible lawyers from under-represented groups to apply for judicial roles, including women, lawyers from an ethnic minority background and lawyers with disabilities. Since September 2019, 525 places have been allocated. The Judicial Diversity Forum members have agreed to support the extension of the programme beyond 2021 and to expand its reach to support over 200 applicants a year.

5.116 Concerns have been raised about the impact of increasing the mandatory retirement age on diversity, as it might limit opportunities for progression for younger, more diverse cohorts in the feeder groups.

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53 See: https://www.gov.uk/government/statistics/diversity-of-the-judiciary-2021-statistics/diversity-of-the-judiciary-2021-statistics-report.

5.117 We welcome the progress that has been made on judicial diversity. We note not only the improvements in indicators but in the proactive and practical approach that multiple stakeholders are taking in looking at the different challenges for different groups and tailoring their approaches appropriately.

Scotland

5.118 The evidence has not highlighted any major issues with diversity, though we believe that further data on this issue in Scotland would be useful and we are pleased that the Lord President agrees.

Northern Ireland

5.119 At March 2021, women made up 37 per cent of salaried and fee-paid judges. Women's participation, however, falls at higher levels of the judiciary. There are no female Court of Appeal Judges and of the 11 most recent appointments to the High Court, only one was a woman.

5.120 The Lady Chief Justice hopes that her own appointment as the first female Chief Justice will demonstrate that all judicial offices are achievable for women. She said that diversity is one of her key priorities and that the judicial profession needs to provide more support for women. She noted that while half of those coming into the legal profession are women, they tend to drop out of the system between years 7 and 15 due to childcare or other caring responsibilities and often find it difficult to return.

5.121 Community background is also an important metric in Northern Ireland. The Lady Chief Justice said in her evidence that representation in the Court of Judicature is not skewed either way and that representation in the Court of Appeal is based on merit and the balance of its membership fluctuates between religious affiliations.

5.122 In 2021, the Department of Justice increased the maximum number of Northern Ireland High Court Judges from 10 to 15, partly to allow for the recruitment of part-time judges. This will potentially make the position more attractive to a wider range of applicants, including women. The increase was also needed to support the appointment of the Presidents of the Redress Board and the Victims' Payments Boards from the Northern Ireland High Court. While most of the other recent recruitment schemes for salaried judicial office-holders have been advertised as being suitable for flexible working, none of the successful applicants have elected to take up this opportunity. Currently, there is only one salaried judicial office-holder in the jurisdiction who works part time. There remains significant interest in fee-paid posts so it may be that this is a more attractive option for people wishing to achieve flexible working.

Pension changes

5.123 All judges moved to the new pension scheme, JPS22, on 1 April 2022. The reformed scheme is intended to be more generous for judges than the 2015 Judicial Pension Scheme, while maintaining the Hutton principles for public sector pension reform. Its key features are that:

- It is tax-unregistered, which means that pensions accrued will not count either towards annual or lifetime allowances.
- It has no service cap, so that, unlike the previous tax-unregistered schemes (for instance JUPRA), there is no longer a 20-year service cap for members.
- It is a defined benefit, career-average earnings scheme.
- It has an annual accrual rate of 2.5 per cent of pensionable earnings.

- It requires a uniform member contribution rate of 4.26 per cent of pensionable earnings.
- It is linked to the state pension age, rather than the higher mandatory retirement age for the judiciary.

5.124 Table 5.2 below shows a comparison of the different judicial pension schemes that have operated in recent years.

Table 5.2: **Comparison of judicial pension schemes**

	Fee-Paid Judicial Pension Scheme (FPJPS)	**Judicial Pensions and Retirement Act 1993 Scheme (JUPRA)**	**New Judicial Pension Scheme 2015 (NJPS or JPS15)**	**Judicial Pension Scheme 2022 (JPS22)**
Membership	Fee-paid judges	Salaried judges	Salaried and fee-paid judges	Salaried and fee-paid judge
Defined benefit category	Final salary	Final salary	Career-average	Career-average
Service cap	20 years	20 years	None	None
Tax status	Unregistered	Unregistered	Registered	Unregistered

5.125 JPS22 returns judges to a tax-unregistered pension scheme, which is the position they were in under JUPRA. This means benefits accrued under the scheme do not count towards either the individual's annual allowance or their lifetime allowance. If growth in pensions savings over the tax year is more than the annual allowance, members do not have to pay a tax charge. Previous benefits accrued in NJPS, alongside any other tax-registered pensions, count towards the individual's lifetime allowance.

5.126 Member contributions in a tax-unregistered scheme do not receive tax relief. Therefore, the contribution rate in JPS22 has been set at a lower rate, to ensure members pay roughly the same contribution rate to the scheme, net of tax, as in NJPS. JPS22 has a uniform member contribution rate of 4.26 per cent. This is different from JUPRA, FPJPS and NJPS, all of which had tiered contribution rates based on earnings.

5.127 As the new scheme will result in salary group 7 judges taking a small reduction in take home pay, the MoJ is giving members of JPS22 the option to make reduced contributions (3 per cent) to the scheme in return for a commensurate reduction in the accrual rate (2.42 per cent rather than 2.5 per cent). This option will last for a fixed period of three years, after which judges will move to the uniform contribution rate.

5.128 We have undertaken an analysis of the impact of the pension scheme changes on total net remuneration,[54] using the methodology outlined in previous reports. We have also looked at the impact on take-home pay. The impact is very varied across different groups of judges. The benefit of not being subject to the lifetime allowance is dependent on how much pension saving an individual has already made when they join the judiciary. Most judges moving to JPS22 will gain from avoiding a lifetime allowance charge when they take their pension. However, only some will see an increase in take-home pay. Therefore, the benefits of the pension change will be much more salient to some than others.

5.129 For judges moving from NJPS to JPS22, we calculate there is an increase in total net remuneration (excluding the effect of the lifetime allowance) of 4.2 per cent for a High Court Judge, 7.5 per cent for a Circuit Judge and 2.6 per cent for a District Judge due to

[54] Total net remuneration is take-home pay (annual gross pay minus national insurance, income tax, pension contributions and any annual allowance charge) plus the value of the pension accrued in the year.

the improved accrual rate in the new pension scheme. The improvement for High Court Judges is offset by the withdrawal of the 25 per cent recruitment and retention allowance which was introduced to compensate for the annual allowance charge.

5.130 For those who have breached the lifetime allowance of £1.073 million, moving to a tax unregistered pension scheme will save up to £22,350 in lifetime allowance charge each year for a High Court Judge, £16,600 for a Circuit Judge and £13,300 for a District Judge. Given that this is offset by higher income tax on pensions in payment, the maximum net benefit each year from not being liable to the lifetime allowance would be £17,600 for a High Court Judge, £13,050 for a Circuit Judge and £10,500 for a District Judge (taking into account the improved accrual in JPS22 compared to NJPS).[55]

5.131 For judges moving from NJPS to JPS22, we calculate there is an increase in take-home pay of 1.7 per cent for a High Court Judge and 7.3 per cent for a Circuit Judge and a fall of 0.7 per cent for a District Judge. The reason that District Judge take-home pay falls is the income tax they pay on pension contributions.

5.132 Much of the benefit from the new pension scheme is dependent on it not being subject to the lifetime allowance and so will not be realised until retirement. Consequently, the benefits may be marginal for those who have not breached the lifetime allowance upon joining the judiciary and who would not expect to during their time at the Bench. For these individuals, the benefit comes from an improved accrual rate in the new pension scheme. The amount of pension that judges have already accrued when joining the Bench is likely to vary greatly, especially as some parts of the feeder pool are self-employed and must organise their own pension provision.

5.133 We have heard there has been extensive outreach and communications to serving judges about the pension change since the 2019 announcement. We have been told that High Court and Circuit Bench judges are more likely to appreciate the impact of the change, partly as they see immediate benefits. However, there are concerns that Group 7 judges may not appreciate the size of the increase to total net remuneration.

5.134 The MoJ says it has communicated the pension changes to the judiciary and has received positive feedback. Roughly 1,000 members of the judiciary attended its JPS22 overview webinars and it has run further webinars concentrated on individual salary groups. Approximately 200 judges attended the webinar for salary group 7 and 8. It says it will continue to communicate with judges through a series of webinars, newsletters and letters to eligible members.

5.135 Perhaps more important for judicial recruitment, the MoJ is also working with the JAC to ensure its recruitment material contains relevant information about the new pension scheme for potential applicants. It expects that the pension changes will go some way to addressing the issues we highlighted in our 2018 Major Review. However, a question remains about how much current judges and potential applicants understand the implications of the pension change on both take-home pay and total net remuneration.

England and Wales

5.136 While all judicial associations welcomed the 2022 pension changes, they highlighted remaining issues with pensions. Several judicial associations voiced their concern over the implications of the new pension scheme's contributions for Group 7 judges, as the loss of personal tax allowance equates to an additional 20 per cent marginal income tax on salaries between £100,000 and £125,140.

[55] We assume annual allowance tax charges are paid in year, not through Scheme Pays. Using the latter offsets some of the lifetime allowance charge.

Current pay

5.137 By statute, a serving judicial office-holder cannot have their salary reduced. In addition, salaried judges are unique in public service in not being able to return to private practice after becoming judges.

5.138 Judicial pay is not subject to incremental progression and no aspect of judicial pay is related to performance. Judges are paid at a spot rate determined by the salary group of their judicial office. A small number of judicial office-holders receive different salaries from others in their salary group due to transitional arrangements, legacy pay arrangements (which cease once the individual leaves office) and leadership allowances for additional responsibilities (which also cease when the leadership role ends).

5.139 Since the passage of the Public Service Pensions and Judicial Offices Act 2022, the Lord Chancellor now has the statutory power to set allowances for all judicial office-holders for whom he has the power to determine remuneration.

5.140 The current legal framework does not allow allowances to be paid for core judicial work, for example hearing cases, so allowances are used to recognise additional leadership responsibilities or address recruitment and retention issues. The current allowances in use are the recruitment and retention allowance (RRA), London weighting allowance and leadership allowance.

5.141 The RRA was implemented to help address the recruitment issues highlighted in the Major Review. It was introduced on a temporary basis until pension changes could be put into effect. As of March 2021, 19 office-holders were still receiving an RRA (High Court Judges on NJPS). Now that the new pension scheme is in place, the RRA has been removed.

5.142 A London weighting allowance of £4,000 a year is paid to judges in salary group 7 whose principal court or hearing centre is based in London.

5.143 The leadership allowance is for key leadership roles, where the judges are not rewarded by being in a higher salary group than those they are leading. Leadership allowances enable a more flexible approach to judicial leadership, as they do not require re-grading and can be removed when the leadership role is no longer being carried out.

Proposals on pay

5.144 The Government proposes that the pay for all judicial office-holders should increase by 2 per cent in 2022-23. The MoJ says it is essential to see what impact the pension changes have on recruitment, retention and morale before any other significant changes to remuneration are considered.

5.145 Its preference is to make a pay award to all judicial office-holders regardless of how they are affected by the pension scheme changes. It says targeting a particular cohort would need well-justified reasoning from the SSRB.

5.146 The MoJ noted that its proposal for a 2 per cent pay uplift across the board would cost £12 million in 2021-22 payroll costs (excluding further national insurance and pension contribution adjustments). The MoJ says this is what is affordable, and any recommendation above this would be unfunded under the Spending Review and require reductions elsewhere in its budget, including spending plans for other elements that have a bearing on judicial recruitment, such as improvements to the court estates. It says it must balance the need to attract individuals with the right skills, knowledge and experience to take up and remain in judicial office with the need to ensure value for money for taxpayers and meet other demands on the justice system.

5.147 It acknowledges it cannot guarantee that the pension reforms and a 2 per cent rise will make a large difference to judicial shortfalls, though it hopes it will mark the start of sustained improvement. It acknowledges that the shortfall in the number of judges is an important factor in the backlog facing many courts and tribunals, though not the only one.

England and Wales

5.148 The senior judiciary in England and Wales take a different view about pay. The Judicial Executive Board feels there is a strong case for a substantial pay increase across the judiciary. Its reasons include:

- The significant drop in real judicial salaries since 2009-10.
- Evidence suggesting an increase in solicitors' and barristers' salaries over recent years and therefore an increased differential.
- That it appears to be easier to recruit fee-paid judges than salaried ones, suggesting remuneration is a factor.

5.149 However, it also agrees that any percentage award should be the same for all groups of judges in both the courts and tribunals, as any other course would likely be divisive and detrimental to morale. While it is more concerned about District Bench shortfalls than it has been previously, it feels that issues such as the court estate and case composition are more pressing.

5.150 It says that while the impact of the recently implemented pension scheme on recruitment is not yet clear, it believes that prospective applicants for positions at the High Court and Circuit Bench are more aware of the benefits than prospective applicants to the District Bench. To some extent, expectations about the new pension scheme have already had an effect and yet recruitment shortfalls continue. It is concerned about whether pension changes alone will remove judicial shortfalls. However, efforts are underway to publicise the new scheme and these may improve recruitment and morale.

5.151 A number of additional points were raised by judicial associations. They highlighted the erosion of real pay across the judiciary because of inflation, changes in national insurance contributions and the years of pay freezes, and requested that salaries keep up with inflation. Some also requested that judicial salaries keep up with the private sector.

5.152 The Association of High Court Masters and Insolvency and Companies Court Judges, National Council of HM District Judges (Magistrates' Courts), Forum of Tribunal Organisations and the Chair of the Council of Appeal Tribunal Judges requested a pay award that at least equals the rate of inflation. The High Court Judges' Association suggested a commitment to annual pay awards of at least 5 per cent over the next five or six years.

5.153 The Association of Her Majesty's District Judges (Civil) disagrees with the Lord Chief Justice's suggestion that all salary groups should have the same percentage increase because of the recruitment and retention crisis affecting District Judges. The Associations representing District Judges (Civil) requested a non-pensionable recruitment and retention allowance in the region of £15,000 be paid to all salaried District Judges for at least the next two years.

5.154 The Senior District Judge (Chief Magistrate) and Deputy Senior District Judge (Chief Magistrate) also suggested they be given an interim award, akin to the recruitment and retention allowance given to senior judicial office-holders.

5.155 The Council of Her Majesty's Circuit Judges and the Financial Remedies Court Lead Judges argue that the leadership supplements following the recommendations of the last Major Review have not been applied consistently. They say that Court of Protection Regional Lead Judges and the Financial Remedies Court Lead Judges are undertaking leadership roles but do not receive allowances.

Scotland

5.156 While noting recruitment issues in some areas and the impact of inflation, the senior judiciary in Scotland said that in the absence of widespread recruitment problems the biggest issue was pay parity across the United Kingdom. However, both they and the Judicial Appointments Board noted that the Sheriff Principal roles were not receiving as many applications as might be expected and salary was likely to be a factor. They also noted the impact of other factors, such as remote working and flexible working, on recruitment and retention.

5.157 They agreed that the pension change represented a significant increase in total remuneration but said that more could be done to advertise this.

5.158 The Sheriffs Principal noted that in the past, an additional salary group (5+) had been created for two distinct judicial office-holders for England and Wales and suggested that this approach could also be used for Sheriffs Principal. They said that while the increase that would be provided by this uplift would be relatively modest (under 6 per cent), it would be a clear signal to potential candidates that the increase in workload and responsibility of Sheriff Principal compared to a Sheriff is recognised.

5.159 The Sheriffs' and Summary Sheriffs' Association said that, at the very least, Sheriffs should continue to have parity with Circuit Judges in England and Wales and that a significant increase in remuneration was justified.

Northern Ireland

5.160 The Lady Chief Justice noted in her evidence the importance of pay parity with the judiciary in England and Wales and said that if pay and conditions were not right it would have a detrimental effect on morale. She said the pay pause last year and high levels of inflation this year were issues for consideration but that the pension reform was encouraging. She also said there needed to be a commitment to give members of the judiciary a pay award each year.

Re-gradings

England and Wales

5.161 The Council for Employment Judges, the Presidents of the First-Tier Tribunals and the Presidents of the Employment Tribunal, the Senior District Judge and Deputy Senior District Judge (Chief Magistrates) and the National Council of Her Majesty's District Judges asked for salary re-grading for roles they represent. The Council for Employment Judges also requested a review of London weighting.

Northern Ireland

5.162 The Society of Masters of the Court of Judicature of Northern Ireland said an annual increase in salary is appropriate to reflect the Presiding Master's work and in line with the Senior Masters and Registrars in the High Court in England and Wales.

5.163 The Presiding District Judge (Magistrates' Courts) Northern Ireland urged the SSRB to increase the Presiding District Judge salary to an appropriate level.

5.164 The District Judges said a salary increase significantly in excess of inflation was required to remunerate District Judges in Northern Ireland.

Our view

5.165 We stand by the 2018 Major Review and its methodology, though there may be individual cases where new re-grading should be considered. However, we believe that it is more appropriate to deal with re-gradings during Major Reviews.

5.166 On leadership allowances of the sort summarised in paragraph 5.144, our view is that they should not necessarily require SSRB involvement but should involve the senior judiciary taking a view in their leadership role and using the framework laid out by the Leadership Review in 2020.[56] If agreed with the MoJ, these leadership allowances could be implemented between Major Reviews.

Conclusions and recommendations

Pay recommendations

5.167 The judiciary is the only one of our remit groups that requires external recruitment from senior and qualified practitioners. It is also the only one of our remit groups showing sustained, and in the case of the District Bench, worsening, recruitment problems.

5.168 Having enough judges of the right quality matters. The speed of justice is also important and there are currently significant backlogs in the courts. There are many reasons for this but judicial vacancies do not help.

5.169 The recruitment problems began after the 2015 pension reforms, which had a big impact on the judiciary's total net remuneration.

5.170 In our 2018 Major Review, we looked at the impact of the pension change on total net remuneration and the impact on recruitment. We recommended large increases in judicial pay but the Government's preferred option was pension reform. We have modelled this and the impact on total net remuneration is similar to our Major Review recommendations, although it varies by level of judge and by individual.

5.171 The extent to which the pension change has already affected the expectations of prospective applicants is a matter of judgement. We have heard evidence on this. Even when writing our Report last year, we felt it had had an impact, at least to some extent. In our view, the new pension is an important element but it may not be sufficient to deal with the recruitment shortfalls we are seeing.

5.172 We have been hearing for some time that improved recruitment to the feeder pools, i.e., Deputy District Judges and Recorders, would turn things around. The problem is how long this takes. Feeder pools cannot be filled all at once and there is a limit to how much it is possible to 'catch up' on recruitment from previous years as individuals who might have applied in those years may no longer be interested. In many cases, judicial inductions were delayed due to the pandemic, which has impeded those in the feeder pool from building up their qualifying service records.

5.173 Given we have seen some stabilisation of the vacancy rate at Circuit Bench level and that the High Court has recruited its full complement, the pension change alongside a pay uplift may help the situation.

5.174 However, we are less convinced of this for the District Bench. On the one hand, we are not sure that prospective applicants understand the scale of the increase to total net

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

remuneration that the new pension scheme will bring, and note that there are clearly factors other than pay involved. On the other hand, we have more concerns about the size of the shortfall, and that it is primarily seen in the District (Civil) Bench, rather than for District Magistrates, suggesting that the external labour market plays some role.

5.175 We have also heard new evidence that an increasing proportion of cases are made up of family law, which does not always match the experience or inclination of civil judges. We would welcome steps to investigate, quantify and consider how to address this mismatch.

5.176 Other than this, we would encourage continued efforts to fill the feeder pool and explain the new pension scheme to current and prospective judges.

5.177 We are so concerned about the position of the District Bench that we had many discussions about recommending a differential pay rise. An important factor that gives us pause at this stage is that we have been so strongly advised against this by a number of stakeholders. In addition, it is still possible that better communication about the extent of the benefits of the JPS22 will make District Bench posts more attractive.

5.178 Consistent pay across the United Kingdom is one of the principles we consulted on and put in place for the Major Review, and it is important for a unified UK-wide judiciary. However, it comes with costs. The labour markets the judiciary recruits from vary widely by geographic area and court level; to avoid shortfalls, judicial pay must take account of the most competitive of these. When money is limited, it may make sense to focus it on areas seeing significant recruitment problems, rather than spreading it across the whole judiciary, parts of which have no recruitment difficulties. That would require a consideration of the balance between the costs and benefits of the principles, better labour market evidence than we have this year and more information about the effects of the pension changes and any other improvements to non-pay issues.

5.179 We do not believe this issue can be evaded for long. For this year, we are not recommending a differential increase between different categories of judge. However, if the situation is not improved next year, we believe the SSRB should be tasked with considering a differential recommendation for District Judges and should be given stronger evidence about labour market rates on which to make a decision.

5.180 We gave serious consideration to recommending a pay increase higher than 3.5 per cent for the judiciary. However, new information about improved High Court recruitment and uncertainty about how far the new pension scheme's benefits are understood meant we did not do so. We are therefore recommending a pay increase of 3.5 per cent for the judiciary, in line with our other remit groups.

Recommendation 7: We recommend a pay increase of 3.5 per cent from 1 April 2022 for all members of the judiciary.

Other observations and conclusions

5.181 Our pay recommendations are covered in the previous section. However, there are other issues relevant to judicial recruitment and retention on which we have observations.

5.182 At the Major Review and since, we have seen evidence about the poor condition of the court estate and the lack of administrative support for judges and the impact these have on morale. We welcome the MoJ budgeting more for court estate improvements, not only because of the impact on judges but also because of the experience of citizens using the courts.

5.183 We also encourage further modernisation of court processes, recognising that responsibility here is split between the MoJ and the judiciary itself. We welcome continued consideration of which procedures can be more efficiently held online without compromising fairness, and note the importance of better IT to make this possible.

5.184 We are increasingly concerned about the relative attractiveness of fee-paid and salaried roles. The legally required equalisation of pay and pensions for fee-paid judges, the availability of various allowances which their salaried counterparts do not receive, and the greater administrative load as well as the burden of more complex and difficult cases carried by salaried judges, all enhance the relative attractiveness of fee-paid roles. While we are glad that fee-paid roles are attractive, there must be some incentive to take up salaried positions and it is not clear that the balance is right at present. We also note that court workloads can be unpredictable so there are financial benefits to having salaried judges who can work more flexibly. We are pleased that the MoJ is conducting a review of allowances which will consider this issue.

5.185 We received a number of requests this year to re-grade various posts or provide leadership allowances. We stand by the 2018 Major Review and its methodology, though there may be individual cases where new re-grading should be considered. However, we believe that it is more appropriate to deal with re-gradings during Major Reviews.

5.186 On leadership allowances of the sort summarised in paragraph 5.144, our view is that they should not necessarily require SSRB involvement but should involve the senior judiciary taking a view in their own leadership capacity and using the framework laid out by the leadership review in 2020. If agreed with the MoJ, these can be implemented between Major Reviews.

5.187 We welcome the efforts being made by all stakeholders to address judicial diversity. Progress has been made, though everyone agrees that there is more to do. We recognise that the feeder groups are not always as diverse as they could be and there are issues further down in the legal profession which judicial appointments cannot directly affect. However, it is important to the long-term legitimacy of the courts and tribunals that the judiciary reflects the composition of wider UK society.

5.188 Many of the efforts made have involved recognising that different steps and outreach are needed to increase diversity for different groups, so that those needed to address the gender composition of the judiciary are not the same as those to recruit more judges from ethnic minority backgrounds. In addition, the challenges are different in different areas of the United Kingdom, partly reflecting their demographics. We welcome a granular and tailored approach to different groups.

5.189 We understand the concerns of the Lady Chief Justice around Northern Ireland Coroner pay. Coroners are not within our remit group, as their pay is set by local authorities in England and Wales, so we are not able to make a recommendation. We would, however, observe that this is an important issue that the MoJ and the Northern Ireland government should consider examining.

5.190 The MoJ, judicial offices and other stakeholders have improved their data since the Major Review. We welcome this and encourage further developments.

5.191 We welcome the work the JAC has done to streamline the application process, increase the regularity of recruitment and give more advance notice of recruitment, and are glad the MoJ is providing resources for this.

5.192 We note that the JAC, in agreement with the MoJ, will not be pursuing further data on the pre-appointment earnings of applicants that we requested in the Major Review.

We look forward to working with the MoJ on alternative sources for these data in time for the next Major Review, as the relative attractiveness of judicial posts to practitioners remains an important question. We also encourage Northern Ireland and Scotland to consider this issue and continue to encourage them to consider providing data on the quality of applications they receive. We understand the limitations of the data provided by the JAC but still feel they provide useful insight.

Annex: Data and evidence

5.193 We received written and oral evidence from the Lord Chancellor and Secretary of State for Justice, the senior judiciary, the judicial appointment bodies and various judicial associations. We thank all those who participated for their valuable contributions.

