Review Body on
Senior Salaries

Forty-Fifth Annual Report on Senior Salaries 2023

REPORT No. 96

Chair: Pippa Lambert

CP 888

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

July 2023

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Review Body on Senior Salaries

Terms of reference

Our terms of reference are 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,[1] Police and Crime Commissioners, chief police officers in England, Wales and Northern Ireland; and other such public appointments as may from time to time be specified.

The Review Body may, if requested, also advise the Prime Minister from time to time on Peers' allowances; and on the pay, pensions and allowances of Ministers and others whose pay is determined by the Ministerial and Other Salaries Act 1975. If asked to do so by the Presiding Officer and the First Minister of the Scottish Parliament jointly; or by the Speaker of the Northern Ireland Assembly; or by the Presiding Officer of the National Assembly for Wales; or by the Mayor of London and the Chair of the Greater London Assembly jointly; the Review Body also from time to time advises those bodies on the pay, pensions and allowances of their members and office holders.

In reaching its recommendations, the Review Body is to have regard to the following considerations:

- the need to recruit, retain, motivate and, where relevant, promote suitably able and qualified people to exercise their different responsibilities;
- regional/local variations in labour markets and their effects on the recruitment, retention and, where relevant, promotion of staff;
- Government policies for improving the public services including the requirement on departments to meet the output targets for the delivery of departmental services;
- the funds available to departments as set out in the Government's departmental expenditure limits; and
- the Government's inflation target.

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.

[1] 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.

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:

Pippa Lambert, Chair
Pippa Greenslade
Philippa Hird[2]
Sir Adrian Johns KCB CBE DL
Julian Miller CB[3]
Ian McCafferty CBE
Sharon Witherspoon MBE

The Secretariat is provided by the OME.

[2] Ex Officio: Chair, NHS Pay Review Body

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

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Chapter 1

Introduction and recommendations

Introduction

1.1 This year economic conditions have been very challenging. Industrial action has affected much of the public sector against a background of sustained high inflation, falling real wages and the wider impact of adverse shocks linked to high energy prices and the Ukraine war.

1.2 Consequently, resolving the various relevant considerations into a single pay recommendation for each remit group has been more difficult than for some years. Different factors have pointed in different directions and trade-offs between them have been necessary.

1.3 In arriving at our recommendations for the 2023 pay awards, we have taken into consideration the following factors:

- Pay trends in the economy. This is our starting point. In the first quarter of 2023 pay settlement medians were between 5 and 6.5 per cent.[4] Whole-economy annual average earnings growth was 5.8 per cent and regular earnings growth was 6.7 per cent in the three months to March 2023. Private sector average earnings growth was 5.9 per cent, having averaged 6.8 per cent in 2022, with regular pay growth at 7.0 per cent. For our deliberations, actual pay settlements are a key indicator as, unlike figures for earnings growth, they are not affected by factors such as progression and workforce changes.
- Trends in senior pay. Senior public sector leaders' real take-home pay and real total net remuneration have fallen over the last decade. The fall is greater than that experienced by private sector leaders. In recent years, for many of our remit groups the pay advantages of senior leadership have also reduced relative to their junior colleagues.
- Recruitment, retention and quality. The recruitment and retention data are imperfect and interpretation is not always straightforward. Although the judiciary is our only remit group with data to show recruitment shortfalls, discussion groups and oral and written evidence suggest both that recruitment and retention is becoming more challenging in all of our remit groups and that there may be some deterioration in the quality of leaders in some areas.
- Motivation and morale. Morale among our remit groups is either stable or falling, with concerns in specific areas. There is reduced satisfaction with pay in the senior civil service (SCS), much of the judiciary and the senior military.
- Inflation. The Government has stressed that high pay rises could risk the fight against inflation. In our view, there are three ways in which this might happen:
  - By altering wage expectations elsewhere in the economy, which is unlikely unless public sector settlements materially exceed existing private sector pay awards.
  - Through a material impact on other public sector settlements.
  - Through a rise in the cost of higher wages to the public purse generating a sufficient stimulus to aggregate demand to increase inflation.

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[4] The pay settlement medians exclude one-off non-consolidated payments which have become prevalent in the last year or two, so may understate the value of pay awards. However, such payments have been skewed towards lower-paid workers and less widely paid to those who are comparators for the senior leaders in our remit groups.

We have recommended pay rises which we are confident are below the level where any of these impacts might occur.

- Affordability. The 2021 Spending Review set departmental spending ceilings in nominal terms. The Government said in evidence that, within that settlement, pay rises of 3.5 per cent were affordable. More recently, it has indicated that 4.5 per cent is the affordability ceiling. It has said that larger increases would entail trade-offs with other priorities. We recognise there are constraints on spending but we note too that it is open to the Government to revisit earlier decisions, including Spending Review choices, if that would make better use of public money. It appears to have taken a step in this direction in its negotiations with teachers and health workers. The costs of recruitment and retention problems and demotivated workforces (in terms of the impacts on output, productivity and industrial action) also need to be considered.

1.4 In making this year's recommendations, we have had to balance these considerations, involving careful judgement and a series of trade-offs, as well as to take account of different conditions for individual remit groups. We set all these factors out in each chapter, giving our assessment of the issues followed by a data annex containing the evidence base.

Response to the 2022 Report

1.5 In our 2022 Report, our principal recommendations were:

- Pay increases of 3.5 per cent for all members of the senior military and the judiciary.
- A pay increase of 3.0 per cent for all members of the SCS and a further 0.5 per cent to increase the SCS pay band minima and address other anomalies.
- A pay increase of 3.0 per cent for all Very Senior Managers (VSMs) and Executive and Senior Managers (ESMs) in the NHS, and a further 0.5 per cent to reduce differentials and facilitate the introduction of the new VSM pay framework.
- Changes to the pay structure for Police and Crime Commissioners (PCCs) including a move to three pay groups, with salary levels of £108,000, £94,300 and £83,200. PCC pay should increase after that in line with increases for chief police officers between formal SSRB reviews on a four-yearly cycle.

1.6 We are dismayed that, with only the briefest explanation, the Government reduced our recommended increases for the SCS and the judiciary to 2.0 per cent and 3.0 per cent respectively and that it rejected our six recommendations on PCC remuneration even though PCC pay had been almost unchanged for ten years.[5] We note that in the SCS and the judiciary there is no progression pay so that individuals in these groups experienced a greater real terms reduction in pay than some other groups.

1.7 Last year, we carried out a careful process of weighing the relevant considerations. We showed why it would be unwise to reduce our recommended uplifts. Intensified upward pressure on the pay of these remit groups this year was the foreseeable consequence of these decisions. We would have liked the Government to indicate the ways in which it did not agree with our assessment.

Recommendations

1.8 This year, in the context of industrial action affecting some public sector workforces, many of our stakeholders have commented on the role of pay review bodies and the extent to which we are independent. Our approach is evidence driven.

[5] The Government increased PCC salary pay bands by £1,900, in line with the award for all police officers. PCC salaries now range from £68,200 to £101,900.

We weigh carefully the evidence and the economic and other data which may affect recruitment, retention, morale and affordability in order to arrive at our independent recommendations.

Recommendation 1: senior civil service

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

- An across-the-board increase for all SCS of 5.5 per cent from 1 April 2023.
- A further 1 per cent of the SCS paybill to be directed at progression increases for those lower in the pay ranges who are delivering in role and demonstrating expertise.

Recommendation 2: senior civil service

We recommend the following SCS pay ranges from 1 April 2023:

- SCS pay band 1: £75,000 to £117,800.
- SCS pay band 2: £97,000 to £162,500.
- SCS pay band 3: £127,000 to £208,100.
- Permanent Secretary: £152,000 to £200,000.

Recommendation 3: senior military

We recommend that all members of the senior military, including Medical Officers and Dental Officers, should receive a 5.5 per cent increase to base pay from 1 April 2023.

Recommendation 4: senior military

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.

Recommendation 5: the judiciary

We recommend a pay increase of 7.0 per cent from 1 April 2023 for all members of the salaried judiciary.

Recommendation 6: senior leaders in the NHS in England

We recommend a pay increase of 5.0 per cent for Very Senior Managers and Executive and Senior Managers in the NHS in England from 1 April 2023.

Recommendation 7: senior leaders in the NHS in England

We recommend that an additional 0.5 per cent of the ESM and VSM paybill in each employing organisation is used to address specific pay anomalies.

Recommendation 8: senior leaders in the NHS in England

We recommend that central approval or rejection of proposed VSM or ESM pay is provided within four weeks of submission of the pay case to the Department of Health and Social Care.