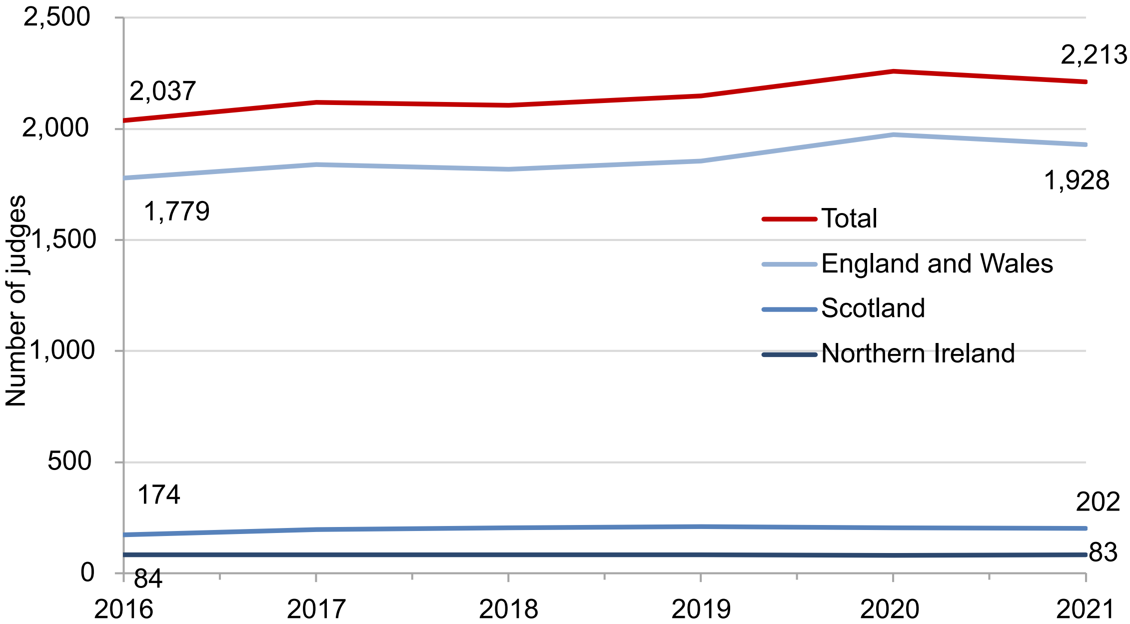
5.194 It should be noted that there is no single comprehensive data source encompassing all the data provided. Differences in categorisation and collection criteria can give rise to discrepancies between data sets. The data come from the MoJ, senior judiciary and judicial appointment bodies in England, Wales, Scotland and Northern Ireland, various judicial associations and the payroll administrator Liberata.

The remit group

England and Wales

5.195 Figure 5.11 shows judicial headcount between 2010 and 2021. In March 2021 there were 1,928 salaried judges in England and Wales, a slight drop from 2020.

Figure 5.11: **Judicial numbers in post (headcount) by UK jurisdiction and salary group, 2016 to 2021**



Source: Ministry of Justice

Note: Salaried judges only.

5.196 Table 5.3 shows a breakdown of judicial salaries and number of judges in each salary group in England and Wales.

Table 5.3: **Judicial salaries and number of salaried judges in post in England and Wales, March 2021**

Salary group (examples of specific roles)	Annual salary £pa	Headcount
1 (Lord Chief Justice)	267,509	1
1.1 (Master of the Rolls)	238,868	2
2 (Chancellor of the High Court)	230,717	14
3 (Lord/Lady Justice of Appeal)	219,396	37
4 (High Court Judge)	192,679	105
5 (Senior Circuit Judge; Chamber President)	154,527	89
5.1 (Upper Tribunal Judge; Senior Master)	148,820	68
5.2 (Circuit Judge)	143,095	644
6 (Designated Immigration Judge)	134,717	8
7 (Employment Judge; District Judge; Judge of the First-tier Tribunal)	114,793	952
8 (Medically qualified tribunal member first tier)	91,217	8
Total		1,928

Source: Ministry of Justice.

Scotland

5.197 Table 5.4 shows a breakdown of judicial salaries and number of judges in each salary group in Scotland. There were 202 members of the salaried judiciary in Scotland in December 2021.

Table 5.4: **Number of salaried judges in post in Scotland, 2021**

Salary group (examples of specific roles)	Annual salary £pa	Headcount
1.1 (Lord President)	238,868	1
2 (Lord Justice Clerk)	230,717	1
3 (Inner House Judge of the Court of Session)	219,396	10
4 (Outer House Judge of the Court of Session)	192,679	19
5 (Sheriff Principal)	154,527	7
6.1 (Sheriff)	148,820	118
7 (Summary Sherriff)	114,793	44
8 (Members of the Scottish Land Court)	91,217	2
Total		202

Source: Judicial Office for Scotland.

Northern Ireland

5.198 Table 5.5 shows a breakdown of judicial salaries and number of judges in each salary group in Northern Ireland. There were 83 salaried members of the judiciary in post in Northern Ireland in 2021.

Table 5.5: **Number of salaried judges in post in Northern Ireland, 2021**

Salary group (examples of specific roles)	Annual salary £pa	Headcount
1	267,509	0
1.1 (Lady Chief Justice of Northern Ireland)	238,868	1
2	230.717	0
3 (Lord/Lady Justice of Appeal)	219,396	3
4 (High Court Judge)	192,679	11
5 (Recorder of Belfast)	154,527	2
5.1 (President, Lands Tribunal Northern Ireland)	148,820	2
5.2 (County Court Judge)	143,095	27
6 (Vice-President, Industrial Tribunals and Fair Employment Tribunal)	134,717	1
7 (District Judge, Coroner)	114,793	36
8	91,217	0
Total		83

Source: Ministry of Justice.

Recruitment

England and Wales

5.199 A high volume of judicial recruitment has happened since 2019-20, with a 2021-22 programme of around 1,100 vacancies. A similar level of recruitment will continue into 2022-23. This is due to a combination of:

- Expected retirements and promotions.
- Shortfalls in some key recruitment exercises in recent years.
- The backlog from before 2017 when only limited recruitment was carried out.
- The need to support court recovery from the pandemic.

5.200 The JAC moved to a remote selection process during the pandemic and has indicated it will retain elements of this for fee-paid and non-legal member recruitment until November 2022, due to higher levels of candidate satisfaction.

5.201 The MoJ said that running large-scale recruitment programmes necessarily means a longer time between approval and judges commencing sitting.

Scotland

5.202 Table 5.6 sets out the applications and recommendations for Senators of the College of Justice in Scotland. The ratio of applications to recommendations has stayed consistently between four and five since 2011-12. There was no competition in 2020-21.

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

	Applications	Recommendations	Ratio of applications to recommendations
2011-12	24	0	–
2012-13	11	2	5.5
2013-14	8	2	4.0
2014-15	–	–	–
2015-16	15	3	5.0
2016-17	10	2	5.0
2017-18	–	–	–
2018-19	–	–	–
2019-20	23	5	4.6
2020-21	–	–	–

Source: Judicial Appointments Board for Scotland.

5.203 Table 5.7 gives the Judicial Appointment Board for Scotland data for recruitment for the Office of Sheriff and Office of Sheriff Principal since 2011-12. It was agreed to run annual competitions for these posts from 2019 onwards.

5.204 In our 2021 Report, we understood there was an ongoing recruitment for 20 positions that year. Based on the number of recommendations we infer that they fell short by eight.

Table 5.7: **Applications and recommendations for Office of Sheriff and Office of Sheriff Principal in Scotland, 2011-12 to 2020-21**

	Applications	Recommendations	Ratio of applications to recommendations
2011-12	187	22	8.5
2012-13	64	7	9.1
2013-14	15	10	1.5
2014-15	146	12	12.2
2015-16	43	2	21.5
2016-17	56	4	14.0
2017-18	119	7	17.0
2018-19	-	-	-
2019-20	53	9	5.9
2020-21	89	12	7.4

Source: OME compilation of Judicial Appointments Board for Scotland data.

Note: Also includes competitions for part-time Sheriff and Chair of the Scottish Land Court.

5.205 The ratio of applications to recommendations has fallen considerably since 2017-18 and is now similar to the level seen in 2011-12.

Northern Ireland

5.206 Table 5.8 gives the data for recruitment for High Court Judges in Northern Ireland since 2016-17. Seven temporary High County Judges were appointed in Northern Ireland in 2020. Five of these remain in post while the other two were successful in the permanent High Court Judge recruitment. No indication has been given as to whether further temporary High Court Judges may be recruited when the three-year terms of the current five expire in 2023.

5.207 In 2021, a recruitment exercise seeking County Court Judges also took place. Four were appointed and a scheme to fill the fifth vacancy will run later this year.

Table 5.8: **Applications and recommendations for High Court Judges in Northern Ireland 2016-17 to 2020-21**

	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	3	16	4*	5.3

*A successful applicant withdrew, replaced by another appointable candidate.

Source: Northern Ireland Judicial Appointments Commission.

Retention

England and Wales

5.208 Judicial Office data show that 52 salaried judicial office-holders in England and Wales left the judiciary in 2020-21. Of these over 90 per cent were retirements.

5.209 Table 5.9 sets out the number of retirements of salaried judges in England and Wales and their average age at departure between 2011-12 and 2020-21. 2020-21 saw a significant drop in retirements. The Judicial Office suggested this may be because people could not travel or socialise and therefore chose to work longer.

Table 5.9: **Number of departures of salaried judges and average age of departure in England and Wales, 2011-12 and 2020-21**

	Number of retirements	Died or removed from office	Average retirement age (tribunals)	Average retirement age (courts)
2011-12	126	(6 DIO)	–	–
2012-13	145	(8 DIO)	–	–
2013-14	91	–	–	–
2014-15	145	(7 DIO, 2 RFO)	–	–
2015-16	138	(5 DIO)	–	–
2016-17	147	(5 DIO)	66.2	67.1
2017-18	109	(4 DIO)	65.5	67.1
2018-19	114	(3 DIO)	66.1	67.3
2019-20	112	(1 DIO)	66.0	67.5
2020-21	49	(1 DIO)	65.0	67.0

Source: Ministry of Justice.
Note: DIO - died in office; RFO – removed from office.

5.210 Key points to note on retirement are:

- For court judges the biggest drop in retirements was for 66-68 year olds.
- The biggest drop in retirements was for salary group 7.

- For tribunal judges the drop in retirements was pronounced for all groups, with only three retirements in total in 2020-21 for salary group 5, 5.2 and 7.

5.211 The Judicial Office conducted an early leavers survey among all judges retiring before their statutory retirement age with the aim of understanding the reasons they have taken early retirement. The results are shown in table 5.10 below. In total, 26 out of the 45 judges who left before their 69th birthday between 1 April and 30 September 2020 responded to the survey.

5.212 The most common reason for leaving was "I had things I wanted to do with my life while I am able" and the next most common was a "deterioration in the judicial work environment". Over half of respondents said they felt like they had served as a judge for long enough and/or they had the financial security to retire.

5.213 2 of the 26 had gone on to paid employment and eight were looking for other activities such as fee-paid judge or voluntary work. 5 of the judges said that an improvement in financial compensation would have prompted them to reconsider leaving the judiciary early, while 12 said that better judicial working conditions, such as administrative support or greater flexibility in working hours, would have led to a reconsideration about retiring early.

Table 5.10: **Reasons for leaving judiciary before retirement age (from 26 respondents April to September 2020)**

	Number of respondents	Per cent of respondents
I no longer enjoyed or gained satisfaction from my day-to-day work in court	5	19
Recent changes to judicial remuneration (e.g., salary, pension)	7	27
Lack of investment in career development/opportunity for promotion to higher judicial post	4	15
Deterioration in the judicial work environment (e.g., administrative support, court resources)	17	65
Lack of effective leadership in the judiciary	4	15
I felt I had served as a judge for long enough	15	58
I had financial security to do so	14	54
I had things I wanted to do with my life while I am able	21	81
Factors relating to health	3	12
Other	4	15

Note: Respondents could select more than one option.

Scotland

5.214 The average age of retirement is around 69 in the Court of Session and around 63 for Sheriffs. However, the data on Sheriffs are thought to include some outliers and we have been told the typical retirement age is more like 66.

5.215 More than half (56 per cent) of Sheriffs responding to the 2020 Judicial Attitudes Survey indicated that they are considering retirement within the next five years. The unusually high number of forthcoming retirements is partially due to an expansion in appointments in 2000.

Northern Ireland

5.216 There does not appear to be a retention issue within the judiciary in Northern Ireland. In the last few years, expected numbers of judges have been leaving and there has not been an early retirement since 2016-17. Six members left the court judiciary between 1 April 2020 and 31 March 2021: four on elevation to a higher court tier and two on retirement.

Morale

England and Wales

5.217 The *Judicial Attitudes Survey* was last completed in 2020 and published in February 2021. It showed that nearly two thirds of all salaried judges (64 per cent) in England and Wales 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. There was a significant difference in the response from First Tier Tribunal Judges (42 per cent) and District (Civil) Judges (72 per cent) to this question, both in salary group 7. Concerns about working conditions and administrative support were particularly marked at the Circuit and District Bench levels, and affected morale, including whether serving judges would encourage suitable people to apply to the judiciary.

Equality and diversity

England and Wales

5.218 Data from the *Judicial Diversity Statistics 2021* highlighted the following key findings for England and Wales:

- Women represented 34 per cent of court judges and 50 per cent of tribunal judges. These proportions have increased by around 2 and 4 percentage points respectively since 2019.
- 9 per cent of court judges and 12 per cent of tribunal judges declared themselves from an ethnic minority background.
- The Judicial Office highlighted further ambitions in its Judicial Diversity and Inclusion Strategy, published in November 2020, but acknowledged that progress on diversity has been slower than it would have liked.

5.219 Between 2014 and 2021 the proportion of women judges has increased by 9 percentage points in the courts and 7 percentage points in the tribunals. Over the same time period, the proportion of court and tribunal judges from an ethnic minority background has increased by 2 percentage points.

Pay

England and Wales

5.220 The Judicial Office said the Bar Council's paper, *Barrister earnings data by sex & practice area: 20-year trends report*[57] shows that barristers' real gross fee income has increased over the period for all areas except crime. It said that the judiciary had seen a drop in real incomes and that this divergence was likely to be making judicial posts less attractive.

5.221 The Judicial Office also highlighted figures from the *PwC Annual Law Firms' Survey*[58] that show growth in earnings for full equity partners between 2016 and 2021.

5.222 Due to these changes, the Judicial Executive Board says there remains a strong case for a substantial increase in pay across the judiciary.

5.223 Table 5.11 shows judicial pay awards compared to CPI since 2011-12. Basic salaries for most judges have seen a fall in real value of 11 per cent since 2010.

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57 See: https://www.barcouncil.org.uk/resource/earnings-data-by-sex-2021.html

58 See: https://www.pwc.co.uk/industries/legal-professional-business-support-services/law-firms-survey.html.

Table 5.11: **Judicial pay awards and CPI, 2011-12 to 2021-22**

	Pay award	Annual CPI in year leading up to pay award
2011-12	0%	4.5%
2012-13	0%	2.8%
2013-14	1%	2.6%
2014-15	1%	1.5%
2015-16	1%	0.0%
2016-17	1%	0.7%
2017-18	1%	2.7%
2018-19	2%	2.5%
2019-20	2%	1.8%
2020-21	2%	0.9%
2021-22	0%	2.6%

Source: SSRB reports; ONS CPI inflation (D7G7) for financial year.

Chapter 6

Senior Leaders in the NHS in England

Summary

Our remit

6.1 In his remit letter, the Secretary of State asked us to make pay recommendations for Executive and Senior Managers (ESMs) and Very Senior Managers (VSMs) in the NHS and to review the draft pay framework for VSMs which is being developed by NHS England and Improvement (NHSE/I). He asked us to give particular consideration to the pay of medical directors and the alignment of the new Integrated Care Board (ICB) VSMs within the framework.[59]

Context

6.2 During the last year, the NHS and the Department of Health and Social Care (DHSC) arm's length bodies (ALBs) have continued to be under great pressure. This has been caused by a range of factors, including the direct impact of the COVID-19 pandemic, the mobilisation of an unprecedented vaccination programme and the need to address significant backlogs in care which have developed over the past two years. The pandemic has affected the physical and mental health of many staff.

6.3 Significant organisational change is also underway with the statutory establishment of Integrated Care Systems (ICSs)[60] and a continuing shift towards larger provider organisations, through merger or common leadership of trusts. In addition, Health Education England and NHS Digital are being absorbed into NHSE/I. The challenges of the past 12 months have undoubtedly been intense have also resulted in plans for transformation of the health and care sector.

6.4 The importance of effective senior leadership has been reinforced by the experiences and developments described above. The senior cadre needs to be increasingly adept at managing complex, large-scale change, often across organisational boundaries, to deliver programmes of improvements in population health and reduce health inequity.

Recruitment, retention and morale

6.5 The recruitment data available to us suggest that leadership posts can usually be filled. We do not have evidence of significant retention problems. However, the past year has been somewhat unusual; ICB leaders have been recruited alongside the winding-up of Clinical Commissioning Groups (CCGs). It is, therefore, harder than usual to draw conclusions about the recruitment and retention of VSMs who comprise most of our remit group. That said, we observe that:

- There are well-founded concerns about possible loss of leadership capacity. In its evidence, NHSE/I highlighted that over 40 per cent of leaders are eligible for retirement and identified a risk that the extraordinary demands of the last two years may prompt a loss of many senior managers.

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[59] The Health and Care Act 2022 places Integrated Care Systems (see next footnote) on a statutory footing and provides for each one to be led by an Integrated Care Board which has responsibility for NHS functions and budgets, and an Integrated Care Partnership (ICP), a statutory committee bringing together all system partners to produce a health and care strategy.

[60] 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.

- The results of the staff survey published in March 2022 indicate a significant deterioration in morale across the NHS and ALBs. While not an identifiable group within the survey, we think it likely that this deterioration affects senior leaders too. Indeed, this was evident in the discussions we held with the members of our remit group.
- Specific recruitment and retention challenges remain. These include attracting applicants in certain localities and particularly relate to roles requiring skills such as finance where there is demand across the wider economy. We have also heard about the challenges in attracting individuals with appropriate skills into digital and data management roles.

Pay recommendation

6.6 Last year, ESMs and VSMs received no national pay increase in line with the pay pause for the rest of the public sector. Other NHS workers received a 3 per cent increase.

6.7 In its evidence this year, the Government said it had made no budget provision for a pay rise for health leaders. We fully recognise the financial constraints faced by the Government and the NHS. However, we are very conscious that NHS leaders did not receive any increase in pay last year. We also agree with NHSE/I that there is a risk of a significant loss of senior leaders, particularly as there is evidence of depressed morale in the immediate post-pandemic phase.

6.8 We have, moreover, noted that pay settlements across the country are rising and that inflation, which in April hit 9 per cent, is at its highest level for 40 years.

6.9 While we acknowledge that those earning higher salaries can more easily absorb the impact of high inflation on their living standards, we are concerned about further distortions in relativities being created by continually depressing the pay of senior leaders. We also note that in the Spending Review, the DHSC received an uplift in its nominal headline spending allocation of 6.4 per cent annually for the three years from 2022-23.

6.10 We have, therefore, concluded that another pay pause this year or an unduly low settlement would be inappropriate. We recommend a general pay increase of 3.0 per cent for VSMs and ESMs with an additional 0.5 per cent to address anomalies. This 0.5 per cent should be used to ameliorate the erosion of the differential with the top of Agenda for Change (AfC) band 9 (which was exacerbated yet further last year because of the zero pay increase for senior leaders) and to make it easier to facilitate the introduction of the new VSM pay framework. This new framework sets out a unified pay range for all trust directors and organisations irrespective of functional role or the nature of the organisation's activities. Our recommendation will make it possible to provide larger increases to some VSMs in, for example, mental health or community trusts, and in certain executive roles such as director of nursing, whose current salaries are significantly out of line with the new VSM proposals.

Recommendation 8: As a pay award for Very Senior Managers (VSMs) and Executive and Senior Managers (ESMs) we recommend:

- An across-the-board increase for all VSMs and ESMs of 3.0 per cent from 1 April 2022.
- A further 0.5 per cent to ameliorate the erosion of differentials and facilitate the introduction of the new VSM pay framework.

The draft VSM pay framework

6.11 We received a short briefing note on the new VSM pay framework from NHSE/I in May. We are pleased to offer some comments on this, although it should be recognised that we have not received the full, finalised framework and that we have had less time to assess the proposals than we would have wished. We have, however, received a helpful note from the DHSC raising some specific points for our comment or advice.

6.12 We offer more detailed observations on the proposals below and comment more fully at paragraphs 6.26 to 6.80. In summary, however, we are pleased to see that the framework will take account of many of the observations on VSM pay which we made in our 2021 Report.

6.13 We note that the specific proposed pay ranges set out in the framework are based on 2021 actual salaries. We believe this is an appropriate approach, particularly as the remit group is primarily a self-contained labour market. We also support the proposed steps to reduce the operational maximum salary.

6.14 The framework is based on a number of principles. We see these as being relevant and necessary in underpinning the design of its various elements. We are pleased that:

- In general, the framework has avoided additional and unnecessary complexity. We believe this will enhance the prospects for effective implementation.
- All trusts and ICBs will be asked to adopt the framework on a "comply or explain" basis. We observe that unwarranted variation by trusts and ICBs which does not follow the expectations set out in the framework will create inconsistency and a lack of cohesion. It will also invite more centralised control and intervention.
- The proposed pay ranges apply to all organisations irrespective of the nature of their activities. The pay of leaders in acute, mental health, community and ambulance trusts will, therefore, be determined by reference to single unified pay ranges across all types of trusts.
- The proposed approach also sets out a unified pay range for all trust directors irrespective of their functional roles.

6.15 We particularly welcome:

- The increased incentives for relevant leaders to move to challenged organisations.
- The introduction of development pay and retention pay to support those new in post and to encourage the retention of effective leaders.
- The adjustment to the thresholds at which central approval is required for proposed salaries.
- The removal of earn-back with an associated implicit emphasis on effective performance management and accountability processes.

6.16 We also note that:

- The introduction of a new draft pay framework for VSMs preserves separate pay structures for ESMs and VSMs. Last year, we questioned the justification for these separate arrangements. We understand the approach taken by the DHSC but will continue to advocate the need for coherence between VSM and ESM pay frameworks. We remain of the view that greater consistency between the separate structures is desirable.

- The primary determinant of the applicable pay range will be the size of an organisation's budget. We recognise that it has not, to date, proved practical to develop our preferred approach, which would take account of organisational complexity, in a workable way.
- The proposals set out separate pay ranges for trust and ICB senior leaders. We understand the use of population rather than budget to determine ICB salary levels. In general, we believe the ICB salary ranges have been set at appropriate levels relative to those that apply to trusts. However, we suggest this matter should be subject to further review after the ICSs become formally established.

Scope to strengthen the draft VSM pay framework

6.17 There are some areas where we think there is scope to strengthen the framework in the immediate or medium term. These are:

- Defining the circumstances which would merit the additional 15 per cent award to those asked to work in the most challenged systems or organisations. We presume there would be a relatively small number of instances where this could be justified.
- Development of criteria which would justify the availability of an additional 10 per cent award for those taking on temporary extra responsibilities.
- Clarification of the circumstances which would justify the proposed retention pay. We support its introduction but our experience of other remit groups would indicate the need for clarity as to when such payments may be made. We sense the prime motivation is to enhance leadership stability. Local remuneration committees should, therefore, confirm their approach and set out the circumstances and triggers which might prompt consideration of making such pay increases.
- The proposals for medical directors. These are limited to enabling the continued utilisation of both consultant contract and VSM arrangements. We believe more needs to be done to bring coherence to relevant pay arrangements. In our discussions with serving medical directors, we were advised of significant confusion and dissatisfaction with the current position, often compounded by the impact of pension taxation. We recommend further detailed work is undertaken in relation to medical directors' pay with the full involvement of those in these roles.
- Support for remuneration committees. The approach in the proposed new framework places an even greater reliance on good local decision-making. It is vital, therefore, that action is taken to support the committees, including the selection of appropriate members and enhanced training and development.
- More could be done through senior pay arrangements to support future talent management programmes. We anticipate a major extension and strengthening of such programmes which should cover both the NHS and the ALBs.[61]

Recommendation 9: In finalising the pay framework for VSMs, we recommend the development of criteria to determine when:

- An additional 15 per cent of pay may be awarded to those asked to work in the most challenged systems or organisations.
- An additional 10 per cent award for those taking on temporary extra responsibilities should be available.
- Retention pay should be available.

[61] *Leadership for a collaborative and inclusive future.* A review of leadership across health and social care, led by former Vice Chief of the Defence Staff General Sir Gordon Messenger and supported by Dame Linda Pollard, published 8 June 2022.

Recommendation 10: We recommend that NHS England and Improvement (NHSE/I) keeps under review data on when additional payments are used and their impact on retention, duration in post and rates of churn of leaders.