1.9 This Report has been prepared under an interim Chair and with several SSRB members whose terms finish shortly. By the autumn the Review Body will have four vacancies and no Chair. We understand the Government would like the SSRB to continue to recommend pay awards for our remit groups. This will depend on moving quickly to appoint a new Chair and filling these vacancies so that the Review Body has the capacity to produce its next Report.

Chapter 2

Economic context

Summary

2.1 This year, the economic environment is more challenging than for some considerable time. Consumer price inflation has risen sharply, caused principally by post-pandemic supply chain pressures and a rise in the price of energy following the invasion of Ukraine, which has squeezed living standards. These shocks represent a worsening of the UK's terms of trade, and thus diminish our overall prosperity. In addition, a tight labour market has pushed up wage pressures, risking further and more persistent inflation. Inflation peaked at over 11 per cent in October 2022, its highest rate for over 40 years. While the annual rate of inflation is expected to fall back over the course of 2023, average price levels, and hence the cost of living, will continue to rise. At the same time, GDP growth has been disappointing, with the economy effectively flatlining over the course of 2022 as the rising cost of living restricted household spending, although the recession that had been expected in early 2023 may have been narrowly avoided.

2.2 The 2021 Spending Review set departmental budgets for a three-year period, but high inflation and slow growth have created additional pressures on public finances. Public finances have been further stretched by higher debt interest payments. Nevertheless, some additional funding has been allocated, for example to the NHS.

2.3 The labour market remains tight, with unemployment below 4 per cent and vacancies close to record levels. As a result, we have seen strong earnings growth across the private sector over the last year, which has not been matched in the public sector. There have been widespread industrial disputes, several of which directly affect our remit groups. The median rate for pay settlements in 2023 so far, which have been concentrated in the private sector, has risen to 6 per cent. Nevertheless, wage growth across the economy has failed to keep up with inflation.

2.4 All in all, the economic climate for setting public sector pay is the most difficult it has been for many years. The economic factors that we are required to consider in setting pay for senior staff are pulling in several directions. In arriving at our conclusions for the 2023 pay recommendations, we have had to make many difficult trade-offs, and a balance of competing judgements has been necessary.

The economy[6]

Inflation

2.5 Inflation reached its highest rate for over 40 years at the end of 2022, as the war in Ukraine pushed up energy prices and widespread supply chain issues increased the prices of traded goods. This has also fed through to domestic prices for food and services. Further cost pressures have come from the tight labour market and skills shortages.

2.6 CPI inflation peaked at 11.1 per cent in October 2022, and by April 2023 had eased back to 8.7 per cent. Both the Bank of England and the Office for Budget Responsibility (OBR) forecast that it would fall rapidly over the second half of 2023 as the 2022 price increases fell out of the 12-month index, although the Bank still forecast inflation to be above 5 per cent by the end of 2023, and to return to the 2 per cent target only in late 2024 (see figure 2.1). However, price levels were not expected to fall, and the cumulative impact of

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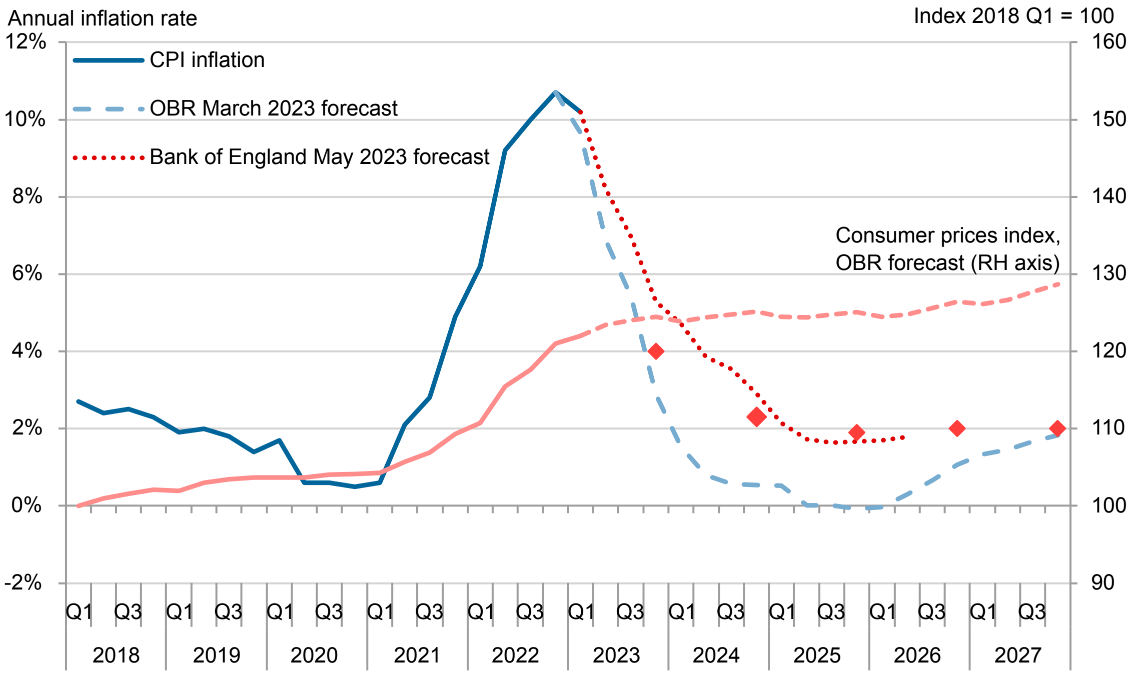
6 This Chapter contains data published up to the end of May 2023.

inflation meant that average prices at April 2023 were 19.6 per cent higher than at the start of 2021.

Figure 2.1: **CPI inflation and forecasts, 2018 to 2027**



Source: ONS, CPI (D7G7); OBR, *Economic and fiscal outlook*, March 2023; Bank of England, *Monetary Policy Report*, May 2023; HM Treasury, *Forecasts for the UK economy*, May 2023 (median forecast made in the three months to May 2023).

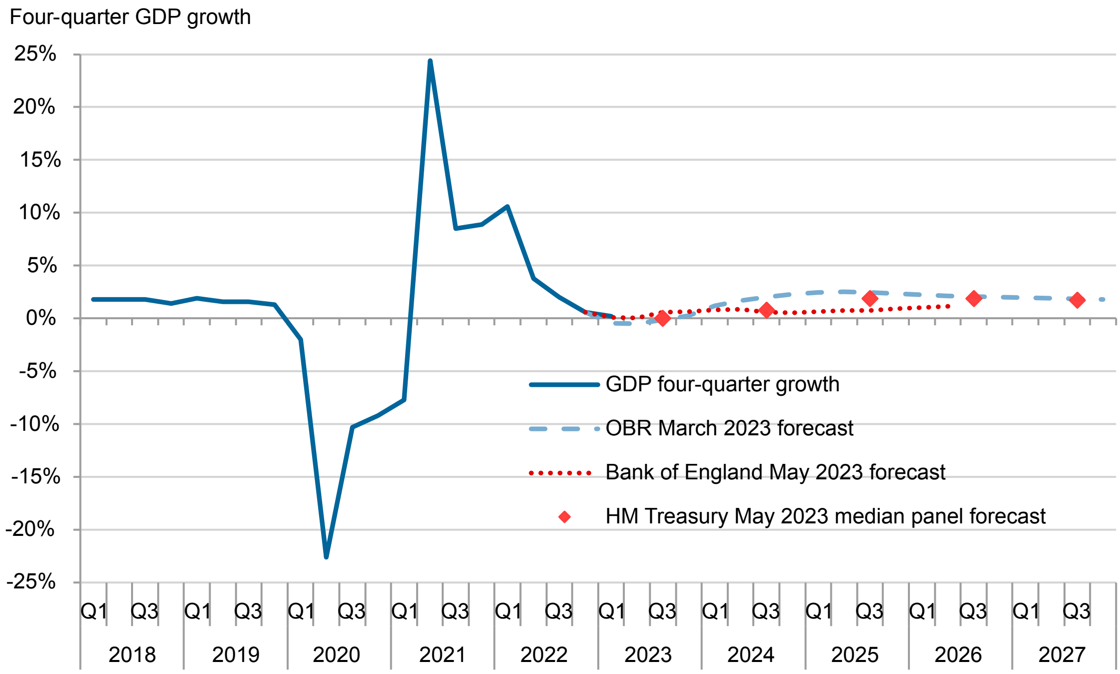
Economic growth and public sector finances

2.7 After a period of strong growth in the second half of 2021 and early 2022, as the economy emerged from the pandemic lockdowns, economic growth slowed sharply and was essentially flat in the second half of 2022 and the first quarter of 2023, as higher living costs hit consumption and business investment stagnated. Overall, the UK economy grew by 4.1 per cent in 2022 and is now broadly the same size as it was before the pandemic.