Recommendation 11: We recommend further detailed work is undertaken to bring greater coherence to medical directors' pay with the full involvement of those in these roles.

Affordability and value for money

6.18 We have been asked to comment on the implications for affordability and value for money of the proposed VSM framework. We have concluded that a prudent approach is being adopted and any increases to the overall paybill should be relatively modest. Moreover, such increases should generate significant benefits in terms of the maintenance of effective leadership. We believe that these benefits should offset or exceed the costs of any paybill increases.

Pension taxation

6.19 In our discussion groups, we heard strongly felt discontent about pension taxation. Exposure to very large annual and lifetime allowance tax bills, particularly on promotion to ESM or VSM, means that, despite the excellent NHS pension scheme, pensions can be a source of resentment for many health leaders. Fewer than half of the highest-paid VSMs are members of the NHS pension scheme. Corrective action is needed. This should include ensuring that thorough, accurate and timely advice is available to health leaders, particularly when considering promotion opportunities.

Summary of data and evidence

6.20 The evidence and data received to support our review are set out in the Annex to this Chapter. Key points are that:

- As part of the broader public sector pay pause in 2021, there was no pay increase at national level for either VSMs or ESMs last year, compared to a 3 per cent pay award for all other NHS employees.
- Under the pay frameworks which govern ESM and VSM pay, ESM pay over £150,000 requires ministerial approval. VSM pay proposals above £150,000 that adhere to the VSM pay framework can be cleared at senior official level rather than by ministers.
- An estimated 13 per cent of VSMs and 15 per cent of ESMs are paid at or below the top of the AfC pay scale (£108,075). In evidence, NHSE/I said that the expectation within the proposed VSM framework is that anyone whose salary falls within the AfC pay range might expect to be paid within that framework. The aim is that all VSM salaries should be regulated via a national framework for VSM remuneration. We understand it is not intended that anyone would be moved from the VSM to the AfC framework.
- The highest number of VSM job vacancies were for HR/workforce directors, operations directors, chief executives and nursing directors.
- Turnover rates have fallen. Around 9.1 per cent of VSMs left the NHS between June 2020 and June 2021 (down from an estimate of 11.5 per cent for 2019-20). This includes a retirement rate of 3.0 per cent in the 12 months to June 2021, compared to 2.6 per cent in the 12 months to September 2020. In addition, 6.5 per cent of VSMs left their organisation and moved to another trust (down from

13.3 per cent in 2019-20). An estimated 13 per cent of ESMs left the ALB sector. There can be little doubt that the COVID-19 pandemic affected the number of those leaving the NHS.

- The reward package for medical directors is variable, with roles divided between VSM and consultant contracts. In a sample of trusts for which we received data, median salaries are higher on average for those on VSM contracts. Concerns were raised that pay on appointment was unclear for medical directors. Current medical directors have indicated that they are keen to stay on consultant contracts to enable a return to clinical work although some thought that a VSM contract fitted better with being part of the leadership team.
- An estimated 79 per cent of VSMs (those earning over £110,000) are members of the pension scheme. Membership rates decline as basic pay increases, so that only 44 per cent of those earning above £200,000 are pension scheme members. Higher employee contribution rates and liability for pension taxation mean that the pension scheme is less valuable for the most senior staff.
- Employee contribution rates to the NHS pension schemes for those earning £111,377 and above will fall from 14.5 per cent in 2021-22 to 13.5 per cent from October 2022 and to 12.5 per cent from October 2023.

The response to the SSRB's 2021 observations

6.21 We were pleased that in his remit letter for our 2021 Report, the then Secretary of State asked us to look at the pay of VSMs in the NHS as well as that of the ESMs who had previously comprised our remit group. As he requested, in our 2021 Report we made observations rather than formal recommendations.

6.22 Our 2021 observations are set out below in italics with our reflections on them, in the light of updated data, written and oral evidence, discussion groups with senior health leaders and institutional and statutory changes since last year. We also make comments on the content of the draft VSM framework as it relates to our recommendations.

Total reward

6.23 **The SSRB's 2021 observation**: *It is important that the approach to remuneration for health leaders recognises the total reward package including the significant non-financial aspects. Health leaders again described to us the sense of fulfilment they derive from making a difference in a vital public service.*
In our discussions with members of the remit group, we continued to hear positive comments about the intrinsic interest of the senior leadership challenge and the sense of offering an invaluable public service. There was also an appreciation of the range of benefits beyond pay, including job security and pensions. However, the very good pension gives rise to large pension taxation bills which raise considerable frustration and dissatisfaction. We comment on this further in paragraphs 6.71 to 6.73.

Levels of pay

6.24 **The SSRB's 2021 observation**: *The evidence suggests that levels of pay are broadly appropriate.*
Since we made this observation last year, national VSM and ESM pay levels have not increased because of the public sector pay pause in 2021. This year, we recommend a pay increase and outline the factors which led to this decision in paragraphs 6.6 to 6.10.

6.25 The proposed VSM framework references the observation in our Report last year that levels of pay were broadly appropriate. It is, therefore, understandable that it anchors pay at 2021 actual levels. It also reduces the operational maxima of the pay ranges.

6.26 In its evidence, the DHSC asked us to comment on the implications of the draft VSM pay framework for affordability and value for money. The framework will not apply to existing VSMs other than for awards defined by specific circumstances, including taking on additional responsibilities. In these instances, there could, for example, be increased costs associated with the enhanced 'challenged organisation' allowance and the retention awards. Conversely, the reduction in the operational pay maxima might offset these. We believe the net impact of these allowances and additional payments on the paybill will be relatively modest.

6.27 Over time, some new entrants to the VSM group or those being promoted within it are likely to receive higher salaries than would previously be the case. We are not aware if any modelling has taken place to quantify the impact on the paybill.

6.28 Our observation is that some of the adjustments and potential increased costs are justified by virtue of equity considerations as there will be less scope for inappropriate variation between board roles. Others should enhance leadership stability and enable the deployment of relevant expertise into challenged organisations. If applied effectively, significant direct expenditure associated with leadership churn will be avoided and the substantial costs which often result from organisational turnaround will be reduced.

6.29 NHSE/I should keep under review data on when the additional payments are used and their impact on retention, duration in post and rates of churn of leaders. This evidence will help to inform an assessment of how far the additional payments are delivering savings through greater leadership stability in health organisations.

Recommendation 12: We recommend that NHSE/I keeps under review data on when additional payments are used and their impact on retention, duration in post and rates of churn of leaders.

Motivation and morale

6.30 **The SSRB's 2021 observation**: *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.*
We have been advised that lead times for adjusting the staff survey prevented collection of these data in time for this year's Report but look forward to receiving them for our 2023 Report. We heard significant discontent in our discussion groups about a range of issues including the pay pause which applied to senior health leaders while all others in the NHS and ALBs received an increase.

6.31 The data we have seen are consistent with some deterioration in morale. Managers in Partnership's survey of senior managers in February 2022 found that over 70 per cent of respondents reported that their morale had worsened over the preceding 12 months.[62] In addition, the annual staff survey published in March 2022 presents a picture of staff across the NHS workforce experiencing significant pressure, exacerbated by the continued impact of the pandemic, and feeling increasing levels of dissatisfaction with aspects of their work. For example, the proportion who would recommend their organisation as a place to work fell to 59 per cent from 67 per cent a year earlier; 53 per cent looked forward to going to work, down from 59 per cent previously.

6.32 The challenges regarding morale, alongside the significant number of leaders at or approaching retirement age, act to create an important context within which the proposed VSM framework has been constructed. The consequential risk relates to

[62] Managers in Partnership has approximately 450 members within the SSRB's senior health leaders remit group, or around 15 to 20 per cent of VSMs and ESMs.

retention and the potential loss of a significant number of very experienced leaders. We believe NHSE/I is right to highlight this risk and to propose new options, including retention awards which should have a positive impact. It should be noted, however, that many other factors, beyond pay, affect morale and due attention should be given to these.

Recruitment and retention

6.33 **The SSRB's 2021 observation**: *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.*
NHSE/I has provided us with useful data on vacancies which we hope over time will build a picture of trends and specific skills shortages. The highest number of vacancies were for HR/workforce directors, operations directors, chief executives and nursing directors. We have also heard about the need to recruit more digital specialists.

6.34 The proposed VSM framework requires remuneration committees to take account of local factors such as market conditions, role complexity and peer relativities to arrive at spot rates for specific board roles within the available range. This should enable salaries to be set at levels to appropriately attract and retain individuals and flex pay where it is justified to do so. This is, however, a complex challenge and there are risks to the maintenance of coherence, relativities and equity if managed ineffectively. We observe that effective local decision-making needs to be supported by relevant national analysis and guidance. This would confirm roles where targeted pay may be merited in light of national or local market conditions. We also observe that medium-term and sustainable solutions will depend on enhanced talent management programmes.

6.35 **The SSRB's 2021 observation**: *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.*
We received evidence that over 40 per cent of VSMs are eligible to retire (i.e., they are aged 55 and over). The DHSC suggested that the age profile of senior leaders has not changed materially over time and that the risk of a large exodus could be overstated. NHSE/I, by contrast, considered this demographic factor, along with morale and pension issues, presented a significant risk to retention.

6.36 The provision in the VSM pay framework for increases in consolidated base pay of up to 5 per cent within a three-year period should support retention and help organisations to retain effective leaders.

6.37 It is also relevant to note the establishment of ICBs and the winding-up of CCGs which will result in fewer VSM posts. There will also be a reduced number of leadership roles in the trust sector as mergers and shared leadership arrangements become more prevalent. These developments create the prospect of a leadership community which is smaller in size but better paid, which we think is a positive step.

The ESM/VSM leadership group

6.38 **The SSRB's 2021 observation**: *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.*
The data available to us suggest that the great majority of VSMs – over three-quarters of appointments in 2020-21 – come from the wider public health service. Nearly all of the ESM appointments, where we had information on previous roles, came from the wider NHS. We believe that the labour market for senior roles requiring health experience

or expertise is very much defined by the NHS and the ALBs themselves (though less so for those roles with widely employable specialist expertise such as finance). We are encouraged that the draft VSM pay framework appears to reflect this view, setting pay ranges which are based on the actual, current salaries.

6.39 It is essential that there should be full and reliable data on comparable VSM and ESM roles, on movement between NHS organisations and ALBs, and on where newly appointed VSMs and ESMs have previously worked. We look forward to receiving these for our next Report.

6.40 **The SSRB's 2021 observation**: *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.*
In its evidence, the DHSC drew attention to similarities between many ESM and SCS roles. They also suggested that the relative levels of VSM and ESM pay did not present an impediment to the movement between the two groups, other than for the most senior roles. It was their view that there was, therefore, no requirement for a single ESM/VSM pay structure. The introduction of the proposed pay framework for VSMs will preserve separate pay structures for ESMs and VSMs.

6.41 We stress that the most important point is that the pay structures for senior health leaders should enable easy movement between ESM and VSM positions. We expect this to become even more important as talent management programmes expand. We would like to receive evidence next year on how pay structures can better facilitate a single leadership cadre effective at both system and organisational levels.

Coherence of pay frameworks

6.42 **The SSRB's 2021 observation**: *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 our 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. Last year, VSM and ESM pay was paused while AfC staff received a 3 per cent award which narrowed this differential, exacerbating the problem.

6.43 It is not clear to us to what extent, if any, there may be ESMs or VSMs managing band 9s who are paid more than them or who did not receive a significant pay increase on promotion from a band 9 post. For those promoted from band 9 to an ESM1 role, an uplift of up to 10 per cent can be awarded up to a maximum salary of £122,000 without having to seek additional central approval. For promotions from band 9 to VSM under the current framework, pay increases on appointment are limited to a maximum of 10 per cent unless this is insufficient to raise the pay level to the lower quartile of the relevant range.

6.44 We would like confirmation that there are no senior leaders paid less than band 9s whom they manage. Remuneration of leadership roles should reflect the step-change in challenge, complexity and accountability on promotion.

Basis for setting pay

6.45 **The SSRB's 2021 observation**: *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.*

The draft VSM pay framework harmonises rates between different executive director roles. It allows remuneration committees some flexibility to determine rates for VSM posts, within an applicable pay range. We are pleased to see these features. They are further reasons to support measures to develop the capabilities of local remuneration committees, on which we comment further below.

6.46 **The SSRB's 2021 observation**: *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).*
In discussion groups this year, we again heard that the current pay framework does not sufficiently encourage able leaders to work in challenged trusts. The draft VSM pay framework provides for a non-consolidated salary uplift of up to 15 per cent to incentivise moving to the most challenged systems or organisations. We welcome this provision. However, there will need to be clear criteria defining the systems and organisations which fit this definition. We would expect there to be only a small number of them at any time.

6.47 Pay is not the only factor affecting the attractiveness of these roles. Encouragement and recognition for those undertaking them should also include support such as coaching and mentoring. Experience of them should be valued as potentially enhancing individuals' fitness for other senior posts.

6.48 **The SSRB's 2021 observation**: *We would encourage the 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.*
The briefing note we received on the draft VSM pay framework gives pay ranges determined by organisation turnover. We understand options which also linked the ranges to other factors, including organisational complexity, were explored but were not considered to be feasible. We understand this but would suggest this matter be kept under periodic review. The draft framework advises remuneration committees to take local factors such as market conditions, role complexity and peer relativities into account when determining specific spot rates (within the applicable range) for relevant roles. We support this approach although we observe, again, the requirement for robust and rigorous decision making by remuneration committees.

Central and local roles in determining pay

6.49 **The SSRB's 2021 observation**: *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.*
For VSMs, the draft framework sets out a number of relevant principles. It also offers advice to remuneration committees to facilitate local decision-making in a manner which is consistent, coherent and provides good value for the public purse. This is positive, as is a suggestion that the framework should be followed on a 'comply or explain' basis. Where there is compliance, there should be limited need for central approvals.

6.50 **The SSRB's 2021 observation**: *The requirement for central approval of salaries over £150,000 which are compliant with the framework appears difficult to justify.*
In oral evidence, the DHSC stressed the need for it to have control and scrutiny over pay. The number of pay exceptions requiring approval (118 in 2020-21) suggests a high proportion of appointments are subject to the approval requirements. Given the key roles which are the subject of pay exceptions, including 40 chief executives in 2020-21, there is a risk that appointments will be subject to delay or may not proceed.

6.51 It is proposed that NHSE/I and DHSC approval will be required for salaries over £170,000 or those proposed to be over the relevant operational maximum. The increase in the threshold is a positive step. However, we believe it may still be too low. As local remuneration committees become accomplished at working within the proposed pay framework and are demonstrably taking appropriate, justified decisions, the case to further increase the threshold for approval will become stronger. We suggest this matter is kept under review and data are collected which provides assurance about the quality of decision-making by remuneration committees.

Pay progression

6.52 **The SSRB's 2021 observation**: *An element of pay progression, conditional on good performance, could beneficially recognise an individual's development as their experienced-based competencies improve.*

The absence of pay progression means that financial recognition for those who grow in effectiveness with experience is weak, so that good performers wanting pay increases may have to look to move elsewhere. We welcome the draft VSM pay framework's provision for early-stage progression pay in the form of a development rate for those early in their first VSM post and in allowing a retention uplift for established leaders who otherwise could only achieve a higher salary by moving. In supporting these initiatives, we suggest that criteria are developed to guide their application. We would like to be reassured that the development rate can be clearly above the pre-promotion salary, and retain the scope to increase by 10 per cent as performance improves with experience.

Performance-related pay

6.53 **The SSRB's 2021 observation**: *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.*

We have not seen evidence that earn-back is positively affecting outcomes. We again heard that in many trusts it is not applied despite the expectation that it should be universal. We are pleased that earn-back will not feature in the new VSM pay framework. We note that VSMs undertaking performance improvement plans will not receive pay increases including annual pay awards. We understand the reasoning behind this and we agree that financial reward should be consistent with performance. We encourage accompanying the changes in the pay framework with other relevant initiatives such as purposeful appraisal, performance review and accountability arrangements where these do not currently exist.

6.54 **The SSRB's 2021 observation**: *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.*

The VSM pay framework does not include provision for performance-related pay. In our discussion groups, we again heard very little support for individual performance-related pay. There was, however, more enthusiasm for rewards or incentives (possibly non-financial) which applied to team or system performance. We continue to believe there is a role for performance-related reward for senior public sector groups. Indeed, ESMs can already receive end-of-year bonuses based on their performance. The arrangements, however, need to be designed with a sensitivity to culture and context. In the NHS, there is a strong sense that individual performance pay is divisive and inappropriate. We therefore encourage NHSE/I to explore options for team reward, either at an organisational or system level, which is based on the delivery of a blend of national and local priorities.

Medical directors

6.55 **The SSRB's 2021 observation:** *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*.
In his remit letter for this Report, the Secretary of State asked that in reviewing the new draft pay framework for VSMs, we give particular consideration to the pay of medical directors.

6.56 We heard that medical director roles differ and that the term is used quite widely. We use it to refer to the clinician holding an executive board level role with responsibility for a range of medical workforce, quality and safety matters in the organisation.

6.57 Effective medical leadership has many significant benefits. These include widespread clinical engagement in programmes of relevant change, appropriate intervention when clinical problems emerge and the development of positive, forward-thinking cultures. The medical director has a unique role to play in this regard and is, moreover, a source of distinctive advice and expertise for Boards.

6.58 We also heard that the levels of medical director pay, and uncertainty about what medical director pay may actually be, can discourage movement into these roles. We were told that the reward structure does not always enable a smooth progression for clinicians aspiring to corporate leadership.

6.59 NHSE/I gave us data on the pay of VSMs in 20 NHS trusts. This includes pay data for 24 medical directors. Fourteen were on consultant contracts, nine on a VSM contract, and one described as "both". We were told of medical directors' different experiences in the willingness of their employer to retain or match existing consultant contract terms, in whether and how the financial benefit of clinical excellence awards was carried forward and how far individuals felt they had to negotiate hard for appropriate terms.

6.60 In discussion groups, we heard that some medical directors' overall remuneration was lower than in their previous roles as consultants and that they may be paid significantly less than some of the clinicians in their organisation. However, they may also be paid considerably more than board colleagues such as a director of nursing. In five of the 20 trusts for which NHSE/I gave us data, the medical director was paid more than the chief executive.

6.61 Medical directors who had stayed on consultant terms gave several reasons for this. Some wanted to continue to practise and to retain the option of returning to full-time clinical work in future. Others felt the consultant contract provided them with more security.

6.62 There appears to be a lack of consistency and, quite often, very individualistic and bespoke solutions are put in place. We understand the distinctive complexity of the medical director role. However, we believe that it would be possible to put more coherent arrangements in place. These ought to appropriately recognise the need to reward executive leadership duties separately from any continuing clinical activities and accommodate a desire to return to full clinical work at some future point.

6.63 Such arrangements should also acknowledge and mitigate the risks of very significant pension-related taxation charges. Our analysis of exposure to pension lifetime allowance taxation suggested there are circumstances where consolidation of allowances, often paid for previous clinical leadership roles, into a VSM salary could give rise to large tax bills. It is unreasonable to expect a medical director to accept this as a by-product of transfer from one framework to another and the possibility should be addressed through clear and timely advice to prospective medical directors. We comment further on pension taxation below.

6.64 Notwithstanding the various issues we have raised relating to pay and reward, we highlight the benefits of a talent management approach which promotes and supports the progression of doctors into medical director roles. This could reach out to doctors at all stages in their careers and provide relevant training and experience in a structured manner.

Equity

6.65 **The SSRB's 2021 observation**: *We hope that data on pay gaps by ethnicity can be collected and reported in future.*
We have received valuable data this year on average pay within broad ethnic groups. These indicate that VSMs from a black African, Caribbean or British background had average pay around 8 per cent below the overall VSM average. It is important to explore this differential further to try to understand the causes and to continue to track pay by ethnicity. We hope that greater harmonisation of pay across different director roles, as proposed under the new framework, will lead to a closing of pay differentials.

Remuneration committees

6.66 **The SSRB's 2021 observation**: *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.*
In our work for our 2021 Report, we saw variations in remuneration committee performance and practice. Comments we have heard in our discussion groups for this Report have also been consistent with this assessment.

6.67 We expect the importance of local remuneration committees to grow under the new VSM pay framework. They will have more responsibility, including the determination of spot salaries, the application of development pay and retention allowances and in making cases for exceptions.

6.68 It is important that remuneration committees are equipped to make these judgements in an informed way and in the context of a coherent remuneration strategy. Committees require high-calibre members who bring sufficient relevant experience to their roles. Recruitment should be designed with this objective.

6.69 We welcome the intention for remuneration committees to produce an annual report and for members to undergo appropriate training. We also suggest additional steps are taken, including some periodic external peer review and the development nationally of accessible data which provide remuneration committees with relevant information to inform their decision-making. There may be a case for a scheme for accreditation of remuneration committees.

Timely payment

6.70 **The SSRB's 2021 observation**: *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.*
There was no pay increase at national level for senior health leaders in 2021 because of the public sector pay pause. This year, and in future, it should be a priority to communicate and implement any pay rise as quickly as possible.

Pension taxation

6.71 **The SSRB's 2021 observation**: *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.
We have, again, heard of individuals receiving very large pension taxation bills. The consolidation of management allowances on becoming medical directors creates very large increases in pensionable pay and triggers very large annual allowance tax charges for some individuals. Comments in our discussion groups and our own analysis suggest that promotion to VSM is a point where there may be a particular risk of a large annual allowance charge.

6.72 Our impression is that discontent has increased since last year and it seems that the changes in the 2020 Budget have not resolved these problems. We note that a significant proportion of senior health leaders have left the pension scheme. This is a major concern as the NHS pension scheme is an important part of total remuneration.

6.73 We again emphasise the importance of making available clear, thorough and timely advice on pension choices and their taxation implications. This should include the approaches that employers can take locally to support VSMs and ESMs affected by the pension annual allowance or who have exceeded their lifetime allowance. Employers can pay the 14 per cent employer contribution as additional pay where a staff member opts out of the scheme because they have exceeded their pension lifetime allowance. Advice to individuals considering this should stress that they may forfeit some in-service benefits arising from the scheme, such as life insurance.

Talent management

6.74 **The SSRB's 2021 observation**: *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.*
We welcome the continuing work of the DHSC and NHSE/I to enhance talent management. There is, however, much to be done: current arrangements are inconsistent, fragmented and lacking in clarity about national, regional and local responsibilities. We support the recommendations made by General Sir Gordon Messenger's review of health and social care leadership to strengthen talent management.

6.75 Pay arrangements need to support individuals with identified talent who are, for example, undertaking a variety of roles or acquiring expertise to enable their longer-term progression.

System working

6.76 **The SSRB's 2021 observation**: *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.*
Since our last Report, the leaders of ICBs have been appointed. These are VSMs appointed on a pay range for ICB leaders within the VSM framework. In his remit letter, the Secretary of State asked us to give particular consideration to the alignment of the ICB VSMs within the new draft VSM pay framework.

6.77 As our 2021 observation indicates, we understand the case for distinct but competitive pay ranges within the VSM pay framework for leaders of ICBs. We also support the determination of the four ICB ranges by reference to population rather than budget. We note that they were informed by an evaluation of ICB jobs and by a comparison of respective responsibilities with those of trust leaders. The outcome was a set of pay ranges which recognises the critical importance of ICB leadership as the NHS moves to system working. The levels of pay, moreover, should enable movement from trusts and from other relevant parts of the public sector, particularly local government. Therefore, we support, in principle, the pay ranges for ICB leaders. Nonetheless, in those cases where individuals have recently received large pay increases through appointment to ICB roles, local remuneration committees may wish to consider whether implementation of a further, annual pay uplift is appropriate.

6.78 At the time of writing this Report, the recruitment for ICB leaders was largely complete. We did receive indications that the interest in ICB leadership roles was less strong than anticipated and in some cases appointments were not made. We were, however, advised that a range of factors influenced this and the evidence does not support attributing it to salary levels.

6.79 While we express support, in principle, for the pay ranges we suggest matters are periodically reviewed based on practical experience. We would welcome a full analysis of relevant recruitment data and, over time, retention information. Clearly, the wider context relates to a rigorous assessment of delivery and the sustained achievement of the four goals of the ICBs.

Annex: Data and evidence on ESMs and VSMs

6.80 We received written and oral evidence from the DHSC and NHSE/I, as well as submissions from NHS Providers and Managers in Partnership. We held five discussion groups with remit group members – one with Very Senior Managers (VSMs), one with Executive and Senior Managers (ESMs), one with members of the new Integrated Care Boards (ICBs), one with medical directors, and one with medical directors in challenged trusts. In total, 38 members of the remit groups attended one of these discusssions, and we appreciate their valuable contributions. We also received helpful input on medical directors from the British Medical Association (BMA) and the Faculty of Medical Leadership and Management.