2.8 Both the OBR and Bank of England forecasts suggested that economic growth would be broadly flat in 2023 overall as high energy prices and higher interest rates constrained household incomes and consumption (see figure 2.2).

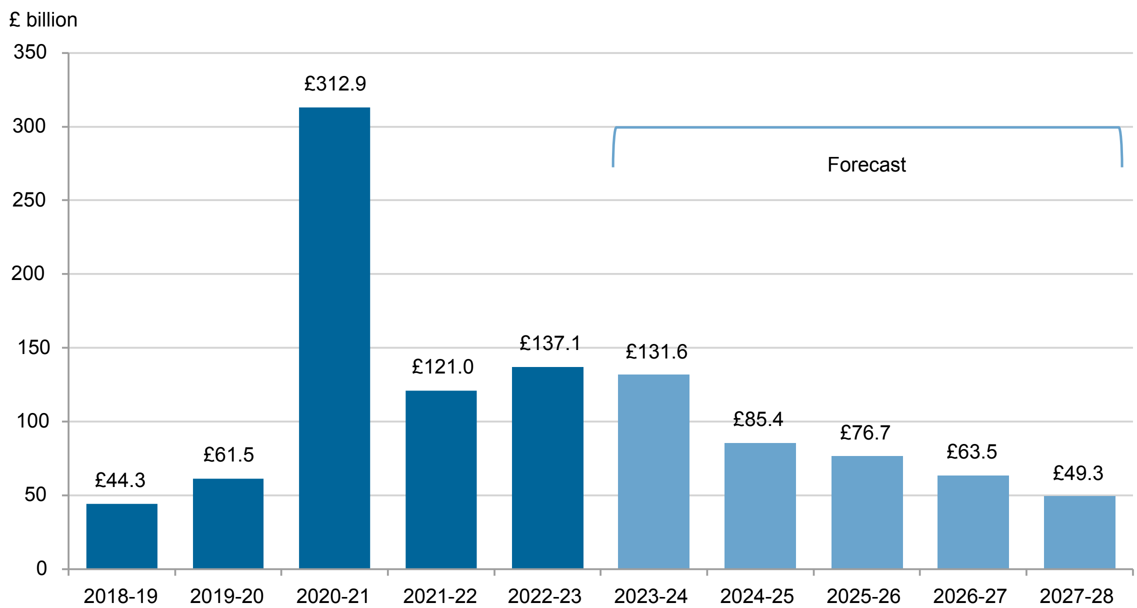
2.9 Public sector net borrowing reached a post-war high of £313 billion (15.0 per cent of GDP) in 2020-21 due to high public spending and the economic contraction associated with the pandemic. Public sector borrowing fell back to £121 billion (5.2 per cent) of GDP in 2021-22, but rose again in 2022-23 to £137 billion (5.4 per cent of GDP) due to Government spending on energy support measures and debt interest. Public sector borrowing is expected to fall back only gradually in 2023-24 as this support recedes, as economic growth is weak and debt interest payments have risen sharply.

Figure 2.2: **Real GDP growth forecasts, 2018 to 2027**



Source: ONS, GDP four-quarter growth (IHYR); OBR, *Economic and fiscal outlook*, March 2023; Bank of England, *Monetary Policy Report*, May 2023; HM Treasury, *Forecasts for the UK economy*, May 2023 (median of forecasts made in the three months to May 2023; annual growth rather than four-quarter).

Figure 2.3: **Public sector net borrowing, 2018-19 to 2027-28**



Source: ONS, Public sector finances UK, March 2022; OBR, *Economic and fiscal outlook*, March 2023.

2.10 Departmental expenditure limits were set out in the 2021 Spending Review. Additional funding for the NHS of £3.3 billion in each of 2023-24 and 2024-25 was confirmed in the 2022 Autumn Statement. Nominal budgets for health and justice are increasing in the 2023-24 financial year, while defence is seeing a cut. While around half of departmental resource spending relates to pay, high inflation will see a deterioration in the value of budgets in real terms.

Table 2.1: **Resource Departmental Expenditure Limits (RDEL) excluding depreciation**

	Planned spending £ billion (current prices)				Real annual growth %		Nominal annual growth %		
	2021-22	**2022-23**	**2023-24**	**2024-25**	**22-23 to 23-24**	**Average 21-22 to 24-25**	**22-23 to 23-24**	**21-22 to 24-25**	**Average 21-22 to 24-25**
Health and Social Care	144.1	173.9	176.2	180.5	-1.2	4.4	1.3	25.3	7.8
of which: NHSE/I	133.7	155.4	160.4	165.9	0.7	4.1	3.2	24.1	7.5
Home Office	8.5	9.4	9.8	10.1	1.7	2.6	4.3	18.8	5.9
Justice	31.7	32.6	32.4	32.8	-3.1	-2.0	-0.6	3.5	1.1
Defence	377.2	438.0	457.7	463.1	1.9	3.7	4.5	22.8	7.1
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, *Spring Budget 2023*, table 2.1; OME calculations.

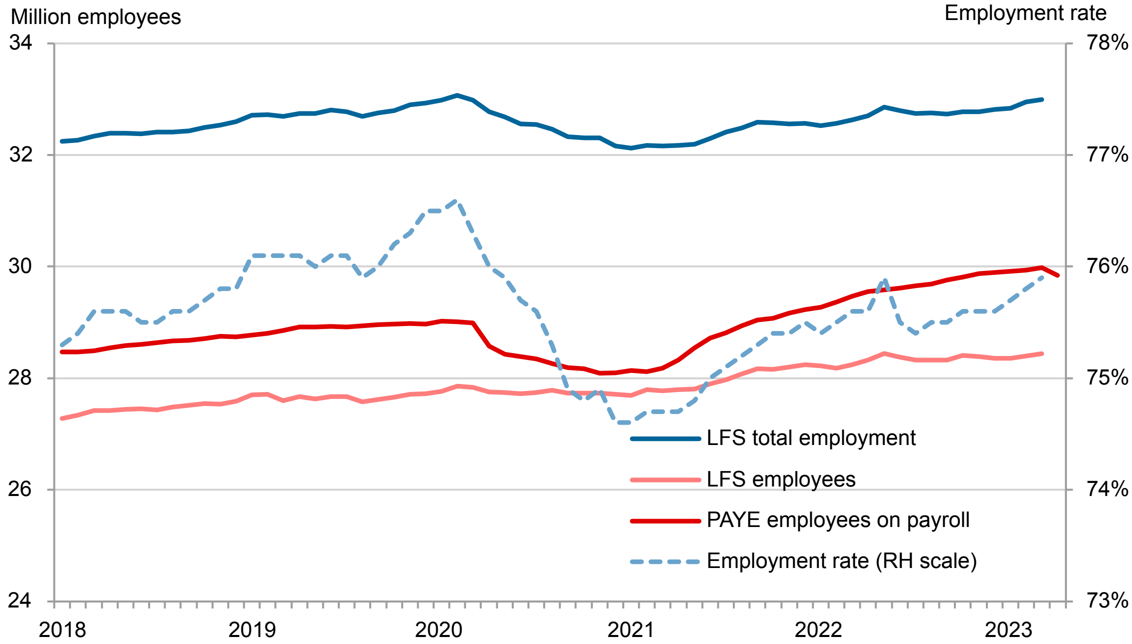
Notes: Real growth is calculated using the GDP deflator as forecast by the OBR in March 2023 (5.7 per cent for 2022-23, 2.5 per cent for 2023-24; 1.6 per cent for 2024-25). The 2021-22 baseline excludes ringfenced COVID-19 spending.

The labour market

2.11 Despite weak economic growth, the labour market has remained tight over the last year. Employment has continued to grow, albeit at a slower rate than previously, and the unemployment rate has fallen. Inactivity rates, including among the age 50 to 64 cohort that saw rising inactivity between 2020 and 2022, have stabilised at higher levels.