6.81 To provide additional evidence for the 2021-22 pay round, NHSE/I undertook a data collection exercise of a representative sample of 20 trusts, together employing 204 senior managers or 10 per cent of the cohort. The DHSC also issued a data template to its executive agencies and ALBs for them to return to provide in-depth detail on the ESMs they employ. Data were received on 12 ALBs employing 495 ESMs. These additional data collection exercises are very valuable given the difficulty in identifying our remit group within the overall workforce, and we hope they can be continued.

6.82 There are a number of areas where we would like to work with NHSE/I to improve the evidence base. The first is better identification of VSMs in the payroll data. This is an important step to understanding specific leadership issues. The second is evidence on motivation and morale across the ESM and VSM cohorts. We hope that the groups can be identified in the NHS staff survey in future. We would also hope to see data on executives in ICBs from next year, in particular evidence on recruitment to these roles and salaries on appointment.

The remit group

6.83 A VSM is 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. Many standard terms and conditions for VSMs, such as annual leave and redundancy, are linked to Agenda for Change (AfC) terms and conditions. Although there is a national framework for setting VSM pay, individual VSMs are employed on local contracts. Medical directors may be employed on consultant contracts, with a pay framework and other terms subject to national collective bargaining arrangements.

6.84 An ESM is 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

6.85 It is challenging to identify the VSM cohort using national workforce data systems as they 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 earnings, to identify the records most likely to relate to VSMs. Work is ongoing to better identify VSMs as a distinct group.

6.86 Senior staff employed by Clinical Commissioning Groups (CCGs) are also VSMs, but the 106 CCGs are being replaced by 42 ICBs following the passing of the Health and Care Act 2022 and so data relating to CCGs have not been included this year.

6.87 It is estimated that there were 2,038 VSMs at June 2021, with a full-time equivalent of 1,966. This represents just under 0.2 per cent of the 1.32 million staff working in NHS providers. The definition of VSMs used, which includes an earnings threshold of £110,000, is likely to overstate growth in the group but to understate the overall number.[63]

6.88 There were an estimated 495 ESMs working in health executive agencies and ALBs in 2021, up by 5 per cent from 470 in the previous year.

Employing organisations

6.89 VSMs work in one of 214 NHS trusts. The median number of VSMs in a trust is eight, with a range from one to 67.

6.90 ESMs are employed in one of 12 ALBs.[64] By far the largest employer is NHSE/I, which employs around 70 per cent of ESMs.

6.91 We note that NHSE/I and Health Education England will merge, to integrate service, workforce and finance planning. The DHSC said that this would simplify the national system for leading the NHS and help to ensure that the workforce is placed at the centre of the NHS strategy. NHSX and NHS Digital, which are responsible for digital technology and transformation, will also be transferred to the newly merged organisation.

Pay award and paybill

6.92 The estimated total paybill for VSMs (excluding employer national insurance and pension) is about £286 million. The ESM paybill is estimated at almost £56 million. As part of the broader public sector pay pause in 2021, there was no national pay increase for either VSMs or ESMs last year.

Workforce diversity

6.93 Around half of senior health managers are women. In the VSM cohort, 49.1 per cent were female in 2021. Just over half (51.6 per cent) of ESMs were female.

6.94 For female VSMs average basic pay was 4.4 per cent lower than male average pay, and average total pay 5.2 per cent lower. For female ESMs, average basic pay was 1.7 per cent lower than the male average, and average total pay 1.4 per cent lower. These gaps for ESMs reduced from 3.4 and 3.2 per cent the previous year.

6.95 Of those VSMs who stated their ethnicity, 8.7 per cent were from an ethnic minority background. Around 8 per cent of ESMs were from an ethnic minority background. Data on VSM earnings by ethnicity indicate that those from a black African, Caribbean or black British background have average total pay around 8 per cent below the overall VSM average (and basic pay 6 per cent below average). VSMs from an Asian or Asian British background had average total and basic pay around 1 per cent higher than the overall average. Those from a white background had average total and basic pay around half a per cent above average. These data were for non-medical grades only i.e. excluding those on medical or dental terms. Noting that numbers are small, among the ESM cohort those from an Asian background had basic pay 3 per cent above average and total pay 8 per cent above average. Those from a black background had basic pay around 4 per cent

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[63] Very Senior Managers are defined in two ways: staff who are not on Agenda for Change, earn over £110,000 a year and have one of the following 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, and: 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.

[64] 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 Blood and Transplant, NHS Business Services Authority, NHS Digital, NHS England and Improvement, NHS Resolution, DHSC Office for Health Improvement and Disparities.

above average and total pay 3 per cent above average. Those from a white background had basic and total pay around 1 per cent below average.

6.96 Around two-fifths, 39 per cent of the VSM group and 42 per cent of the ESM group, are aged 55 or over.

6.97 The vast majority of VSMs, 94 per cent, are on permanent contracts. Over nine in ten VSMs (92 per cent) are working full time and 8 per cent are working part time. A slightly higher proportion of ESMs (12 per cent) are working part time.

Pay framework for ESMs

6.98 The pay framework for ESMs allocates roles to one of four pay bands based on a job evaluation. There is an operational maximum at the midpoint of each pay band. These ranges have not been revised since 2016.

6.99 The DHSC remuneration committee has oversight of ESM pay. Some authority is delegated to ALB remuneration committees, such as salaries for appointments into existing roles at ESM1 and ESM2 up to the operational maximum. Where AfC band 9 staff (from within the organisation and the wider NHS) are promoted to an ESM1 role, an uplift of up to 10 per cent can be awarded up to a maximum salary of £122,000 without having to seek additional approvals.

6.100 DHSC remuneration committee approval is required for: the salaries of all new roles, the salaries for ESM1 and ESM2 replacements above the operational maximum, all ESM3, ESM4 and chief executive roles, ESM pay awards, and any salary increase for employees in role that are not part of the annual pay award.

6.101 All roles with a remuneration package of £150,000 or more require both the DHSC Remuneration Committee and Secretary of State's approval prior to an appointment (this includes salaries for those on medical, dental and GP contracts). In addition to approval by the DHSC Remuneration Committee and DHSC Ministers, Chief Secretary to the Treasury approval is required for all salary packages of £150,000 or more that are also above the exception zone maximum for their band.

6.102 For the 2020-21 performance year, the DHSC Remuneration Committee decided that:

- ALBs could use up to 2 per cent of the ESM paybill for non-consolidated awards for the 2020-21 performance year (the same as in the previous year).
- There was no cap on the proportion of employees that could receive an award (compared to a 40 per cent cap in the previous year). However, making a blanket award to all ESMs in an ALB was not supported.
- Individuals could receive a non-consolidated award of no more than 5 per cent.
- Any money spent on non-consolidated awards must come from existing budgets.

6.103 This was described as "an exceptional approach" by the DHSC for the performance year 2020-21 that might not be repeated in future years. It was intended to give ALBs the opportunity to give a non-consolidated award to more ESMs than in previous years, within the same overall spend.

6.104 At the time of data collection, only three ALBs gave evidence to show they were using the flexibilities surrounding performance-related pay and one shared their intention to use it to determine awards in January 2022. Of the 1.2 per cent of ESMs whom the data showed received any performance-related pay, the average award was £4,558.

Current pay levels

6.105 The average basic pay for an ESM in 2021-22 was £125,285 (down 0.1 per cent on 2020-21) and the average total pay was £126,390 (down 0.4 per cent). This indicates that variable pay and allowances account for around 1 per cent of the overall package. None of the ESMs was subject to earn-back.

Pay framework for VSMs

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

6.107 The current framework uses figures from data collected in 2019 and sets pay according to a pay range based on trust type and size. The figures set out lower and upper quartile and median salaries for up to 10 different roles (chief executive, finance director, medical director, etc), varied for nine different settings (five sizes of acute trust, two for mental health trusts, and pay ranges for ambulance and community trusts). This gives 81 different salary bands, with salaries ranging from £265,000 (upper quartile for a chief executive in a supra-large acute trust) to £75,000 (lower quartile for a director of corporate affairs and governance at a small acute trust).

6.108 Recent years have seen the merger of trusts to form larger trust groups, including some with budgets over £1 billion. Delivering services across multiple sites has driven the need for site chief executives, themselves managing large budgets and teams. NHSE/I has said that the skills and experience needed to manage these group organisations are considerable, while site leadership roles offer effective development opportunities for less experienced leaders. NHSE/I advised that some of these larger merged trusts have developed pay mechanisms outside of the existing framework in order to attract and remunerate those in the new management structures. In some, VSMs operate at two or three reporting levels below the chief executive, where historically a trust might only have had one layer of VSMs below the chief executive. NHSE/I intends that the new VSM pay framework will address these structural changes.

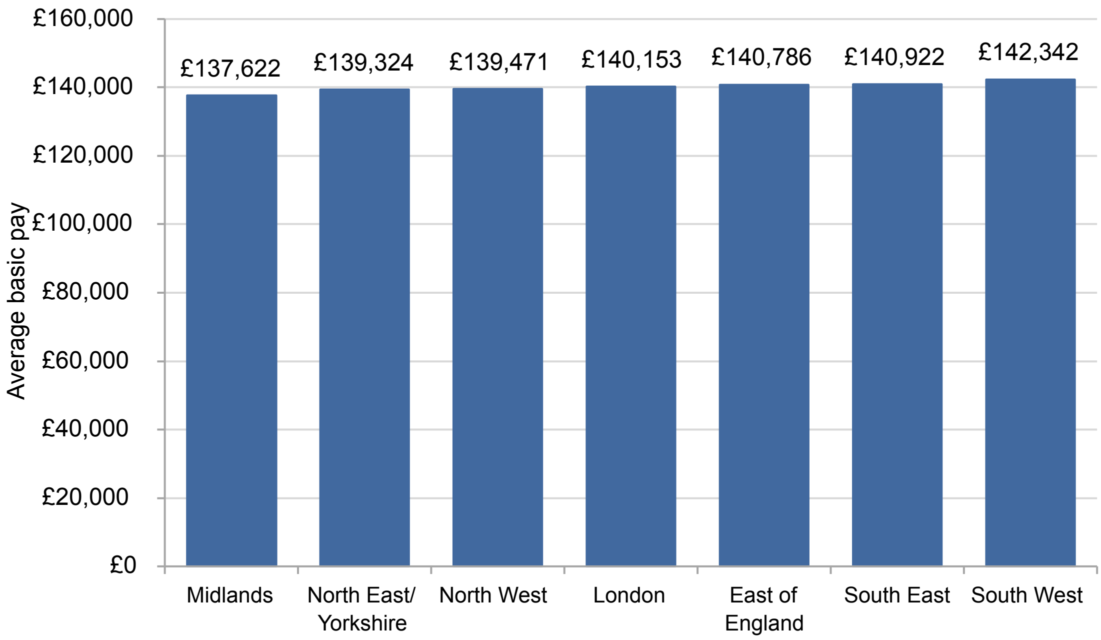
Data on existing pay levels

6.109 Average VSM basic pay was £135,868 per person (£140,531 full-time equivalent (FTE)) at June 2021. Additional payments added 6.1 per cent to VSM basic pay. These were most likely to be payments for additional activity and medical awards (both paid to medical directors) or "local payments".

6.110 Just 2.2 per cent of VSMs received a bonus. These had a median payment of £5,833 and a mean payment of £7,676 (5.6 per cent of average pay).

6.111 Figure 6.1 shows that the regional variation in salaries remains small, with average basic pay in the lowest-pay region just 3.3 per cent below the highest-paying region. London was the middle-paying region, with the South West the highest-paying region. Figure 6.2 shows variation in average VSM pay by role.

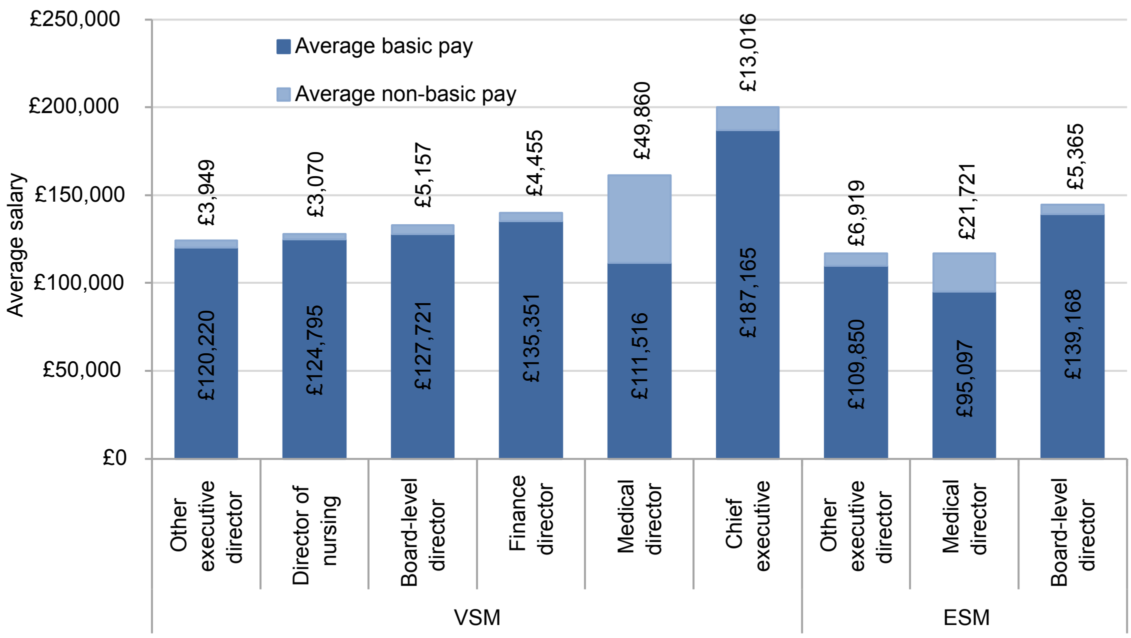
Figure 6.1: **Average basic pay for VSMs by region, June 2021**



Source: NHS Digital.

Note: Full-time equivalent (FTE) pay. Annualised basic pay is calculated by multiplying the basic pay per FTE for June 2021 by 12.

Figure 6.2: **Average VSM salaries by role (board-level only)**



Source: NHS Digital.

Note: Average pay per person (not FTE) in period July 2020 to June 2021.

Challenged trusts

6.112 The current VSM pay framework provides for a ‘challenged trust premium’. This allows pay to be set up to the upper quartile or the median plus 10 per cent, whichever is the greater. A challenged trust is typically defined where it has a Single Oversight (SOF) rating of 3 or 4 and/or a Care Quality Commission rating of ‘requires improvement’ or ‘inadequate’.

Pay exceptions

6.113 There is a requirement that all proposed VSM pay at or above £150,000 (raised from £142,500 in January 2018) in NHS trusts is subject to ministerial approval (or ministerial comment in foundation trusts) before appointments are made. 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 rather than by ministers.

6.114 In 2020-21 there were 118 requests to approve salaries, uplifts or additional payments over £150,000 (and 121 requests in 2019-20). These were most likely to relate to chief executives (40), medical directors (28) or finance directors (18). There were also seven 'retire and return' requests in 2020-21.

6.115 NHS Providers, the membership body for NHS trusts in England, said it had heard regular reports from trust leaders of posts remaining empty for many months while sign-off from the centre was pending, particularly where proposed salaries were over £150,000. Delays had been reported by both trust and foundation trust leaders. It said that delays to appointments at board level could have a significant impact on operational management and service delivery. It added that the £150,000 threshold was generally opposed and seen to be outdated by trust leaders.

Overlap with Agenda for Change

6.116 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. In 2021-22, the top of the national band 9 was £108,075 and £115,172 in London. Some senior managers are paid on the VSM pay framework even when their salaries fit within the AfC pay scale. This is because the trust wishes these VSMs to be remunerated on the same footing as other VSMs, for reasons such as not paying incremental pay and ensuring that salaries are linked to the VSM pay awards and not AfC. The sample of NHS trusts gave data on 186 VSMs (excluding medical directors on clinical contracts). Of these, 24 (13 per cent) had a basic salary of £108,075 or less.[65] This included four at exactly £108,075, the top point of band 9. Two of these lower-paid roles were marked as moving to AfC. Only one of these 24 had an additional supplement which took total pay above the band 9 maximum. In the data on ESMs, 15 per cent (73 out of 483) had pay at or below £108,075.[66]

6.117 The expectation within the proposed VSM framework is that anyone whose salary falls within the AfC pay range might expect to be paid within that framework. The aim is that all VSM salaries should be regulated via a national framework for VSM remuneration. We understand it is not intended that anyone would be moved from the VSM to the AfC framework.

6.118 The NHS Providers remuneration survey also provides some useful evidence on the overlap between VSMs and AfC. This shows how close lower quartile salaries for a number of executive director roles – corporate governance, HR/workforce/OD, strategy /planning/transformation – are to the band 9 maximum salary. This does not include senior staff on VSM contracts working below board level, whose salaries are likely to be lower. The survey provides data on basic salary by executive director role, shown in table 6.1.

[65] This included four directors of communications/corporate affairs, two directors of estates/facilities, two directors of strategy/planning, three directors of governance, three people/HR directors, and four chief information officers/IT directors.

[66] Not all ALBs use AfC for staff below ESMs and, therefore, the grade below ESM1 may not have the same levels of pay as AfC band 9.

Table 6.1: **Basic salary by executive director role**

Executive director role	Lowest £pa	25th percentile £pa	Median £pa	75th percentile £pa	Highest £pa
Corporate/ governance	62,001	104,532	112,071	124,220	193,000
Other	87,754	110,000	121,307	139,221	221,000
HR/OD	93,452	111,653	122,448	133,360	193,000
Strategy/ transformation	83,603	111,133	123,860	137,224	193,000
Nursing	91,004	118,715	126,288	140,000	193,000
Operations	102,696	116,769	128,149	144,500	195,000
Combined	88,146	122,000	141,773	172,000	206,717

Source: NHS Providers remuneration survey 2020-21.

Performance pay

6.119 For 2021-22, trusts had the discretion to make non-consolidated awards from up to 2 per cent of their existing paybill to acknowledge exceptional performance, with guidance limiting awards for individuals to 5 per cent.

6.120 NHSE/I undertook a stakeholder engagement exercise with VSMs as part of the VSM pay framework development during 2021 which canvassed views on the use of bonuses and performance-related pay. It found little appetite for individual performance pay as it was perceived as counter to public sector values and to reward individuals who are rarely alone in improving organisational performance. There was widespread antipathy to earn-back (see below). There was some support for team-based bonuses, particularly where teams are involved in transformation or turnaround.

6.121 In the VSM framework, there is an expectation of re-earnable pay, termed earn-back, where 10 per cent of salary is made dependent on meeting agreed performance objectives. The NHS Providers remuneration survey results in 2021 indicated that around 16 per cent of executive director roles have earn-back terms applied to them, but this rose to 36 per cent for those appointed since 2018. We saw no evidence about the proportion of cases where the at-risk element of pay was retained or lost.

6.122 NHS Providers said that earn-back is tremendously unpopular among trust leaders who have criticised this approach as a mechanism to reduce VSM salaries. It said that trust leaders had previously raised concerns that the earn-back principle does not take into account existing mechanisms trusts have in place for performance management and that should the performance of a senior post-holder fall below minimum expected standards, this should come under the scope of existing trust processes with a more substantial response than withholding a proportion of pay. Furthermore, at an executive level it was almost impossible to attribute organisational objectives to one individual and having an earn-back element would discourage VSMs from working in challenged economies. Senior managers were already held to account for their and their organisation’s performance by non-executive directors, governors (in foundation trusts), the ALBs and the DHSC. There was significant concern over the lack of value earn-back clauses would add.

Pay ranges for ICBs

6.123 Salary ranges for ICB chief executives and for other executive roles have been set in advance of the new VSM pay framework. Each of the 42 ICSs will account for individual budgets in excess of £1 billion, significantly larger than the budgets of the current 106 CCGs they replace. In addition to directing the allocation of the system budget, providing commissioning services, strategic estates management, and new responsibilities for overall population health and prevention, ICSs will oversee the delivery of services by NHS providers within their system.

6.124 Job evaluation indicates that the role of the statutory members of the ICB, chairs and chief executives, are some of the largest and most complex roles within the NHS and carry the greatest financial responsibility. Pay ranges for chief executives of the largest ICBs are above the existing VSM chief executive pay ranges, with pay ranges for the smaller ICBs overlapping with the top end of the existing VSM pay ranges. Population data weighted for age, deprivation and location factors are used to indicate the size of an ICS, with ICS assigned to one of four bands (see table 6.2). Salaries above the mid-point/operational maximum require approval from NHSE/I and the DHSC.

Table 6.2: **Pay bands for ICB chief executives**

Grade (weighted population)	Minimum £pa	Operational max/midpoint £pa	Exception zone £pa	Expected number of ICSs in each pay band
A (<1 mn)	175,000	200,000	225,000	15
B (1-1.5 mn)	190,000	215,000	240,000	10
C (1.5-2 mn)	220,000	245,000	270,000	10
D (> 2 mn)	250,000	275,000	300,000	7

Source: DHSC; NHSE/I.

6.125 Given the reduction in number from 106 CCGs to 42 ICSs, it is estimated that the total wage bill for the chief executive roles will reduce from around £18 million to around £9.6 million.

6.126 The roles of director of finance, medical director and director of nursing are mandated roles, so that all ICBs will have them. Some larger ICBs may recruit additional executives. Pay for these roles is linked to the pay range of the chief executive (see table 6.3). Pay proposals above £170,000 or the operational maximum require NHSE/I and DHSC approval. Job evaluation indicates that finance directors are the most complex roles, with medical and nursing directors just below this level and other executive roles (including chief people officer and chief digital and data officer) falling immediately below those. The actual difference in complexity between boards roles was not significant, so that all roles are considered to be at the same level.

Table 6.3: **Pay bands for ICB executives**

	Groups A and B		Groups C and D	
	Minimum value £pa	Operational maximum £pa	Minimum value £pa	Operational maximum £pa
Chief finance officer	133,000	160,000	154,000	182,000
Chief nursing officer	123,500	149,375	143,000	170,000
Chief medical officer	123,500	149,375	143,000	170,000
Other board executives	114,500	138,750	121,000	158,000

Source: DHSC; NHSE/I.

6.127 The guidance notes that pay for medical leaders has historically been higher than for other executives. Medical directors will have a choice of contract in ICBs: they may remain on medical/dental/GP terms or switch to the ICB/VSM executive pay scales. If they remain on a clinical scale, they will continue to be paid a management allowance and may attract additional allowances relating to continued clinical practice (such as clinical excellence awards, seniority payments, on-call allowances and payment for additional programmed activities).

6.128 There is no provision for performance pay or earn-back for ICB executives. There is also no provision for additional allowances.

Movement between pay frameworks

6.129 NHSE/I says that pay levels are mainly flexible enough to cross both ESM and VSM frameworks, enabling movement, and the pay scales within the VSM framework are broad and flexible enough to accommodate the majority of ESMs who may wish to move between systems.

6.130 The top of the highest ESM pay band (with an operational maximum of £207,050 and exceptions up to £222,200) is set well below the top of VSM pay ranges (£265,000 at top of current provider ranges and £275,000 for ICBs). The top of the ESM scale is comparable to existing second-in-line salaries in the largest trusts. Therefore, CEOs and next-in-line VSMs from very large ICSs and provider trusts would not be attracted to ESM posts on salary alone, whereas those moving from ESM to VSM should find the VSM pay framework more attractive.

Views on pay

6.131 Managers in Partnership (MiP) undertook a survey of its executive members in February and March 2022. Sixty-seven members in England responded, two-thirds of whom were employed under the VSM pay framework and a third on the ESM pay framework. Just under half (46 per cent) worked for NHS trusts, 27 per cent worked for CCGs, including designate appointments to ICBs, and 22 per cent worked for ALBs.

6.132 This survey found that 79 per cent of respondents said that they understood the pay framework and associated arrangements for their role. But only 33 per cent thought that the pay arrangements were fair and objective. MiP reported that the issue of the differential with AfC was raised repeatedly, with concerns over the eroding differential between AfC and VSM/ESM pay levels, and that some new staff (to ESM roles) were paid less than those on band 9. Just under 30 per cent of survey respondents were satisfied or very satisfied with the overall arrangements for their pay, with 33 per cent dissatisfied and a further 10 per cent very dissatisfied.

Medical directors

6.133 The medical director is the board-level role responsible for a range of medical workforce, quality and safety measures in the organisation. We are not considering here other senior doctors in a trust with management or leadership responsibilities.

6.134 VSM pay ranges for medical directors vary by trust type and size. Pay for hospital consultants is set by the Review Body on Doctors' and Dentists' Remuneration. The basic salary for a consultant ranges from £84,559 to £114,003, with pay increments. Medical directors are usually paid at the top end of this range. Where a consultant contract applies, the reward package typically comprises a lower basic salary than the VSM pay range but includes other elements of pay from the consultants’ reward package notably a clinical excellence award and additional programmed activities. These are often combined with a substantial management supplement to differentiate the medical director from other senior consultants.