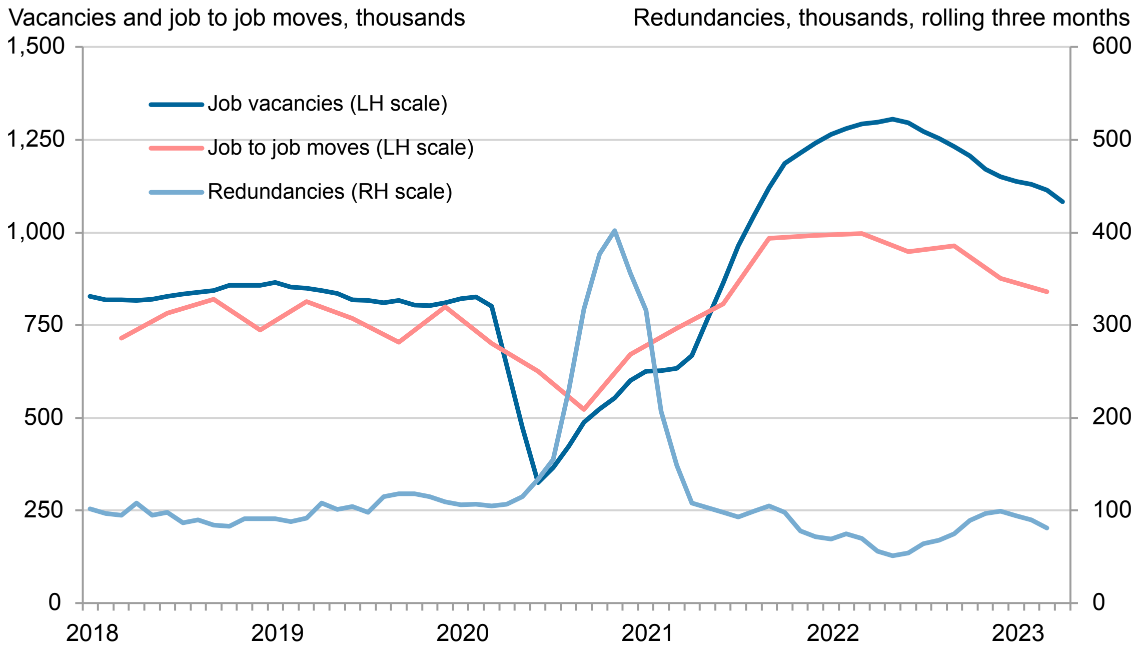
2.12 There are signs that the tightness in the labour market is starting to ease. The number of job vacancies in the economy has fallen back from the record high of 1.3 million seen in the middle of last year but, at 1.1 million in the first quarter of 2023, remained high (see figure 2.5). Job-to-job moves, which give an indication of the buoyancy of the labour market, have shown a similar pattern to job vacancies, peaking at almost 1 million in the first quarter of 2022 and falling since, but only to a level still above that of the pre-pandemic period. Redundancies have remained at low levels over the last year.

Figure 2.4: **Employment levels and rate, 2018 to 2023**



Source: ONS, Labour Force Survey, employment (MGRZ), employees (MGRN), employment rate age 16-64 (LF24); Pay As You Earn (PAYE) Real Time Information, payrolled employees, May 2023.

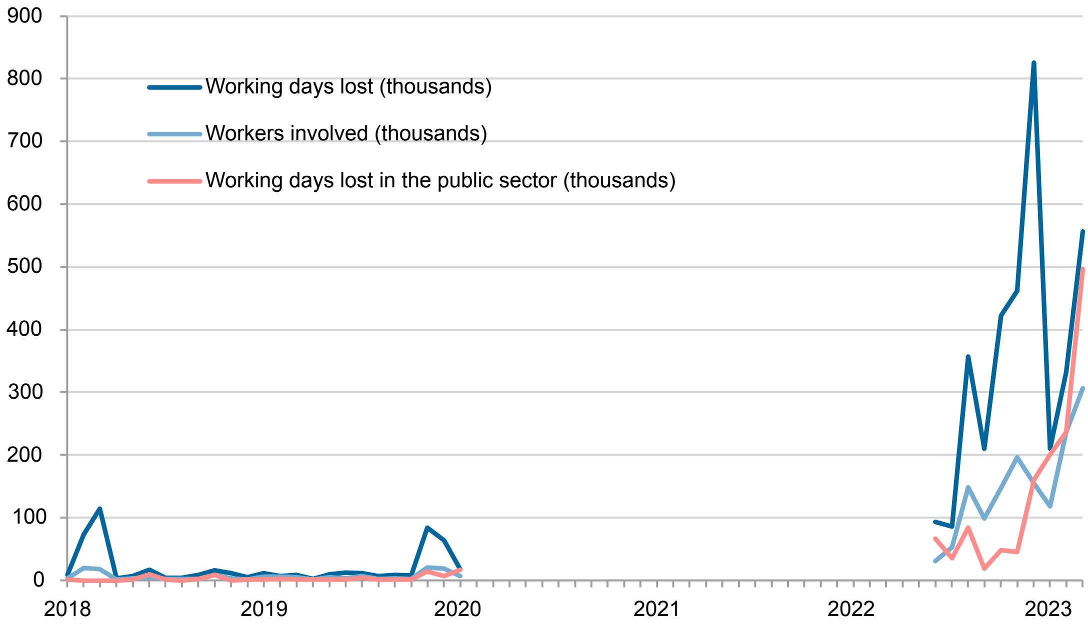
Figure 2.5: **Job vacancies, job-to-job moves and redundancies, 2018 to 2023**



Source: ONS, vacancies (AP2Y), rolling three-month average; redundancy level (BEAO), rolling three-month average; job-to-job moves, quarterly, labour market flows data.