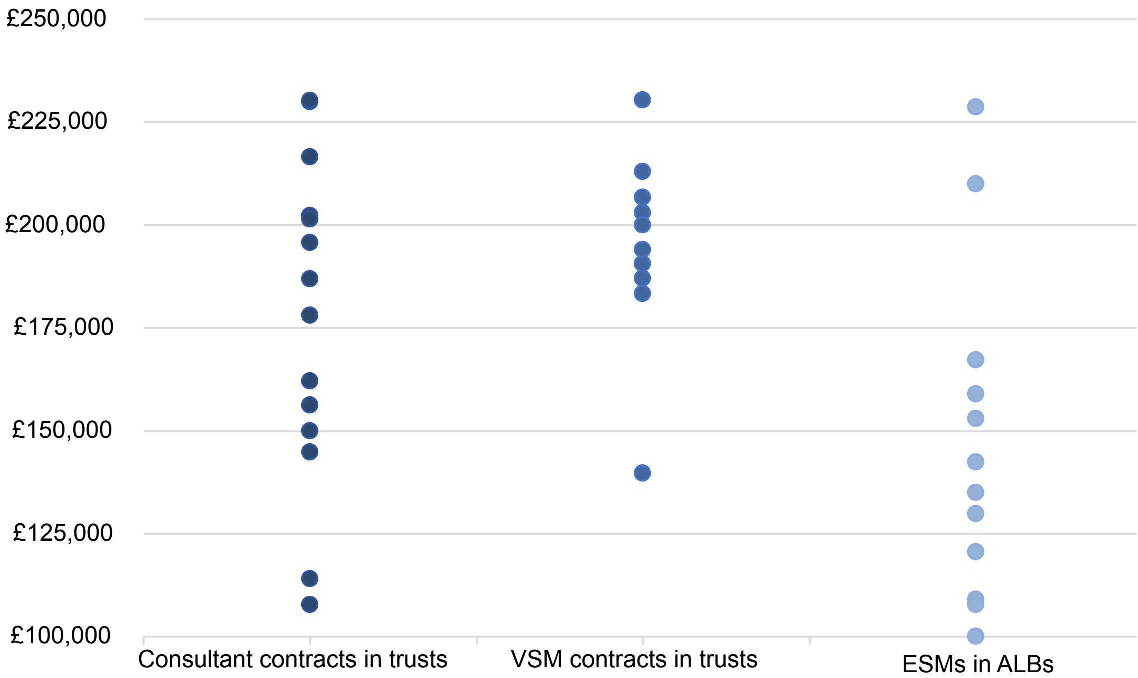
6.135 The reward package for medical directors is highly variable. NHSE/I has provided us with data on the individual salaries of VSMs in 20 NHS trusts, including salary data for 24 medical directors. These roles are divided between whether the individual is on a VSM or consultant contract, with 14 medical directors on a consultant contract, nine on a VSM contract, and one described as "both".[67] Figure 6.3 shows the distribution of total pay for medical directors at sample trusts and in ALBs.

6.136 Median pay was higher on average for VSMs, with median total pay of £200,000 for VSM contracts in the sample and £182,000 for consultant contracts. VSM medical director salaries in the sample were nearly all above £180,000. ESM medical director salaries[68] are typically lower than VSMs, with median total pay of £139,000, which is likely to reflect the different scope and responsibility of the role.

6.137 In five of the 20 trusts for which we have data, the medical director was paid more than the chief executive.

6.138 In discussion groups, we heard of examples of medical directors taking pay cuts when moving from a consultant to a medical director role. This is likely to be due to the loss of payment for additional programmed activities and on-call payments. Some had retained their clinical excellence awards while others had not. It was noted that salaries for medical directors (above £150,000) were subject to a level of scrutiny that those of consultants were not. It was reported that the available salary for a medical director was unclear on application and often took some months to resolve after appointment. There was a strong sense of risk and increased job insecurity in taking on a medical director role that we were told was likely to be off-putting for many.

Figure 6.3: **Distribution of total pay for medical directors at sample trusts and in ALBs**



Source: DHSC; NHSE/I.

67 It may be that this sample is not representative of trusts more generally. A data collection exercise in 2018 found that the average pay of a medical director on a consultant contract was £185,619 and the average pay of a medical director on a VSM contract was £165,763.

68 Described in the ESM dataset as a medical or clinical director. This covered 12 ESM roles.

6.139 The BMA has said that it considers the opaque nature of current pay scales for medical directors to be a source of concern, with a lack of transparency and limited understanding by applicants as to what pay scales or conditions are being used. It said that this compares unfavourably with the clarity offered by conventional medical contracts or AfC and that this lack of certainty puts people off applying for roles. It drew attention to the approach taken in NHS Scotland, with medical directors paid one of five medical director management fees (worth £24,986 to £42,805), on top of their consultant salary, depending on the size of the health board. The BMA also noted that mid-career doctors may be interested in medical leadership positions but not wish to leave clinical practice entirely as it could be difficult to return.

6.140 It would be helpful to receive evidence in future on the career pathways for medical leaders, on moves in and out of clinical leadership roles, and on the career background of medical directors.

6.141 Discussion groups with medical directors also gave us some useful insights into the use of VSM and clinical contracts for medical directors in trusts. A number of medical directors told us that a clinical contract enabled them to continue with their clinical work, both while undertaking their leadership role and keeping this as an option for their next role. In this way, a clinical contract was considered to be a recruitment incentive as it could better enable future career options. A clinical contract was referred to as an "insurance policy". Some also saw their clinical excellence awards as a sign of esteem and wanted to keep them. Medical directors were more likely to be offered a VSM contract, with some feeling in a position to negotiate and others feeling they needed to accept the terms offered.

6.142 On the other hand, some medical directors considered a VSM contract as a better reflection of their role, especially where they were not undertaking clinical work. It was thought by some to fit better with being part of the leadership team, and reporting to the chief executive and the chair. Some medical directors had a VSM contract that enabled clinical work and some had kept their clinical excellence awards as a separate payment. More common was the consolidation of clinical excellence awards and other additional payments, with VSM salaries typically slightly higher than the total package for those on consultant contracts. However, some had seen the consolidation of their (previously non-pensionable) management allowance lead to a concomitant significant pension tax bill. This was likely to be the case where the individual had significant accrual in the closed final salary pension scheme.

Recruitment and retention

Recruitment

6.143 There were 280 appointments in the VSM cohort between June 2020 and June 2021 (down from 621 in 2019-20, although this included CCGs). Of these, three-fifths (60 per cent) were moves from other trusts and a further one-fifth (19 per cent) were from other parts of the NHS.

6.144 There were 53 appointments in the ESM cohort between June 2020 and June 2021. Of these, 13 were identified as being from within the NHS, but for 38 the prior employment was not known.

6.145 Quarterly vacancy reports indicate that there were 70 board executive vacancies in NHS trusts in June 2021 and 68 in September 2021. This compared to 55 vacancies across NHS providers in October 2020. Around 70 per cent of these vacancies were actively being recruited for. The highest number of vacancies were for HR/workforce directors, operations directors, chief executives and nursing directors.

6.146 The ICB chief executive recruitment process took place in October and November 2021. The majority of those who applied were existing CCG accountable officers, chief executive officers and/or existing ICS leads. Many applicants made multiple applications and the actual number of candidates was 101 across the 42 roles. Around 4 per cent of applications were from chief executives of provider trusts.

6.147 A small number of applications were received from senior people within local government, those within other health systems, those at a senior level in the not-for-profit sector and from the private sector. Nine applicants from outside the NHS were shortlisted and interviewed. The largest applicant pool for a single role was 15 and the smallest was one. The recruitment led to 37 substantive and five interim ICB chief executive appointments. Three came from outside the NHS in England.

6.148 Outside of ICB appointments, recruitment agencies have struggled to identify strong fields, particularly from a diversity perspective and particularly for trusts in 'hard to fill' locations. There is reported to be a greater depth of talent in and around cities, particularly London.

Retention

6.149 In total, 172 VSMs left the NHS between June 2020 and June 2021. This indicates turnover of 9.1 per cent (compared to an estimate for 2019-20 of 11.5 per cent, which includes CCGs).[69] Retirement accounted for 33 per cent of leavers, compared to 22 per cent in the data for 2019-20. This suggests a retirement rate of 3.0 per cent in the 12 months to June 2021, compared to 2.6 per cent in the 12 months to September 2020. In addition, 124 VSMs left their organisation and moved to another trust. This gives an internal turnover rate of 6.6 per cent (down from 13.3 per cent in 2019-20). It is not possible to track promotions within the VSM group.

6.150 Over the same period, 55 ESMs left NHS ALBs, indicating a turnover rate of 12.8 per cent. Retirement accounted for 29 per cent of leavers.[70]

6.151 Nine VSMs left a trust and joined an ALB. Six ESMs left their roles to join a trust.

6.152 NHS Providers said it was concerned about the high levels of turnover among VSMs, with 20 per cent of executive directors in its remuneration survey having been in post for a year or less and nearly half (44 per cent) being in role for two years or less.

6.153 MiP found that two-thirds (69 per cent) of senior health managers responding to its survey were seriously considering leaving the NHS or had seriously considered doing so in the last 12 months.

Motivation and morale

6.154 It is not currently possible to identify the VSM cohort within the NHS staff survey. We hope that this can be resolved in future surveys.

6.155 NHS Providers emphasised that trust leaders had been under enormous pressure throughout the COVID-19 pandemic, dealing with the unprecedented demand for emergency services, the push to address the backlog in care and the delivery of a national vaccination programme. It said that these sustained pressures were damaging to mental and physical well-being, with VSMs experiencing burnout in a similar way to frontline staff.

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69 Using an average of the number of VSMs at the start and end of the period. The 2019-20 figure includes 40 people who transferred out of a CCG to another body.

70 ESMs are not well defined in this dataset, which uses payroll data for those earning above £110,000 and does not include all ALBs. As a result, these figures may not be accurate.

6.156 Overall, 60 per cent of respondents to MiP's member survey said they felt valued by their employer. Respondents cited good working relationships, supportive colleagues, the strength of the leadership team, an organisational focus on well-being, high-quality line management, and working with autonomy in a supportive, engaging team as reasons for feeling valued.

6.157 However, 40 per cent of respondents did not feel valued by their employer. Reasons given included poor culture, poor line management, the poor management of change, and poor HR practice. One respondent said: "We are now going through management of change as CCG VSMs. It feels like a kick in the teeth given the pressures we have been under to support delivery of COVID incident management, vaccinations, urgent care pressures, backlog recovery, mergers of CCGs over the last few years and now risk of redundancy as a result of the ICB". Other respondents mentioned the Government's pay policy for VSMs and ESMs to explain why they did not feel valued: "Too many expectations, long hours and unrealistic objectives. Failing to give a pay award last year was appalling after the difficult COVID period".

6.158 Nearly three-quarters of respondents reported that their morale had worsened over the last 12 months, with 45 per cent saying it had slightly worsened, and 28 per cent said it had significantly worsened. Only 3 per cent said their morale had slightly improved. None said it had significantly improved.

6.159 When asked to rank options most likely to boost morale, "better pay" and "improvements to pension benefits and/or tax treatment" came out top. More financial resources, more staff and more manageable workload came next. Then "improved performance management and regulation" and "more realistic expectations from government or system leaders". Flexible working hours and change of location were ranked lowest.

6.160 Workload and working hours were held to have had the most negative impact on respondents. Pension scheme issues (including pension tax) came next, slightly ahead of pay. Pension tax was mentioned repeatedly throughout the survey.

Pensions

6.161 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. All pension scheme members will have moved to the 2015 scheme from April 2022.

6.162 An estimated 79 per cent of VSMs (those earning over £110,000) are members of the pension scheme, down 0.2 per cent on the previous year. Membership rates decline as basic pay increases, so that only 44 per cent of those earning above £200,000 are pension scheme members. (See table 6.4.)

Table 6.4: **NHS pension scheme membership for VSMs at June 2021**

Salary range	Membership rate
£110,000 – £125,000	85%
£125,000 – £150,000	84%
£150,000 – £175,000	71%
£175,000 – £200,000	61%
Over £200,000	44%
All over £110,000	79%

Note: A positive employer pension contribution is used as the proxy of pension membership.

6.163 MiP found that 46 per cent of senior health managers responding to its survey said they had considered leaving the NHS pension scheme in the last year. The lack of good-quality information and explanation of the pension tax remained a major problem.

6.164 Senior staff in the NHS pay a much higher employee pension contribution rate than lower-paid staff, even though under a career average pension scheme all members receive the same proportional benefits for their contribution. There are plans to narrow the range between the highest and lowest contribution rates.[71] This will see employee contribution rates for those earning £111,377 and above fall from 14.5 per cent in 2021-22 to 13.5 per cent from October 2022 and 12.5 per cent from October 2023.[72]

Pension taxation

6.165 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.[73] Employers can pay the 14 per cent 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 pension 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 as it does not increase the value of an individual's reward package. NHSE/I noted the risk to the individual that, in removing themselves from the scheme, they may forfeit some in service benefits arising from the scheme, such as life insurance.

6.166 Our discussion groups of senior health managers indicated significant continuing discontent with the annual allowances charges they faced. A 2019 survey from NHS Providers reported that in 60 per cent of trusts clinical staff were less willing to take on leadership roles, and in 37 per cent of trusts fewer staff were seeking or accepting promotions due to annual allowance taxation specifically. NHS Providers acknowledged that the situation had improved following the changes to the annual allowance taper from 2020 but that challenges remained.

Remuneration analysis

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

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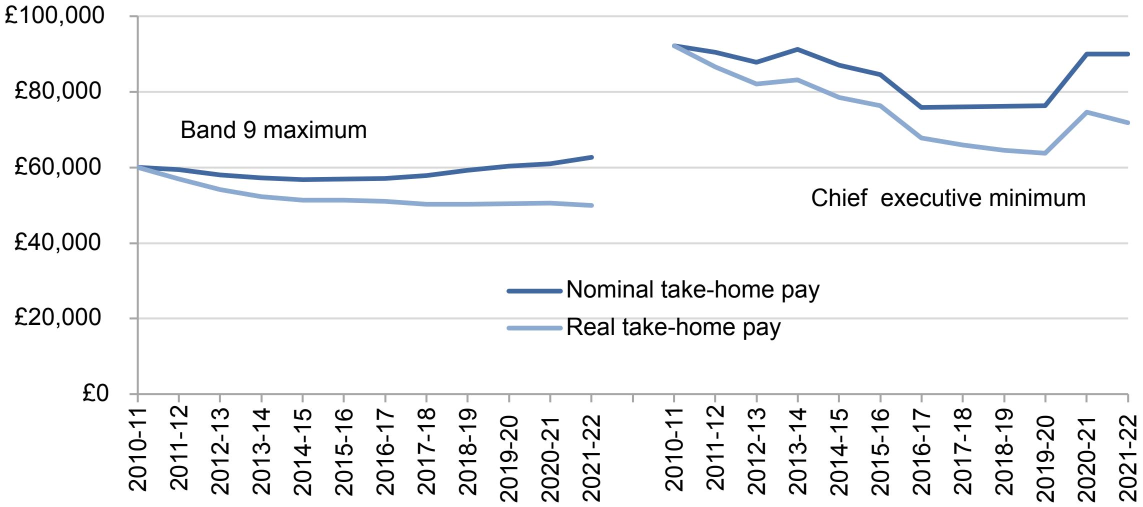
71 See: https://www.gov.uk/government/consultations/nhs-pension-scheme-proposed-changes-to-member-contributions/outcome/nhs-pension-scheme-proposed-changes-to-member-contributions-consultation-response

72 The consultation exercise noted that, in a CARE scheme, members accrue the same proportional benefit and there is an argument that everyone should pay the same rate – that is the 9.8 per cent yield. However, the DHSC proposes to retain a tiered contribution approach recognising the mutual intention of the scheme and the continuing desirability of facilitating participation across the whole NHS workforce having regard to potential affordability concerns for lower earners. In addition, many members will have a 'final salary link' applied to their accrued 1995/2008 scheme service, meaning that higher earners will continue to derive more value from that service than members who experience steadier pay progression through their career.

73 See: https://www.nhsemployers.org/publications/pension-tax-guidance-employers

6.168 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. Full details have been given in our previous reports. (See figures 6.4 and 6.5.)

Figure 6.4: **Nominal and real take-home pay, 2010-11 to 2021-22**



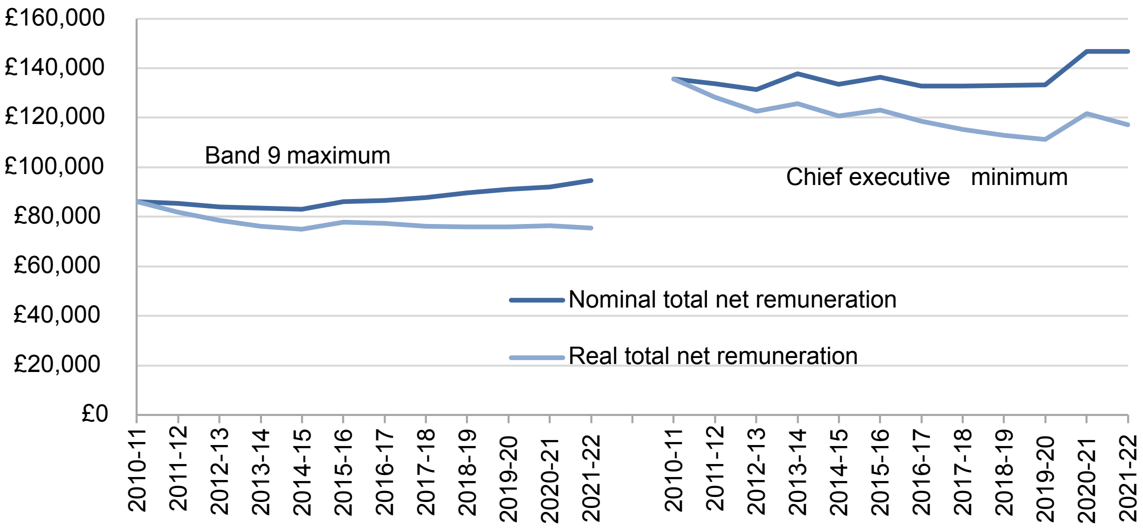
Source: OME analysis.

Notes Nominal take-home pay makes no adjustment for inflation. Real take-home pay based on the 2010-11 CPI.

6.169 The band 9 maximum saw an increase of 2.7 per cent last year in take-home pay and a 2.8 per cent increase in total net remuneration, broadly in line with the 3 per cent pay increase. The pay freeze last year means that has been little change in nominal take-home pay and total net remuneration for most senior health managers.

6.170 In real terms, the band 9 maximum saw a fall of 1.3 per cent in take-home pay and 1.2 per cent in total net remuneration over the year. The chief executive minimum salary saw a fall in take-home pay and total net remuneration in line with inflation of a 3.8 per cent for the year 2021-22. This would have been similar for all senior health managers.

Figure 6.5: **Nominal and real total net remuneration, 2010-11 to 2021-22**



Source: OME analysis.

6.171 Notes: Assumes switch from 2008 to 2015 pension scheme in 2015. Only looks at in-year earnings and does not include the impact of the lifetime allowance, income tax on pensions in payment or the changing retirement age. Nominal total net remuneration makes no adjustment for inflation. Real total net remuneration based on the 2010-11 CPI.

6.172 Since 2010-11, the band 9 maximum has seen a nominal increase of 4.4 per cent in take-home pay and 10.1 per cent in total net remuneration. This is due to basic pay awards, an increased personal tax allowance and an improved accrual rate in the 2015 pension scheme. In real terms, take-home pay at the band 9 maximum has fallen by 16.8 per cent while total net remuneration has decreased by 12.2 per cent since 2010-11.

6.173 Since 2010-11, the chief executive minimum salary has seen a nominal fall of 2.3 per cent in take-home pay and a rise of 8.4 per cent in total net remuneration. With a salary at £191,901, this group will have been liable for an annual allowance charge of around £7,600 in 2021-22. In real terms, take-home pay at the chief executive minimum has fallen by 22.1 per cent while total net remuneration has fallen by 13.6 per cent since 2010-11.

Leadership and talent management

6.174 In response to the 2018 Kark Review, leadership competency frameworks relating to the key board roles (within providers and ICSs) have been developed to provide a benchmark of ‘what good leadership looks like’. These are intended for use in board-level recruitment, appraisal, and development and in the future could provide the basis for the ‘fitness’ attestation in the proposed Fit and Proper Persons Test.

6.175 There are a number of active talent management schemes within the NHS that aim to develop current and future leadership. The Chief Executive Development Network supports current chief executives and chairs with their development, with 373 participants from March 2020 to January 2022. Aspiring CEO has been established to create a talent pool of potential chief executives, with 60 participants so far, 50 per cent of whom have been appointed to lead provider trusts. The Executive Director Pathway is a one-to-two-year programme to prepare participants for senior executive roles, which took in 56 participants in its first cohort last year. The Nye Bevan programme aims to accelerate people into executive roles that span organisational boundaries and support senior leaders to move beyond leadership within their area of expertise. The NHS Leadership Academy focuses on development for levels below VSM to deliver a strong pipeline of aspirant executive candidates. The NHS Graduate Management Training Scheme remains highly regarded, with funding for a cohort of 250 in 2022, down from 400 in 2019-20, though above the 150 in a year before.

6.176 NHS Providers said that the Messenger Review presented an opportunity to provide more planned, systematic mid-career entry routes into NHS management to supplement the current talent pipeline relying on leaders coming through clinical practice or the NHS Graduate Management Training Scheme.

Chapter 7

Police and Crime Commissioners

Summary

7.1 This is our first review of Police and Crime Commissioner (PCC) pay since 2018. The scope and responsibilities of this role have grown significantly since then. Moreover, the Home Office is planning a further expansion of PCC responsibilities in the near future.

7.2 PCCs are unique among our current remit groups in being elected officials. This means that the evidence on areas such as recruitment, retention and quality have a very different context.

7.3 The fact that PCCs have only received a single pay uplift of 2 per cent since the introduction of the role in 2012 means that salary levels have fallen far behind their original comparators, even without compensating for the growth in the role.

7.4 Our recommendations are focused on setting PCC pay at an appropriate level that reflects both the current nature of the job and broader trends in public sector pay. The PCC role needs to attract high-quality people and a diverse range of potential candidates. A failure to keep the salary in line with comparable positions jeopardises the achievement of these objectives.

7.5 We feel that the current structure of five pay groups for PCCs is too many. While we recognise that the scope of the role varies by police force size, as well as other local and demographic factors, five pay groups implies more differentiation between PCCs than is reflected in their roles, as most responsibilities are common to all areas. We therefore recommend that the PCC pay structure is reduced to three pay groups.

7.6 With the above in mind, we recommend revised salaries of £108,800 for group 1, £94,300 for group 2 and £83,200 for group 3.

7.7 We do not believe it is sensible for PCC pay to be frozen over long timespans. Going forward, we recommend that, in the interim periods between SSRB reviews, PCC pay should be uplifted each year in line with the increases in chief police officer pay.

7.8 We believe that the significant additional responsibility of fire and rescue governance should be appropriately recognised and rewarded. We therefore recommend an increase in the pay supplement for Police, Fire and Crime Commissioners to 7.5 per cent of basic pay.

7.9 We also highlight two further elements of the overall reward package for PCCs that we feel need to be addressed, namely the lack of a loss-of-office payment and the personal cost of installing home security. Addressing these issues is not only fair but could significantly improve the attractiveness of the role and the diversity of the candidates standing for election.

7.10 We estimate that the overall cost of our pay recommendations is £424,000. This will be spread across the 39 PCC offices. We believe our recommendations will put PCC pay on a sensible and sustainable footing and help to ensure that the role is attractive to a more diverse range of candidates in future.

Introduction

7.11 There are currently 39 directly elected PCCs in England and Wales. Of these 39, four also hold responsibility for fire services in their areas. PCCs are ordinarily elected on a four-year term but, due to the COVID-19 pandemic, the 2020 elections were postponed and the last PCC elections were held in May 2021. The next election is in May 2024.

7.12 In December 2021, the Home Secretary asked the SSRB to review PCC pay. The remit letter asked us to specifically consider:

- Whether PCC pay is at an appropriate level.
- If an uplift were required, how it would be applied (for example, there may be different increases for different force areas).
- Recommending an appropriate mechanism to increase PCC pay between formal reviews.

Previous pay reviews

7.13 There were no changes to PCC pay between 2012 and 2018. In 2018, we were commissioned to carry out a review of PCC salaries, the first substantive review since the roles were established in May 2012. We made recommendations as set out in table 7.1. These were largely rejected by the Government. However, our recommendation of a consolidated allowance of £3,000 for Police, Fire and Crime Commissioners (PFCCs) was accepted.

Table 7.1: **The SSRB's 2018 recommendations and the Government's response**

SSRB recommendation	Government response
A consolidated pay uplift of £5,000 to each of the bottom four PCC salary bands, with effect from 1 May 2018.	Partially accepted: The Government awarded a pay increase of 2 per cent to each of the bottom four PCC salary bands.
A consolidated additional allowance of £3,000 for those PCCs who take on responsibility for the governance of fire and rescue services. This should be reviewed at the time of the next formal review of PCC pay.	Accepted.
From May 2019, PCC salaries should be increased by 2 per cent, in line with the pay award for local authority staff. Pay increases, linked to the pay award for local authority staff, should continue annually until the next formal review of PCC pay.	Not accepted: The Government was of the view that automatic pay increases were not appropriate while change was ongoing. The Government also sought to avoid creating a disparity between PCCs and police officers whose pay increases are not automatic.
PCC pay should be reviewed again in 2020-21 to enable a full assessment of the role, particularly in light of the additional responsibilities for fire and rescue. Thereafter, full reviews should be conducted on a four-yearly basis.	Partially accepted: The Government said that PCC pay should be reviewed again in 2020-21 to enable a full assessment of the role, particularly in light of the additional responsibilities for fire and rescue services and thereafter, full reviews should be conducted on a four-yearly basis. However, future reviews should be aligned to the PCC electoral cycle and a further review should therefore take place to set PCC pay ahead of the 2024 elections.

The Home Office carries out a review of the pay structure for PCCs, with a view to developing proposals to reduce the number of salary levels to a number below the current five.	Not accepted: The Government said that PCC pay structures were aligned to those of chief police officers, and their pay was under review as part of sector-led reforms to deliver a new pay and reward framework. PCC pay structures would be reviewed following the completion of the ongoing review of chief police officer pay.
PCCs who lose their seat at election should be entitled to a loss-of-office payment equivalent to the loss-of-office payment received by former MPs.	Not accepted but the Government said it would further consider the issue.

7.14 We have previously expressed our disappointment that our recommendations in 2018 were not accepted; that sufficient explanation was not given; and that the Home Office lacked a remuneration strategy for PCCs.

7.15 Given the delay in the PCC elections and therefore any pay review, we urged the Home Office in our 2020 Report to consider whether special arrangements should be put in place for an interim pay award. However, no action was taken.

7.16 The end result is that most PCC roles have only had a single 2 per cent uplift in salary since they were introduced in 2012.

About the remit group

7.17 In total, 166 candidates stood for the May 2021 PCC elections (an average of four candidates per seat). Thirty-nine were elected.

7.18 There are now 29 male and 10 female PCCs, an increase from the seven women elected in 2016. Out of the 39 seats, only one was filled by a candidate from an ethnic minority background. The Home Office said that the role had attracted strong candidates in terms of skills and experience but women and those from ethnic minority backgrounds were significantly under-represented.

7.19 As part of our work for this review, we noted the quality of the contributions from both the Association of Police and Crime Commissioners (APCC) and the individual PCCs we met.

7.20 In three areas, Greater London, Greater Manchester and West Yorkshire, directly elected mayors exercise PCC functions. These mayors may appoint and delegate certain functions to a deputy mayor for policing and crime. These roles are not part of our remit.

7.21 The pay rates for PCCs and PFCCs are set out in Table 7.2. The total basic paybill for PCCs is just over £3 million a year. This excludes employer national insurance and pension contributions. PCCs are members of the Local Government Pension Scheme.

Table 7.2: **Pay rates for PCCs and PFCCs**

Force	From 1 November 2012 to April 2018 PCC £pa	Since 1 May 2018 PCC £pa	Since 1 May 2018 PFCC[1] £pa
West Midlands[2]	100,000	100,000	103,000
Avon & Somerset, Devon & Cornwall, Essex, Hampshire, Kent, Lancashire, Merseyside, Northumbria, South Wales, South Yorkshire, Sussex, Thames Valley	85,000	86,700	89,700
Cheshire, Derbyshire, Hertfordshire, Humberside, Leicestershire, Nottinghamshire, Staffordshire, West Mercia	75,000	76,500	79,500
Bedfordshire, Cambridgeshire, Cleveland, Dorset, Durham, Gwent, Norfolk, Northamptonshire, North Wales, North Yorkshire, Suffolk, Surrey, Wiltshire	70,000	71,400	74,400
Cumbria, Dyfed-Powys, Gloucestershire, Lincolnshire, Warwickshire	65,000	66,300	69,300

1 Police, Fire and Crime Commissioners (PFCCs) taking on responsibility for the governance of fire and rescue services receive a consolidated supplement of £3,000.

2 This pay band included West Yorkshire to 2021 and Greater Manchester to 2017. PCCs' functions were taken over by the directly elected mayors in these areas. Responsibilities for policing in London also resides with the mayor. There are no PCCs in Scotland or Northern Ireland.

About the PCC role

7.22 Each PCC acts as a corporation sole,[74] with an electorate the size of several Parliamentary seats. The current responsibilities of a PCC include:

- Establishing a Police and Crime Plan which sets out local priorities.
- Appointing the Chief Constable and holding them to account.
- Engaging with the public, giving them a voice in local policing and community safety.
- Setting the police budget and determining the local council tax precept.
- Commissioning services to support victims of crime.
- Working with other organisations, including criminal justice partners, to deliver a joined-up approach to local priorities.
- Improving community safety.
- Chairing Local Criminal Justice Boards.[75]

7.23 Four Police, Fire and Crime Commissioners (PFCCs), in Essex, Staffordshire, North Yorkshire and Northamptonshire have taken on fire governance. PFCCs are additionally responsible for:

- Putting in place arrangements for an efficient and effective fire and rescue service.

[74] A corporation sole is an individual person who represents an official position which has a single separate legal entity. The Crown, bishops, deans, vicars and the Lord Mayor of London are examples of a corporation sole. A corporation sole can only be created by statute.

[75] Not all PCCs currently chair Local Criminal Justice Boards. The Government intends to place PCC-chaired Local Criminal Justice Boards onto a statutory footing.

- Setting the fire and rescue priorities and objectives for their area through a fire and rescue plan.
- Appointing the Chief Fire Officer, holding them to account for delivery of objectives and, if necessary, dismissing them.
- Setting the budget for fire services and determining the council tax precept.

7.24 Evidence from an APCC survey indicated that PCC offices have a median office budget of between £2 million and £5 million, with a median paybill of between £1 million and £2 million. The median number of their staff is in the range 20 to 29.

7.25 PCCs reported typically working between 55 and 64 hours a week. All said they usually worked during the weekend. A significant majority of respondents agreed that the role and responsibilities of a PCC had changed, that they had taken on additional responsibilities and that the role had become more demanding.

7.26 The APCC said in evidence that the PCC role is significantly bigger than was originally anticipated when the role was created and that the strategic, legislative and budgetary responsibilities and risks carried by the PCC were significant and likely to increase. The Home Office agreed that the PCC role has evolved since 2012. In 2014, PCCs took responsibility for commissioning local victims' services and shaping policing services around local needs and priorities. In April 2015, they also took responsibility for commissioning victims' referral arrangements.

7.27 In oral evidence, the Minister told us that the role had become more executive as PCCs take an increased lead in addressing local crime issues as well as policing. The role had evolved to become accountable for developing and implementing an integrated plan for policing and victim support in each area. In addition, over the next ten years the Minister expected PCCs to take a greater lead on offender management in their locality and responsibility for offenders leaving prison and other parts of the secure estate.

7.28 In July 2020, the Home Office announced a two-part review of PCCs to expand and strengthen the role of PCCs and those of directly elected mayors with PCC functions. The findings of Part One, announced in March 2021, made a number of proposals to improve the accountability, scrutiny and transparency of the role.[76] The Home Office published recommendations from Part Two of the review in March 2022.[77] These included:

- A new statutory duty of collaborative working with the Probation Service.
- A strengthening of the PCC role in convening local agencies and public safety partners to fight crime and drugs misuse.
- Giving PCCs a central role as chair on Local Criminal Justice Boards.
- Providing greater clarity on the role of the PCC within the Violence Reduction Unit.

Number of pay bands

7.29 In our last review of PCC pay, we recommended that the Home Office carry out a review of the pay structure for PCCs, with a view to developing proposals to reduce the number of salary bands. The Government decided that the PCC pay structure should be reviewed following the completion of the review of chief police officer pay.

[76] See: https://hansard.parliament.uk/Commons/2021-03-16/debates/21031653000006/PoliceAndCrimeCommissionerReviewConcludingPartOne.

[77] See: https://questions-statements.parliament.uk/written-statements/detail/2022-03-07/hcws664

7.30 The National Police Chiefs' Council has now submitted proposals to the Police Remuneration Review Body (PRRB) to reduce the current 12 salary groups to three for Chief Constables and Deputy Chief Constables. These proposals, and how they relate to the PCC pay structure, are set out in table 7.3.

Table 7.3: **Proposed pay structure for Chief Constables**

	Current Chief Constable structure		**Proposed Chief Constable structure**
Current PCC structure	**Force weighting**	**Force**	
Band 1	10.0	West Midlands, Greater Manchester*	Group 1
	8.0	West Yorkshire*	
Band 2	6.5	Thames Valley	
	6.0	Merseyside, Northumbria	Group 2
	5.5	Hampshire	
	5.0	Kent, Lancashire, Devon & Cornwall	
	4.5	South Yorkshire, Essex, Avon & Somerset, South Wales, Sussex	
Band 3	3.5	Nottinghamshire	Group 3
	3.0	Hertfordshire, West Mercia, Cheshire, Humberside, Staffordshire, Leicestershire, Derbyshire	
Band 4	2.5	Surrey, Norfolk	
	2.0	Cleveland, Durham, Cambridgeshire, North Wales, North Yorkshire, Gwent, Northamptonshire, Suffolk, Dorset, Wiltshire, Bedfordshire	
Band 5	1.5	Gloucestershire, Lincolnshire, Cumbria, Warwickshire, Dyfed-Powys	

*Greater Manchester and West Yorkshire have mayors with PCC responsibilities.

7.31 The Home Office said in evidence that pay levels for PCCs should, as for chief police officers, take account of the size of police force, value of the annual budget, total population and geographical area. It considers that the system of force weightings used to govern chief police officer pay, that reflect these factors, continues to provide a suitable basis for structuring PCC pay.

7.32 The APCC did not draw any conclusions about the bandings or range of PCC roles in its evidence. Its survey of PCCs was divided on this issue, with eight out of 19 (42 per cent) agreeing that all PCCs should be paid equally regardless of size area and 11 out of 19 (58 per cent) responding that there should be a pay differential based on force size.

7.33 As we said in 2018, five pay bands is too many for PCCs. While we recognise that the scope of the role varies by police force size, as well as other local and demographic factors, we conclude that five pay bands imply more differentiation between PCCs than is reflected in their roles, as most responsibilities are common to all areas. We therefore recommend that the PCC pay structure is reduced to three pay groups.

7.34 The banding proposals for Chief Constables seem sensible and maintain a similar hierarchy to the current system. There is no need for us to repeat the extensive background work undertaken to evidence these proposals. A consistent approach will also build alignment between PCC and Chief Constable roles which work closely together. However, we note with concern the ongoing delays to chief police officer pay reform. We would not wish our proposals to also be delayed, particularly given the context of previous delays to PCC pay reviews.

7.35 We therefore recommend that PCCs move to three pay bands, in line with the proposals for chief police officers and that this takes place straight away regardless of the implementation timetable for chief police officer pay reform. This would mean a change in pay band for 19 of the 39 PCCs. The cost of this change would be around £131,000 per annum or 4.3 per cent of the current PCC paybill.

7.36 We can review the pay bands again at our next full review of PCC pay if this is required. Given that the current PCC pay structure, with five bands, does not match the chief police officer structure, with 12 bands, the two approaches can be easily managed alongside each other until the chief police officer structure is changed.

Recommendation 13: We recommend that Police and Crime Commissioners (PCCs) move to three pay groups, in line with the proposals for Chief Constables from 1 May 2022.

Pay levels

7.37 The Government asked that the SSRB make affordability a key consideration when making recommendations. It said that any increases to PCC remuneration would be funded from existing budgets and no additional funding will be made available. It asked that we consider the pay awards received by police officers, police staff and other public sector workers since the last review of PCC pay. It also said that full-time elected office holders and selected appointed posts in the public sector, as previously identified by PricewaterhouseCoopers and used to inform the SSRB's recommendations in 2011, remained the most relevant and comparable roles for PCCs.[78]

7.38 The APCC argued that pay, and specifically pay relativity with police officers, is often used as shorthand for assessing the status and importance of a role. The lowest PCC salary had now fallen to below that of the lowest-paid superintending rank in the police service. The APCC believed that this could impact the status of the PCC and an individual PCC's ability to deliver in the role.

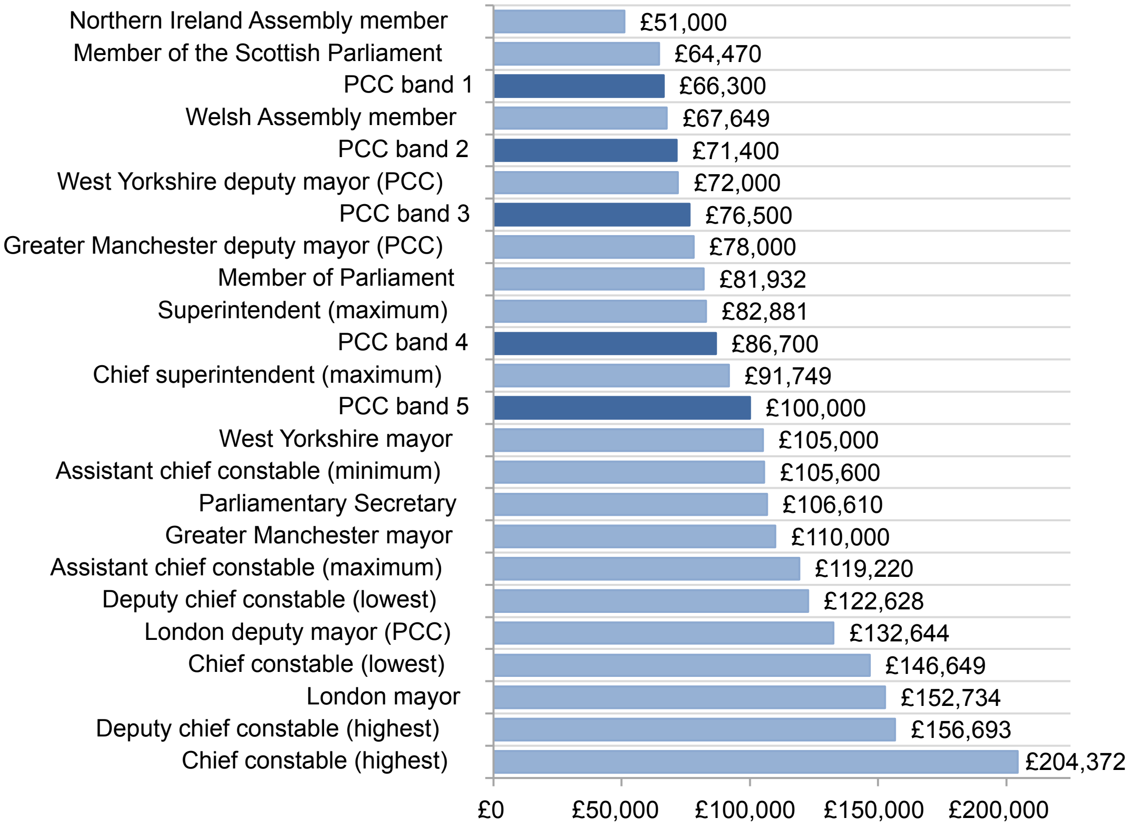
7.39 In benchmarking the PCC role, we have considered a range of roles including elected officials such as MPs and junior ministers, locally elected mayors (particularly where these have PCC functions), and appointed officials such as deputy mayors for policing and crime. We have also taken account of the relative position of PCCs compared to the senior police officers they work alongside. The PCC salary groups alongside these comparable roles are shown in figure 7.1. As PCCs are elected, we feel it is less relevant to compare PCCs to public sector management roles.

7.40 In terms of pay levels, PCCs are paid more than members of devolved parliaments, but 26 of out of 39 PCCs are now paid less than an MP. PCC salaries are substantially below those of the most junior ministers. PCCs are paid less than the three metro mayors with PCC functions, at similar levels to two of the deputy mayors for policing and crime but less than the Deputy Mayor for Policing and Crime in London. PCCs are paid at similar

[78] This report matched the *proposed* PCC role by job size to other elected officials (MPs, members of devolved assemblies, directly elected mayors) and public sector management roles in local authorities, the NHS and the SCS. See: https://webarchive.nationalarchives.gov.uk/ukgwa/20130705000821mp_/http://www.ome.uk.com/Document/Default.aspx?DocumentUid=8DCF824B-E3A4-44E0-826E-43BA54E17E2B

levels to metro mayors who do not exercise PCC functions. They are paid less than all chief police officer ranks (Assistant Chief Constable to Chief Constable).

Figure 7.1: **Pay for PCCs compared to other officials, 2021**

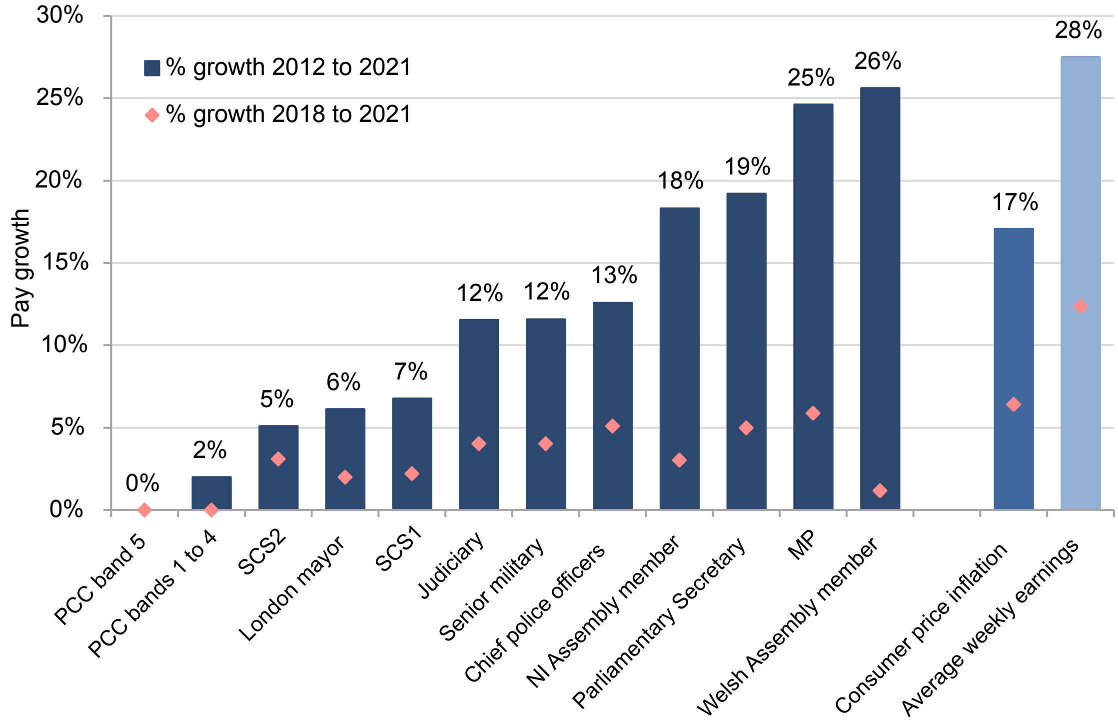


Source: OME analysis of various online sources.

7.41 Unlike all these comparator groups, PCCs have not had annual pay reviews and have only received one 2 per cent pay uplift since the role was introduced in 2012. This means that their relative pay has fallen significantly in relation to comparable roles and has moved out of line with the principles that informed the first pay recommendations.

7.42 PCC pay growth has also lagged behind other SSRB remit groups, inflation and average earnings growth both since 2012 and since 2018 (see figure 7.2). Pay growth for PCCs in bands 1 to 4 has been 14 per cent lower than inflation and 24 per cent below average earnings since 2012. It has been 23 per cent lower than pay growth for an MP and 11 per cent below chief police officers. In 2012, the lowest of the five PCC salaries was set at a similar level to an MP. By 2021, only the top two PCC salaries were above an MP.

Figure 7.2: **Growth in PCC salaries and comparators, 2012 to 2021**



Source: OME analysis.

7.43 Despite the fact that PCC salary levels have not kept up with any of their comparators since 2012, the current cohort of PCCs were elected in 2021 with knowledge of the current salary levels. We are therefore not inclined to backdate a review of pay to 2012 and feel that 2018, the date of our last review of PCC pay, is a more appropriate starting point. Since then, pay for chief police officers has increased by 5.1 per cent. We also note that comparator groups will likely receive a pay uprating from April 2022, and we need to factor this into our recommendations to ensure that PCC salary levels do not immediately fall behind comparators again. We would have increased PCC pay in line with our annual recommendation for chief police officers; however, we have not been asked to make a recommendation for chief police officers this year. Consequently, we include an uplift of 3.5 per cent for this year in our recommendations, in line with our other senior remit groups.

7.44 The PCC role needs to be appropriately valued to perform its functions and to attract a diverse range of potential candidates. A failure to keep the salary in line with comparable roles risks damaging these objectives. With this in mind, we recommend the salary levels set out below for the three new PCC salary groups.

Recommendation 14: We recommend the following salary levels for PCCs from 1 May 2022:

Group 1: £108,800

Group 2: £94,300

Group 3: £83,200

Future uplifts

7.45 The relative decline of PCC pay since 2012 emphasises the need for pay uplifts between the periodic reviews. We do not wish to see the role lose its attractiveness to future potential candidates or a decline in status relative to senior police ranks through a failure to regularly uplift pay levels. We are also aware of the political unacceptability of periodic large-scale increases in pay, as opposed to gradual annual uplifts. This is evidenced by the rejection of our pay recommendation in 2018, in favour of an award in line with annual uplifts for other public sector groups.

7.46 We do not believe, however, that a full annual review, along the lines that we carry out for our other remit groups, is proportionate for a group of this size. Consequently, we feel a simple annual uprating between full SSRB reviews, that keeps PCC pay in line with comparators, is appropriate.

7.47 Any annual uprating mechanism for PCC pay should have these characteristics:

- It should enable PCC pay to move broadly in line with the rest of the public sector. We would not wish an automatic link to inflation or average earnings growth that risks an undesired or unexpected outcome.
- It should not automatically link PCC pay to another group which is subject to restructuring or an unusual pay award.
- It should not *de facto* pass responsibility for this remit group to another review body or pay setting authority.
- It should be simple and transparent.
- It should cover the period to our next full review of the level of PCC pay.

7.48 The APCC suggested linking PCC pay to police officer pay or to pay awards agreed by the Police Staff Council (which typically follow the police officer award). The Home Office said that any mechanism to increase PCC pay awards between formal reviews should avoid creating a disparity between PCCs and police officers.

7.49 In line with all our criteria for a straightforward pay uprating mechanism, we therefore recommend that pay rates for PCCs increase in line with that year's pay award for chief police officers until the next formal SSRB review of pay.

7.50 Chief police officers have been formally part of the SSRB remit since 2014. In 2018, responsibility for this group transferred temporarily to the PRRB, pending broader pay reform which it was felt needed to be co-ordinated with other police ranks. We are disappointed that this reform has not yet been concluded. We expect responsibility for chief police officer pay awards to return to us in the near future, which would allow us to comment on consistency between PCC and chief police officer pay.

Recommendation 15: We recommend that PCC pay increases in future years in line with the SSRB-recommended annual pay increase for chief police officers between formal SSRB reviews in line with the electoral cycle.

Payment for fire and rescue responsibilities

7.51 A £3,000 allowance was introduced for PCCs taking on responsibility for fire and rescue governance following the SSRB's recommendation in 2018.

7.52 The APCC said that the experience of PFCCs pointed towards significant additional responsibilities and duties. In oral evidence, it noted that local councillors with responsibility for fire governance were paid significantly more than the £3,000 addition given to PFCCs. It argued that the fire and rescue portfolio expanded the PCC role by around 30 per cent and required an expansion of staff and offices. The PFCC becomes the employer of all those in the fire and rescue service and takes on significant responsibility for performance, accountability and strategic development.

7.53 The Home Office agreed that taking on responsibility for fire and rescue governance had an impact on the overall workload of PCCs and that additional remuneration was reasonable and fair. Since not all PCCs exercise fire and rescue functions, however, it did not believe it would be appropriate to consolidate an additional award into the base pay for all PCCs. In oral evidence, it was suggested that a percentage of PCC pay for those who take on responsibility for fire would make more sense rather than a flat payment.

7.54 While we do not feel that there should be a pay incentive to take on the responsibility for fire and rescue governance, we do feel that the significant additional responsibility should be appropriately recognised and rewarded. Given the evidence that this adds notably to the overall weight of the PCC role, we recommend an increase in the pay supplement for PFCCs to 7.5 per cent of basic pay.

Recommendation 16: We recommend a pay supplement of 7.5 per cent for PCCs taking on the additional responsibility for fire and rescue governance.

Loss-of-office payment

7.55 In our last review of PCC pay, we recommended that PCCs who lose their seat at election be entitled to a loss-of-office payment along the lines of the loss-of-office payment received by former MPs. The Government said it would consider this issue but we understand no action has been taken.

7.56 MPs are eligible to receive a loss-of-office payment equal to double the statutory redundancy entitlement if they lose their seat at a general election. The Home Office told us that, if a scheme for PCCs were introduced similar to that available to MPs, a PCC earning £76,500 who had been in office for four years might receive a payment of around £6,000. We do not consider this unduly generous or a significant burden on the public purse.

7.57 The Home Office has told us that to introduce a loss-of-office payment for PCCs, the Police Reform and Social Responsibility Act 2011 would have to be amended. We understand this would be a significant demand on Government time.

7.58 The APCC felt that a loss-of-office payment would help increase the attractiveness of the role to individuals from all backgrounds. This would be a significant potential benefit to improve the diversity of candidates and reduce the possibility of the role being limited to those at the end of their careers who can afford to take the financial and career risk of loss of office.

Recommendation 17: We recommend a loss-of-office payment for PCCs in line with that available to Members of Parliament.

Home security

7.59 The issue of personal safety and home security was raised in evidence and in discussions with PCCs. The costs of installing recommended home security systems can be significant. However, it is currently treated as a taxable benefit, so even though PCCs can reclaim the costs, it is subject to income tax. This can be a significant cost to individuals and is in contrast to arrangements for MPs, where IPSA will fund the costs of recommended security measures from the security assistance budget, including paying costs directly to the contractor.[79]

7.60 We feel that home security should be an important part of the overall reward package for PCCs, improving the attractiveness of the role and offering reassurance to individuals. It has benefits that outweigh the direct costs of installation. PCCs should not be out of pocket as a result of installing home security that they are advised to have. We therefore recommend the Home Office resolve this issue.

Recommendation 18: We recommend that home security for PCCs is treated as a business expense and not a personal benefit.

[79] See: https://www.theipsa.org.uk/publications/the-scheme

Appendix A

Characteristics of the SSRB remit groups

Introduction

1. This appendix gives comparative descriptive information on our individual remit groups. Tables A.1 and A.2 provide a short summary of the key characteristics of all the remit groups. Tables A.3 through to A.8 give detailed information on each separate group: the senior civil service (SCS), the senior military, the judiciary, very senior managers (VSMs) and executive and senior managers (ESMs) in the NHS, chief police officers and Police and Crime Commissioners (PCCs).

2. The size of our remit groups varies from the 39 PCCs to the 6,135 members of the SCS. The groups' sizes as percentages of their overall workforces also vary, with the SCS representing 1.2 per cent of the overall civil service, and the VSM group constituting only 0.2 per cent of the overall NHS workforce.

3. Geographically, the senior military and judiciary remit groups cover the whole UK. The SCS remit group is in England, Wales and Scotland and the chief police officer remit group (for which we do not have a pay remit this year) covers England, Wales and Northern Ireland. Finally, PCCs are in England (outside London) and Wales, while our remit group for senior health leaders covers only England this year.

4. Three of our remit groups have spot rates of pay – the judiciary, PCCs and chief constables/deputy chief constables. The SCS and senior health managers groups use broad pay bands with limited scope for pay progression at present, though they are both looking at this issue. The senior military and assistant chief constables have short incremental pay bands and annual pay progression.

Table A.1: **Summary of remit group characteristics**

	Size of remit group	Geography	Pay structure	Pay progression
SCS	6,135	England, Wales and Scotland.	Overlapping pay bands.	No formal pay progression except in Scotland.
Senior military	132	UK wide.	Non-overlapping pay bands.	Incremental pay progression.
Judiciary	2,213	UK wide.	Spot rates by salary group.	No pay progression.
NHS senior leaders	2,038 VSMs, 495 ESMs	England.	Separate pay arrangements for VSMs and ESMs.	Organisations have discretion over pay progression.
Chief police officers	244	England, Wales and Northern Ireland.	Spot rates for Chief Constables and DCCs.[80] Non-overlapping pay bands for ACCs and Commanders.[81]	ACCs and Commanders have incremental pay progression.
PCCs	39	England and Wales.	Spot rates by police force area.	No pay progression.

[80] Deputy Chief Constables.

[81] Assistant Chief Constables.

5. Our remit groups vary significantly in how they are appointed. Police and Crime Commissioners are elected every four years. Judges are recruited from the external legal professional workforce, usually barristers (advocates) or solicitors. Senior civil servants and senior health managers are usually appointed after an open competition but with most of the of appointments occurring through promotion from the rest of the workforce. Members of the senior military and chief police officers are appointed almost exclusively by promotion from the more junior ranks.

6. Women make up around half of senior health managers and just under half of senior civil servants. They make up 39 per cent of the judiciary, 32 per cent of chief police officers and 26 per cent of PCCs. Just 4 per cent of the senior military are women. The proportion of the remit group from an ethnic minority background ranges from 10 per cent of the judiciary, 8 per cent of the SCS and senior health managers, 5 per cent of chief police officers, to 3 per cent of PCCs. No members of the senior military are from an ethnic minority background.

Table A.2: **Summary of remit group characteristics**

	How appointed	Age profile	Diversity profile
SCS	Open competitions run by Departments and regulated by the Civil Service Commission.	Under 35: 5% 35-39: 12% 40-44: 22% 45-49: 19% 50-54: 19% 55-59: 16% 60+: 6%	47.3% female 8.2% ethnic minority 6.1% disabled 5.9% LGBO
Senior military	Internal promotion.	Under 30: 0% 30-39: 0% 40-49: 14% 50-59: 86% 60+: 1%	4% female 0% ethnic minority 0% disabled
Judiciary	Regulated open competitions run by the three devolved appointment bodies.	Under 40: 5% 40-49: 22% 50-59: 34% 60+: 38%	39% female 10% ethnic minority
NHS senior leaders	Employing organisation makes appointments with requirement for Board ratification and in some instances DHSC or Ministerial approval.	VSMs: 25-34: 0% 35-44: 14% 45-54: 46% 55-64: 37% over 65: 2%	VSMs: 49% female 8% ethnic minority ESMs: 52% female 7% ethnic minority
Chief police officers	In England and Wales, Chief Constables are appointed by the PCC. In Northern Ireland they are appointed by the NI Policing Board.	England and Wales: Under 26: 0% 26-40: 1% 41-55: 90% 55+: 6% (3% unknown)	England and Wales: 32% female 5% ethnic minority
PCCs	Election by relevant police force area.	Data not collected.	26% female 3% ethnic minority

7. All members of our remit groups are able to join a defined benefit career average pension scheme. The parameters of the schemes vary by remit group. Accrual rates range from 2.5 per cent for the judiciary to 1.81 per cent for chief police officers. Member contributions range from zero for the senior military to 14.5 per cent for senior leaders in the NHS earning above £111,377, with the latter being reduced to 13.5 per cent from October 2022. The new judicial pension scheme introduced from April 2022 is unique among our remit groups in being unregistered for tax purposes, so it is not subject to annual or lifetime allowance tax charges. Most schemes now have a pension age in line with the state pension age, with chief police officers and members of the senior military able to take their full pension from age 60.

Table A.3: **Senior civil service remit group characteristics**

Size of remit group	6,135 This represented 1.2% of the civil service headcount in 2021.
Employer(s)	All government departments and some arm's-length bodies.
Geography	67.8% are London based, the remaining 32.2% are based regionally or overseas.
Devolution	There are senior civil servants in our remit group working in the Scottish Government and Welsh Government, as well as in the UK Government, but not the Northern Irish Government, which has a separate civil service.
Hierarchy	There is a clearly defined managerial structure in the SCS and the wider civil service. This is, from top to bottom: Permanent Secretary, Director General (pay band 3), Director (pay band 2), Deputy Director (pay band 1).
Pay structure	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. There are three Permanent Secretary pay tiers set centrally based on the weight and complexity of the role, ranging from £150,000 to £200,000. A number of specialist roles sit outside the tiers. Additionally, there are 218 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. In November 2021, 63% of SCS in the GCO were on GCO terms and conditions. Of those SCS joining by internal transfer, 48% of eligible candidates had opted to take GCO terms and conditions. GCO salaries range from £91,800 to £193,819 at SCS level. There is a performance bonus of up to 20% for people on GCO terms.
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. The Government made a commitment to the introduction of a capability-based pay progression system for the SCS.
Pension scheme(s)	There are two pension schemes open for current accrual. The main scheme, Alpha, is a defined benefit scheme, and Partnership is a defined contribution scheme. Most SCS members will have preserved pension in legacy schemes which were closed to further accrual from 1 April 2022. Alpha: career average, 2.32% accrual rate, state pension age for retirement. Employee contribution rates for Alpha: 4.60% for those earning up to £23,100, 5.45% for those earning between £23,101 and £56,000, 7.35% for those earning between £56,001 and £150,000 and 8.05% for those earning more than £150,001. The defined contribution scheme, the Partnership scheme, has 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%.

Retirement age	The Alpha pension scheme allows employees to claim their pension without actuarial reduction from the state pension age, currently 66.
How they are appointed	All SCS members are recruited by their direct employer through processes regulated by the Civil Service Commission. By default, all recruitment processes include an open competition, with some conditions for exemption. For Directors and above, these open competitions must include selection committees chaired by the Civil Service Commission.
Age profile	The age profile in 2021 was: Under 35: 5% 35-39: 12% 40-44: 22% 45-49: 19% 50-54: 19 % 55-59: 16% 60 and over: 6% The median age was 47.
Diversity profile	In 2021 the SCS was: 47.3% female 8.2% ethnic minority 6.1% disabled 5.9% LGBO The median gender pay gap in 2021 was 4.8% for the SCS.
Working hours	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.
Career paths	Around 80% of SCS members were civil servants before they joined the SCS, with the rest recruited from the private sector or other parts of the public sector.
Qualifications	Some specialist roles, such as economists, will require specific qualifications or professional accreditation on entry. There are currently no subject specific requirements for generalist SCS members, who make up most of the remit group. Many roles will require experience in a relevant area and specialist knowledge or qualifications.
Job security and tenure	SCS members are employed on permanent or fixed-term contracts depending on the role. Redundancies are rare in the civil service. Movement may sometimes be required to reflect a change in organisational structure or business needs. 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. The Government is working on setting a clear requirement for minimum tenure in role for certain posts.
Leadership and management	Each tier of the SCS has leadership responsibility for all those below them within their scope of responsibility, including direct line management functions. A typical structure might be a Deputy Director responsible for a specific policy area, such as Future Sectors; their Director responsible for a policy area, such as Business Growth; their Director General responsible for a strategic priority, such as Industrial Strategy and a Permanent Secretary responsible for the whole department.

Table A.4: **Senior military remit group characteristics**

Size of remit group	132 As of 2021 this represents 0.1% 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	The pay structure consists of three ranks each with six increments. The CDS has a separate pay spine with four increments. Salaries for the remit group range from £120,800 to £281,844. There are currently five Medical or Dental Officers (MODOs) at 2-star rank. MODOs are paid on two spot rates, one for each rank. 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. 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.
Pay progression	Senior officers receive their annual increment on the anniversary of the date of promotion.
Pension scheme(s)	All members of the Armed Forces are in the AFPS15 pension scheme from 1 April 2022. Unlike other public sector pension schemes, there are no required employee contributions. The benefits are as follows: AFPS15: career average pension with 1/47 accrual rate. Past accrual is revalued according to the average weekly earnings index.
Retirement age	The pension age is 60.
How they are appointed	Members of the senior military are all internally promoted by the service to which they belong.
Age profile	The age profile of the senior military is: Under 30: 0% 30-39: 0% 40-49: 14% 50-59: 86% 60+: 1%
Diversity profile	The senior military is: 4% female 0% ethnic minority 0% disabled Data on the rates of LGBT representation and the gender pay gap are not available.

Working hours	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.
Career paths	Members of the senior military will have served for many years before reaching the senior level. Senior military officers are grown through the ranks and direct entry is not possible. Senior officers are identified by their service as talented individuals who are capable of reaching the higher ranks and are career managed appropriately, such as attendance at senior leadership training and rotation into specific jobs to promote their professional development.
Qualifications	There are no specific qualifications for senior military appointments. All will have significant knowledge, skills and experience, which will have included education at the military academies and through-career development and training.
Job security and tenure	Senior tour lengths are usually 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.
Leadership and management	All members of the senior military will have significant leadership and management knowledge, skills and experience, with increased responsibility with each promotion. Members of the senior military can expect to be managing significant numbers of personnel and have direct line management responsibility for several military officers and civilian personnel.

Table A.5: **Judiciary remit group characteristics**

Size of remit group	2,213 salaried judges, comprising: England and Wales: 1,928 Scotland: 202 Northern Ireland: 83
Employer(s)	Judges in England and Wales, in both the tribunals and the courts, are office holders 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 39% of court-based judges in England and Wales were London-based in 2021. 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 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 and legal history differ 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. Jurisdictional hierarchy, and some leadership roles, are reflected in the pay system.
Pay structure	There are 11 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)	A reformed Judicial Pension Scheme 2022 (JPS 2022) was introduced on 1 April 2022. JPS 2022: tax-unregistered, defined benefit, 2.5% accrual rate. Uniform contribution rate of 4.26%. Prior to JPS 2022, salaried judges were members of either NJPS or JUPRA.
Retirement age	JPS 2022 and NJPS may be claimed without actuarial reduction from the state pension age, currently 66, while JUPRA may be claimed from age 65. Following of the Public Service Pensions and Judicial Offices Act, from April 2022 the maximum retirement age of judicial office holders is increased from 70 to 75.
How they are appointed	Judges are appointed by one of the three devolved judicial appointments bodies in regularly ran open competitions. Appointments are made by the bodies and in some cases, with input from judges of the position to which appointments are being made.
Age profile	Including fee-paid judges (outside the SSRB remit) the age profile in 2021 was: Under 40: 5% 40-49: 23% 50-59: 34% 60+: 38%

Diversity profile	Including fee-paid judges (outside the SSRB remit), the judiciary in 2021 is: 39% female 10% ethnic minority No information is available for rates of disability, sexuality or gender pay gap in the judiciary.
Working hours	Salaried judges can ask to work part time, though requests are assessed based on whether they are compatible with or conducive to efficient business activity. 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. Fee-paid judges, outside the SSRB remit group, generally continue to practice privately and in addition sit as a judge for an agreed number of sitting days.
Career paths	Virtually all judges will have had legal careers prior to their judicial careers. Legal roles such as 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 career role and most are expected to stay in the job until they retire. Many judges take significant pay cuts on appointment. There are some non-legal judicial roles on tribunals, requiring specialist knowledge on topics such as agriculture, mental health or property. Those who fill these roles may not have had previous careers in law.
Qualifications	All judges in courts and those in legal posts on tribunals will have a qualification in law and, depending on the position, at least five to seven years of post-qualification experience. Many will have specialist knowledge about certain areas of law on which they may focus in their judicial role. Judges in non-legal judicial roles on tribunals have varying qualification requirements depending on the topic covered but do not require legal qualifications. For some salaried roles, candidates are expected to have previous experience as a judge, often gained by sitting as a fee-paid judge before joining the salaried judiciary.
Job security and tenure	Judges are expected to stay in post until they retire. Judges must retire by age 75. Judges 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. Some categories of fee-paid judges, such as Deputy District Judges or Recorders, are traditionally recruitment pools for salaried judicial posts. Some judges may also take on fee-paid judicial roles for a limited period after retirement. Recently it has become more common for some judges to move courts, for example from District Judge to Circuit Judge. The average appointment age of judges in 2021 was 55.3 in the courts and 55.6 in the tribunals. The average age on leaving the judiciary was 68.5 in the courts and 67.2 in the tribunals. These average ages vary between different types and levels of courts.

Leadership and management	Leadership and management (in the sense of personnel management) are not intrinsic to most judges' responsibilities, though many take on leadership and management roles to ensure the smooth running of the judiciary. According to the Judicial Office, 175 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.

Table A.6: **Senior leaders in the NHS remit group characteristics**

Size of remit group	VSMs	2,038 in England. This represents 0.1% of the NHS England headcount.
	ESMs	495 in England.
Employer(s)	VSMs	VSMs are employed either by NHS trusts, foundation trusts or by Clinical Commissioning Groups (CCGs). CCGs are being subsumed into Integrated Commissioning Systems and will cease to exist as statutory organisations by July 2022.
	ESMs	ESMs are employed by arm's-length bodies (ALBs) attached to the Department of Health and Social Care (DHSC), such as NHS England.
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	Many of the arm's-length bodies are based in London, but have regional and sub-regional offices across the country.
Devolution	VSMs	These are England-only remit groups.
	ESMs	
Hierarchy	VSMs	These 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	
Pay structure	VSMs	VSM pay is dependent on role, organisation size and organisation type. VSM salaries usually start above Agenda for Change which had a top pay point of £108,075 in 2021-22. Pay ranges from £75,000 (minimum for directors of corporate affairs/governance 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 suggests 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.
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. 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 round.

Pension scheme(s)	VSMs ESMs	Like all other NHS employees, senior leaders may join the NHS pension scheme. The 2015 scheme has a 1/54 accrual rate, revalued by Treasury Order plus 1.5% each year. The member contribution rate is 13.5% if pensionable pay is between £70,631 and £111,377, and 14.5% (or 13.5% from 1 October 2022) if pensionable pay is over £111,377.
Retirement age	VSMs ESMs	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 require both DHSC Remuneration Committee and Secretary of State approval prior to an appointment. In addition to this, salaries of £150,000 and above that also exceed the exception zone maximum for their band need approval by the Chief Secretary to the Treasury.
	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.
Age profile	VSMs	25-34: 0% 35-44: 14% 45-54: 46% 55-64: 37% over 65: 2%
	ESMs	Age profiles are unknown for this group.
Diversity profile	VSMs	VSMs are: 49% female 8% ethnic minority
	ESMs	ESMs are: 52% female 7% ethnic minority (of those who declared)
Working hours	VSMs ESMs	Senior health leaders typically work long hours. In some cases, working arrangements which mirror the rest of the NHS will be expected. 8% of VSMs were working part time.
Career paths	VSMs ESMs	Members of the VSM and ESM 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.
Qualifications	VSMs ESMs	Remit group members will tend to have degree level education supplemented with specialist qualifications.
Job security and tenure	VSMs ESMs	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 VSM directors are accountable to the VSM chief executive of the trust they are employed by. Trust CEOs are accountable to the trust Chair.

Leadership and management	VSMs ESMs	Leadership and management are 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.

Table A.7: **Chief police officers remit group characteristics**

Size of remit group	242 (FTE) and 244 (headcount) in March 2021, including Northern Ireland. In March 2021 the chief police officers represented 0.2% of the FTE police workforce.
Employer(s)	Chief police officers are all employed by their respective police force.
Geography	England, Wales and Northern Ireland. Chief police officers are relatively evenly distributed in police forces across the country. Most forces have between three and nine chief police officers, except for the Metropolitan Police Service that has 39.
Devolution	Policing in England and Wales is a reserved matter. Funding for police forces is delivered via a Home Office grant and locally raised elements of Council Tax (the Policing Precept). Local policing budgets are set by the Police and Crime Commissioner as the elected local policing body or mayor with PCC functions. 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. Assistant Chief Constables (ACCs) report and are accountable to DCCs. Externally, Chief Constables are accountable to the Police and Crime Commissioner (PCC), or to a mayor with PCC functions. The Metropolitan Police and City of London Police have a similarly ordered hierarchy. Metropolitan Police Commissioners are accountable to the Home Secretary and the Mayor of London rather than to a PCC. The Commissioner of the City of London Police is accountable to the City Corporation. Chief officers in Northern Ireland are accountable to the Northern Ireland Policing Board.
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 and Northern Ireland, 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 system 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)	2015 pension scheme: career average, 1/55.3 accrual rate, revalued by CPI plus 1.25%, no maximum pension, 13.78% employee contributions (for those earning over £60,000 a year). Most members will have preserved pension in legacy schemes which were closed to further accrual from 1 April 2022.
Retirement age	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. All chief officers in Northern Ireland are appointed by the Northern Ireland Policing Board subject to the approval of the Justice Minister for Northern Ireland.
Age profile	The age profile for England and Wales at March 2021 was: Under 26: 0% 26-40: 1% 41-55: 90% 55+: 6% (3% unknown)
Diversity profile	Chief police officers in England and Wales are: 32% female 5% 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 that they have: i) at some point held the rank of Constable in a UK police force, or ii) have served at an approved rank in an approved overseas police force or iii) where the functions of a fire and rescue authority are delegated to the Chief Constable, have relevant experience at senior level.
Qualifications	There are no degree requirements. 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.[82] 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.

[82] Please note that Assistant Chief Constables are not on fixed-term appointments.

Table A.8: **Police and Crime Commissioners remit group characteristics**

Size of remit group	39
Employer(s)	As elected officials, the Police and Crime Commissioners do not have employers. Their pay, and that of any other staff in the Office of the Police and Crime Commissioner, is financed by a grant from the local police force.
Geography	PCCs are elected for each territorial police force in England and Wales, except in London, Greater Manchester and West Yorkshire, where Mayors have PCC functions, and the City of London, where there is a Police Authority.
Devolution	PCCs are in England and Wales only.
Hierarchy	The position of the PCC represents a single separate legal entity 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 the size of the police force. These range from £66,300 for areas such as 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 four PCCs.
Pay progression	There is no pay progression.
Pension scheme(s)	PCCs are able to join the Local Government Pension Scheme (LGPS). LGPS: career average, 1/49 accrual rate, revalued according to Treasury Orders, employee contribution rate of 9.9% for those earning up to £96,200 and 10.5% for those earning £96,201 to £113,400.
Retirement age	Retirement age is in line with the state pension age, currently 66.
How they are appointed	PCCs are ordinarily elected every four years. 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 34% (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 39 PCCs, 10 (26%) are 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, some with a policing background. Most PCCs tend to have had some public sector 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. The current PCC term is shorter (three years) due to the delay in the 2020 elections as a result of the coronavirus pandemic. The next term will return to the standard four years.

Leadership and management	PCCs are responsible for appointing and dismissing their Chief Constable, and for holding them to account for the performance of their police force. They also set priorities for their police force and the budget, as well as leading and managing their own office and staff.

Appendix B

List of those who gave evidence and information to the SSRB

The senior civil service

Chief Operating Officer for the Civil Service and Permanent Secretary for the Cabinet Office

Government Chief People Officer

The Cabinet Office

The Interim 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 Ministry of Defence

The Chief of the Defence Staff

The Chief of Defence People

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 Master of the Rolls

The Lord President of the Court of Session

The Lord Chief Justice of Northern Ireland

The Ministry of Justice

The High Court Judges' Association

The Association of High Court Masters and Insolvency and County Court (ICC) Judges

The Council of Employment Judges

The Council of Appeal Tribunal Judges

The Forum of Tribunal Organisations

The Presidents of the First-Tier Tribunals and the Presidents of the Employment Tribunal

The Council of Her Majesty's Circuit Judges (COCJ)

Two Senior Circuit Judges (one retired) in support of the COCJ

The Financial Remedies Court (FRC) Lead Judges

The Association of Her Majesty's District Judges

The National Council of Her Majesty's District Judges (Magistrates' Court)

The Senior District Judge and Deputy Senior District Judge for England and Wales (Chief Magistrates)

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

The Minister of State for Health

The Department for Health and Social Care

Managers in Partnership

NHS England and NHS Improvement

NHS Providers

Executive & Senior Managers (ESMs) discussion groups

Integrated Care Board Very Senior Managers discussion group

Medical Directors discussion groups

Very Senior Managers (VSMs) discussion group

Police and Crime Commissioners

The Minister of State for Crime, Policing and Probation

The Home Office

The Association of Police and Crime Commissioners (APCC)

Police and Crime Commissioners discussion group

Appendix C

Website references for publications

This SSRB Report can be found at:

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

Evidence submitted to the SSRB by the Cabinet Office:

https://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/FDA-evidence-to-the-SSRB-2022.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

Evidence submitted to the SSRB by the Ministry of Justice:

https://www.gov.uk/government/publications/ministry-of-justices-evidence-to-the-senior-salaries-review-body-2022

Evidence submitted to the SSRB by the Home Office:

https://www.gov.uk/government/publications/home-office-evidence-to-the-senior-salaries-review-body-2022-to-2023

Appendix D

Remit letter from the Minister of State for HM Treasury and Cabinet Office to the SSRB Chair: 21 December 2021

Lord Agnew Kt Minister of State
HM Treasury and Cabinet Office
1 Horse Guards Road London SW1A 2HQ

Dr. Martin Read CBE
Senior Salaries Review Body
3rd Floor, Windsor House
50 Victoria Street
London
SW1H 0TL

21 December 2021

Dear Martin,

Senior Salaries Review Body (SSRB) 2022/23 Remit (Senior Civil Service)

I am writing to confirm the SSRB's remit in relation to the SCS during the upcoming pay round for 2022/23 and ask that the SSRB conducts its usual annual review process and make recommendations to the Government on the pay of the SCS remit group from April 2022.

I would like to state how grateful I am to the SSRB for setting out so clearly its focus and priorities through its annual report in recent years. It is pleasing that these closely align with the Government's plans for SCS reward in the short to medium term.

Our Declaration on Reform set out our ambitions for the future of public service, including:

- having the best people leading and working in government to deliver better outcomes for our citizens;
- improving the way we recruit and manage moves into and out of government, looking to all corners of the UK;
- attracting an even wider diversity of talent and investing in training; and
- rewarding people for being exceptional in what they deliver to the public.

This year the Government evidence is planned to primarily focus on the following areas:

- Setting out progress and making proposals for a credible capability based salary progression model which supports productivity;
- Reviewing again the SCS pay ranges, following the public sector pay pause, and considering the appropriate level of pay for SCS at each grade;

- Setting out how we plan to deliver reform through our five year SCS Strategic Plan; and
- Setting out our progress in reviewing the SCS performance management system in order to make well evidenced changes for the performance year 2022/23.

Recent times have been challenging. The Government must balance the need to ensure fair pay for public sector workers with protecting funding for frontline services and ensuring affordability for taxpayers. We must ensure that the affordability of a pay award is taken into consideration. Delivering on our Reform agenda will be key to developing the leadership capability in the Civil Service that gives the public trust and confidence in the operation of government at all levels.

As confirmed in recent years' Government evidence to the SSRB, employees of the Government Commercial Organisation who are members of the SCS or are SCS equivalents fall within the remit of the SSRB, and information about this group as well as proposals on their remuneration, subject to the recommendations of the GCO RemCo, will be shared with the SSRB this year. Any specific proposals for the Permanent Secretary group will also be shared with the SSRB.

I value the independent advice of the SSRB highly and look forward to receiving your recommendations for the SCS in May 2022. In the meantime, under the direction of the Cabinet Secretary and the Civil Service Chief Operating Officer, officials will be working closely with the SSRB and officials within the Office for Manpower Economics to inform your discussions.

It may be helpful for us to meet in person ahead of oral evidence and I will arrange for my office to be in touch.

With best wishes,

Theodore Agnew

Lord Agnew Kt

Appendix E

Letter from the SSRB Chair to the Chancellor of the Duchy of Lancaster: 10 February 2022

Office of Manpower Economics

SENIOR SALARIES REVIEW BODY
WINDSOR HOUSE
50 VICTORIA STREET
LONDON
SW1H 0TL

10 February 2022

Dear Minister,

I was pleased to receive Lord Agnew's remit letter for the 2022 Report of the Senior Salaries Review Body on the Senior Civil Service (the SCS).

As we have highlighted in previous reports, we believe there are important issues to be resolved if the SCS is to be fully effective. In particular, we feel that a top-down strategic review of the purpose, size and composition of the SCS is well overdue and that there needs to be much more focus on delivering cost-effective outcomes. In our view, the slow progress in these areas constrains the development an effective remuneration strategy for the SCS.

For some years, we have stressed the importance of implementing a clear and simple pay progression system for the SCS. We believe that this will help drive down excessive churn, keeping individuals in post longer so that they may build expertise and be responsible for outcomes. It will also provide an important mechanism for rewarding the best people.

I would welcome the opportunity to brief you further on our analysis and to understand your thoughts and priorities for the SCS and how the Senior Salaries Review Body can best support progress.

I look forward to meeting you.

Yours
Martin Read

Dr Martin Read CBE
Chair, Senior Salaries Review Body

Appendix F

Remit letter from the Lord Chancellor to the SSRB Chair: 17 December 2021

Ministry of Justice

The Right Honourable
Dominic Raab MP
Deputy Prime Minister
Lord Chancellor & Secretary of State for Justice

Dr Martin Read

Chair, Senior Salaries Review Body
3rd Floor, Windsor House
50 Victoria Street
London
SW1H 0TL

MoJ ref: 93234

17 December 2021

Dear Martin,

JUDICIAL PAY REVIEW 2022/23

I am pleased to write to you to formally commission the SSRB to undertake the 2022/23 review of pay for all salaried judicial office holders. This letter sets out the details of that commission.

Context for 2022/23

I am committed to continuing to recruit the finest lawyers to take up and remain in judicial office. That is key both to running our courts and tribunals and to maintaining the excellent reputation of our jurisdiction. The Government must ensure fair pay for public sector workers whilst protecting funding for frontline services and ensuring affordability for taxpayers. We must ensure that the affordability of a pay award is taken into consideration to ensure that we can maximise the number of high-quality individuals recruited into the judiciary.

I remain focused on progressing our ambitious pension reforms. We are working, subject to parliamentary approval, towards implementing the new pension scheme in April 2022. As you well know, 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 which will be important for all of those who engage with our justice system.

Detailed remit

I would like the SSRB to make recommendations to the Government on the 2022/23 annual pay award for all judicial office holders for whom I set the rate of remuneration. This should take account of evidence which my Department will provide, including on the affordability of any award as well as evidence on recruitment, retention and diversity of judges.

I can assure you that the robust and independent advice given by the SSRB to the Government is highly valued and that I attach considerable importance to the expert and independent judgement of the SSRB. I ask that you submit your report by May 2022.

Yours sincerely

RT HON DOMINIC RAAB MP

Appendix G

Letter from the SSRB Chair to the Lord Chancellor in response to the remit letter: 7 February 2022

Office of Manpower Economics

SENIOR SALARIES REVIEW BODY
WINDSOR HOUSE
50 VICTORIA STREET
LONDON
SW1H 0TL

7 February 2022

Dear Lord Chancellor

Thank you for your letter of December 17th outlining the remit for judicial pay this year.

The SSRB welcomes the continued progress on judicial pensions. The reduction in the total net remuneration of judges was identified in the SSRB's 2018 *Major Review of the Judicial Salary Structure* as one of the most important causes of the problem with judicial recruitment. We had proposed higher pay rates to address this problem. The government's preferred solution was to reintroduce special pension arrangements for judges. It is therefore important that the pension arrangements that have been promised take effect as soon as possible.

In our Major Review we also highlighted other measures which we believe are important in helping to secure the number and quality of judges the country needs. These measures include action to improve judicial working conditions and administrative support. We are also keen to ensure that there are improvements in the data that is available about those who are (and those who are not) applying to join the judiciary. We have recently corresponded with Annabel Burns about this latter issue.

I would welcome the opportunity to discuss our views and to understand your priorities for the judicial workforce. It would also be helpful to hear your thoughts on the review that the SSRB is currently undertaking for the MoJ on the remuneration of Non-Legal Members of Tribunals.

We will of course endeavour to deliver a timely report, though this does, of course, depend on the prompt receipt of evidence from all our remit groups.

The SSRB is keen to support the work of the MoJ and I look forward to meeting you.

Yours
Martin Read

Dr Martin Read CBE
Chair, Senior Salaries Review Body

cc Sharon Witherspoon, SSRB lead on judicial recruitment

Appendix H

Letter from the Lord Chancellor to the SSRB Chair on Pensions Regulations: 21 April 2022

Ministry of Justice

The Right Honourable
Dominic Raab MP
Deputy Prime Minister
Lord Chancellor & Secretary of State for Justice

Dr Martin Read
Chair, Senior Salaries Review Body
3rd Floor, Windsor House
50 Victoria Street
London
SW1H 0TL

MoJ ref: 96156

21 April 2022

Dear Dr Read,

THE JUDICIAL PENSIONS REGULATIONS 2022

I am writing to make you aware that the Judicial Pension Scheme 2022 ('JPS 2022') regulations have now been made and the new reformed Judicial Pension scheme was launched on 1 April 2022.

The SSRB's Major Review of the Judicial Salary Structure in 2018 was helpful in identifying that the reforms to judicial pensions in 2015 were having a significant impact on judicial recruitment and retention. Subsequently, the Government committed to deliver a long-term pensions-based solution to these issues.

We have now delivered this long-term solution, through the new reformed Judicial Pension Scheme 2022. This new pension scheme, JPS 2022, is unparalleled in the public sector. It reflects a significant investment in the judiciary and represents a commitment to ensuring that we continue to attract and retain high calibre applicants to the bench and that the UK remains a world class jurisdiction.

JPS 2022 is designed to benefit the whole judiciary and creates a consistent approach for all judges, by offering them a more generous pension than the Judicial Pension Scheme 2015 (NJPS). It will return judges to a tax-unregistered scheme, meaning that benefits built up will not be subject to annual and lifetime allowance limits.

This new pension scheme will deliver significant increases to overall remuneration for the judiciary. The value of combined pay and pension for salaried judicial office holders will increase by 19% for High Court Judges; 20% for Circuit Judges; and 17% for District and First-tier Tribunal Judges. As an example, A District Judge working for 20 years would have an annual pension of just over £40,000 if they were to stay in NJPS for that time. By comparison, their annual pension under JPS 2022, would be over £56,000 if they were to stay in the new scheme.

To ensure that the scheme is also fair, affordable, and sustainable to the taxpayer, the features of

the new judicial pension scheme have been designed to be consistent with the recommendations from Lord Hutton's Independent Public Service Pensions Commission, including a career average accrual model, Normal Pension Age linked to State Pension Age, and a cost control mechanism.

JPS 2022 ensures parity in remuneration for judges across the UK and supports our commitment to resolving issues in recruitment and retention in the judiciary.

I look forward to meeting you soon to discuss this in more detail.

Yours sincerely

RT HON DOMINIC RAAB MP

Appendix I

Remit letter from the Secretary of State for Health and Social Care to the SSRB Chair: 30 November 2021

Department of Health & Social Care

From the Rt Hon Sajid Javid MP Secretary of State for Health and Social Care

39 Victoria Street
London SW1H 0EU

020 7210 4850

Dr Martin Read CBE
Chair, Senior Salaries Review Body
Office of Manpower Economics Level 3,
Windsor House
50 Victoria Street
London SW1H 0TL

30 November 2021

Dear Dr Read,

I should firstly like to offer my thanks for the Senior Salaries Review Body's (SSRB) valuable work during the last pay round and for the observations on levels of pay for senior managers in the health and care sector, made within your 2021 report.

I write to you now to invite you to build upon these observations and provide a pay recommendation for Very Senior Managers in the NHS and Executive and Senior Managers in the Department for Health and Social Care's Arm's Length Bodies, for 2022/2023.

The Government must balance the need to ensure fair pay for public sector workers while protecting funding for frontline services and ensuring affordability for taxpayers. We must ensure that the affordability of a pay award is taken into consideration to ensure that the NHS and DHSC's ALBs are able to recruit, retain and motivate its senior workforce, as well as deliver on other key priorities, including tackling elective recovery.

Independent consultants at NHSEI are putting together proposals for the revised VSM pay framework – please review their proposals, giving particular consideration to the pay of medical directors and the alignment of the new ICB VSMs within the framework.

The evidence that my department and NHS England and Improvement will provide in the coming months, will support you in your consideration of all these factors.

We would welcome your reports in May 2022, subject to ongoing conversations with the Office of Manpower Economics.

Yours ever,

RT HON SAJID JAVID MP

Appendix J

Letter from David Sissling to the Minister of State for Health about the VSM Framework: 18 March 2022

Office of Manpower Economics

SENIOR SALARIES REVIEW BODY
WINDSOR HOUSE
50 VICTORIA STREET
LONDON
SW1H 0TL

Edward Argar MP
Minister of State for Health Department of
Health and Social Care 3
9 Victoria Street
London SW1H 0EU1

18 March 2022

Dear Minister

In the absence of Dr Martin Read, who is abroad, I am writing to thank you for coming to the Senior Salaries Review Body meeting on 8 March. We found it a very valuable session.

During the session we discussed the draft pay framework for Very Senior Managers, which NHS England and Improvement has been developing. The Review Body would very much like to provide comments on the draft framework, as the Secretary of State requested in the remit letter, alongside our recommendation on a pay award in our report this year. We have reviewed our workplan and can confirm we will be able to make observations on the framework in the report if we receive it by Easter.

SSRB's work intensifies significantly after Easter each year and if the draft framework arrives later than that our comments on it may be delayed. We therefore very much appreciated your understanding of the position and look forward to receiving the framework prior to Easter if at all possible.

With our thanks

David Sissling

Senior Health Lead, Senior Salaries Review Body

Appendix K

Letter from the Home Secretary to the SSRB Chair on the Chief Police Officers remit: 29 November 2021

Home Office

Home Secretary

2 Marsham Street
London SW1P 4DF

www.gov.uk/home-office

Dr Martin Read CBE Chair

Senior Salaries Review Body Office of
Manpower Economics 3rd Floor
Windsor House
50 Victoria Street
London
SW1H 0TL

BY EMAIL ONLY

29 November 2021

Dear Dr Read

Chief police officer remuneration remit in 2022/23

I would like to offer my thanks to you and the members of the Review Body for your observations on chief police officer pay in your 2021 report.

The Police Remuneration Review Body (PRRB) has considered the pay and conditions for chief police officers in the last four pay rounds. The programme of work to reform police officer pay is continuing to make progress.

In their last report, the PRRB provided detailed commentary and observations on key aspects of this work that must be followed up on and addressed in the coming pay round. I consider that 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 have therefore asked the PRRB to consider chief officer remuneration in the 2022/23 pay round.

I will of course review this decision again ahead of the 2023/24 pay round.

With all good wishes

Rt Hon Priti Patel MP

Appendix L

Remit letter from the Home Secretary to the SSRB Chair on Police and Crime Commissioners: 2 December 2021

Home Office

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

BY EMAIL ONLY

2nd December 2021

Dear Dr Read

Senior Salaries Review Body (Police and Crime Commissioner) Remit 2022/23

A full review of Police and Crime Commissioner (PCC) remuneration was due to take place in following the elections in 2020. As you are aware, the elections were postponed to May 2021 as a result of Covid-19. The elections have now taken place and I am writing to ask you to conduct a review of PCC remuneration.

I refer to the SSRB the following matters for consideration in the 2022/23 pay round:

- Whether the level of PCC pay is set at an appropriate level.
- If there is evidence that an uplift is required, how that should be applied.
- In your last review, the SSRB recommended that PCC salaries should automatically be increased in line with the pay award for local authority staff and that this link should continue annually until the next formal review of PCC pay. The Government did not accept this recommendation. However, I would welcome updated commentary and views on whether there is an appropriate mechanism to increase PCC pay between formal reviews of their remuneration. I ask that any options consider the need to avoid creating a disparity between PCCs and police officers whose pay increases are not automatic.

The Government must balance the need to ensure fair pay for public sector workers with protecting funding for frontline services and ensuring affordability for taxpayers. I would ask that you make affordability a key consideration when making your recommendations.

I value the independent and expert advice of the Review Body and I look forward to receiving your report in May 2022.

With all good wishes

Rt Hon Priti Patel MP

Appendix M

Letter from the SSRB Chair to the Home Secretary on the Police and Crime Commissioners remit: 29 December 2021

Office of Manpower Economics

SENIOR SALARIES REVIEW BODY
WINDSOR HOUSE
50 VICTORIA STREET
LONDON
SW1H 0TL

29 December 2021

Dear Home Secretary,

Thank you for your letter of 2 December asking the SSRB to conduct a review of the remuneration of Police and Crime Commissioners (PCCs).

We have considered how to carry out an effective pay review for this remit group, including the comments in your letter concerning whether there is an appropriate mechanism to increase PCC pay between formal reviews. To reach meaningful conclusions, we need to receive detailed and timely evidence on the recruitment and retention issues for PCCs as we do for our other remit groups. The SSRB secretariat has written to your officials with a detailed statement of the evidence which we will require.

We wish to consider any evidence that is relevant to setting remuneration for PCCs, including evidence regarding the motivation of those seeking appointment to the role. We will consult with relevant stakeholders, including those conducting the two-part review of PCCs. We will take evidence from the Association of Police and Crime Commissioners and from Chief Police Officers (CPOs). We also want to hold an oral evidence session with the Minister of State for Crime, Policing and the Fire Service.

In conducting our review, we will want to understand how PCC roles and responsibilities have changed since our last review, how they compare to other elected officials, what appropriate pay benchmarks might be and how the pay structure for PCCs may be affected by the proposed changes to the pay of CPOs.

We look forward to receiving the evidence we have requested to facilitate our review and to the ensuing dialogue with the department and interested parties.

With all good wishes

Martin Read

Dr Martin Read CBE
Chair, Senior Salaries Review Body

Appendix N

Existing salaries for the SSRB remit groups

Salary bandings of Permanent Secretary posts at 30 September 2021

Pay band	Permanent Secretary department/role	Pay range £pa
Tier 3 £150,000 to £160,000	Cabinet Office Chair of the Joint Intelligence Organisation	150,000-154,999
	Cabinet Office Second Permanent Secretary	150,000-154,999
	Department for Transport	150,000-154,999
	HMRC Second Permanent Secretary	150,000-154,999
	Home Office Second Permanent Secretary	150,000-154,999
	ONS Second Permanent Secretary	150,000-154,999
	Department of Health and Social Care Second Permanent Secretary	155,000-159,999
	Northern Ireland Office	155,000-159,999
	HM Treasury Second Permanent Secretary	160,000-164,999
	Ministry of Defence Second Permanent Secretary	160,000-164,999
	Ministry of Justice HMPPS Chief Executive Officer	160,000-164,999
	Office for National Statistics	160,000-164,999
Tier 2 £162,500 to £180,000	Welsh Government	135,000-139,999
	Department for Business, Energy and Industrial Strategy	160,000-164,999
	Department for Education	160,000-164,999
	Department for International Trade	160,000-164,999
	Government Legal Department	160,000-164,999
	Department for Levelling Up, Housing and Communities	160,000-164,999
	Secret Intelligence Service	160,000-164,999
	Department for Digital, Culture, Media and Sport	165,000-169,999
	Department for Environment, Food and Rural Affairs	165,000-169,999
	Department for Transport	170,000-174,999
	Scottish Government	170,000-174,999
	Security Service, MI5 Director General	170,000-174,999
	Department of Health and Social Care	175,000-179,999
	Government Communications Headquarters	180,000-184,999

Tier 1 £180,000 to £200,000	HM Revenue and Customs	180,000-184,999
	Home Office	180,000-184,999
	Ministry of Defence	180,000-184,999
	Department for Work and Pensions	185,000-189,999
	Foreign, Commonwealth and Development Office	185,000-189,999
	Ministry of Justice	185,000-189,999
	National Security Adviser	190,000-194,999
	HM Treasury	195,000-199,999
Outside tiers	First Parliamentary Counsel	180,000-184,999
	Government Chief Scientific Adviser	180,000-184,999
	UK Health Security Agency Chief Executive	180,000-184,999
	Cabinet Secretary and Head of the Civil Service	200,000-204,999
	Civil Service Chief Operating Officer	200,000-204,999
	Chief Medical Officer	205,000-209,999
	Crown Prosecution Service Director of Public Prosecutions	215,000-219,999
	National Crime Agency Director General	220,000-224,999
	Government Chief Trade Negotiation Adviser	265,000-269,999
	Defence Equipment & Support Chief Executive Officer	280,000-284,999

Source: Cabinet Office senior officials 'high earners' salaries.

Senior civil servants pay ranges, 1 April 2021

Pay band	Pay range	Number in band
1	£71,000 – £117,800	4,789
1A	£70,000 – £128,900	45
2	£93,000 – £162,500	1,082
3	£120,000 – £208,100	174
Permanent Secretary	£150,000 – £200,000	43
Total		6,135

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 2021

		Increment level					
	Number in post	1 £	2 £	3 £	4 £	5 £	6 £
2-star	94	120,800	123,160	125,568	128,024	130,529	133,083
3-star	31	140,550	147,438	154,671	160,746	165,485	170,367
4-star	6	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 2021. 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 2021

Salary group	£pa
1	267,509
1.1	238,868
2	230,717
3	219,396
4	192,679
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.

Pay of Executive and Senior Managers in the NHS 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.

Pay of Very Senior Managers in the NHS, 2019 framework

Job role	Lower quartile £pa	Median £pa	Upper quartile £pa
Small acute NHS trusts and NHS foundation trusts (up to £200 million turnover)			
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
Chief executive	150,000	158,000	168,000
Medical director/chief medical officer	155,000	166,500	184,000
Medium acute NHS trusts and NHS foundation trusts (£200 million to £400 million turnover)			
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	172,000	185,000	199,500
Chief executive	176,000	186,500	202,500
Large acute NHS trusts and NHS foundation trusts (£400 million to £500 million turnover)			
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	173,000	186,500	202,500
Chief executive	185,000	194,500	212,000
Extra-large acute NHS trusts and foundation trusts (£500 million to £750 million turnover)			
Director of corporate affairs/governance	101,500	114,500	115,000

Job role	Lower quartile £pa	Median £pa	Upper quartile £pa
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	147,500	152,500
Director of finance/chief finance officer	146,500	158,000	180,000
Deputy chief executive	155,500	164,000	191,000
Medical director/chief medical officer	191,000	203,000	214,000
Chief executive	197,500	219,500	237,500
Supra-large acute NHS trusts and NHS foundation trusts (£750 million plus turnover)			
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
Deputy chief executive	185,500	188,000	195,500
Medical director/chief medical officer	205,000	214,000	233,500
Chief executive	236,000	250,000	265,000
Small mental health NHS trusts and NHS foundation trusts (up to £200 million turnover)			
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
Chief executive	150,000	156,500	173,500
Medical director/chief medical officer	144,500	173,500	184,500
Medium mental health NHS trusts and NHS foundation trusts (over £200 million turnover)			
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
Deputy chief executive	141,000	143,000	144,000

Job role	Lower quartile £pa	Median £pa	Upper quartile £pa
Medical director/chief medical officer	155,000	177,000	189,000
Chief executive	167,000	180,500	188,500
Ambulance NHS trusts and NHS foundation trusts			
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
Director of finance/chief finance officer	120,000	124,000	132,000
Medical director/chief medical officer	116,000	129,000	136,000
Chief executive	151,000	164,000	188,000
Community NHS trusts and NHS foundation trusts			
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	120,000	125,000
Deputy chief executive	116,000	127,000	127,500
Medical director/chief medical officer	127,000	134,500	140,000
Chief executive	145,000	155,000	167,000

Source: NHSE/I.

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 O

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 P

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.

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 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
FCDO	Foreign and Commonwealth Development Office
FDA	The union for managers and professionals in public service
FLS	Future Leaders Scheme
GCO	Government Commercial Organisation
HMRC	Her Majesty's Revenue and Customs
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
SCS	Senior civil service/servants
UKEF	UK Export Finance
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
CDP	Chief of Defence People
CDS	Chief of the Defence Staff
CEA	Continuity of Education Allowance
HMRC	Her Majesty's Revenue and Customs

MoD	Ministry of Defence
MODOs	Medical Officers and Dental Officers
NATO	North Atlantic Treaty Organization
OF	Officer
RAF	Royal Air Force
SDRP	Specially Determined Rate of Pay
SOCR	Senior Officer Compulsory Retirement terms
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
JABS	Judicial Appointments Board for Scotland
JAC	Judicial Appointments Commission
JPS22	New Judicial Pension Scheme 2022
JUPRA	Judicial Pension Scheme 1993 (established under the Judicial Pensions and Retirement Act 1993)
MoJ	Ministry of Justice
NJPS	New Judicial Pension Scheme 2015
RRA	Recruitment and retention allowance

Police and Crime Commissioners

APCC	Association of Police and Crime Commissioners
PCC	Police and Crime Commissioner
PFCC	Police, Fire and Crime Commissioner
PRRB	Police Remuneration Review Body

Senior leaders in the National Health Service

AfC	Agenda for Change
ALB	Arm's Length Body
BMA	British Medical Association
CCG	Clinical Commissioning Group
DHSC	Department of Health and Social Care
ESM	Executive and Senior Manager
ICB	Integrated Care Board
ICSs	Integrated Care Systems
MiP	Managers in Partnership
NHS	National Health Service
NHSE/I	NHS England and Improvement
VSM	Very Senior Manager

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