2.13 One aspect of the labour market that has changed significantly over the last year is the number of industrial disputes. The ONS restarted collecting and publishing these data last year, having suspended the series during the pandemic. The recent data showed a sharp pick-up in industrial disputes, with 826,000 working days lost in December 2022, the highest recorded number since 2011. Most of these were in the transport and communications sector. In March 2023, there were 556,000 working days lost, nearly all of which were in the public sector including in the NHS, schools and central government.

Figure 2.6: **Labour disputes, 2018 to 2023**



Source: ONS, Labour disputes in the UK.

Note: Collection and publication of labour disputes data were suspended in April 2020 in response to the COVID-19 pandemic. Collection of the Labour Disputes Inquiry restarted in June 2022, but only for the period from January 2022 onwards. Data for the period January to May 2022 are not yet available.

Trends in earnings

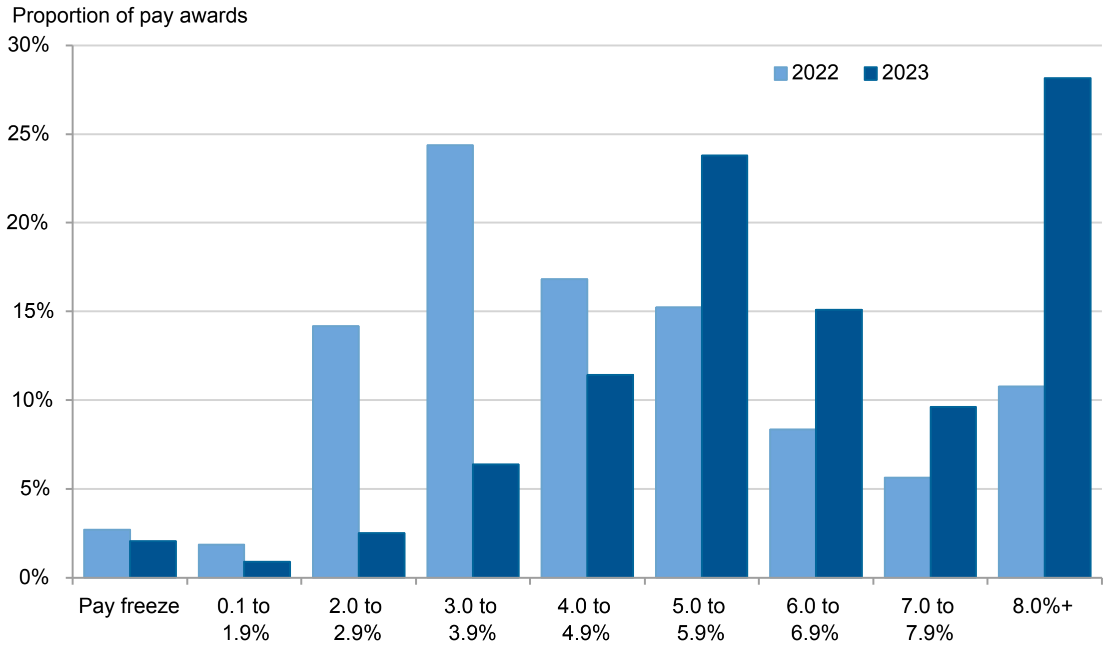
2.14 Since 2021, nominal pay across the economy has risen faster than for several decades, reflecting the tightness of the labour market and higher inflation. Nonetheless, most workers have experienced a fall in real wages as a consequence of the adverse terms of trade shock to the economy. In making recommendations for our remit groups, it is important for us to focus on wages, rather than inflation, so that the recommendations for our remit groups are positioned appropriately in relation to wider labour market trends.

Pay settlements

2.15 Earnings data are important to our deliberations but data on pay settlements are the best available single reference point for the SSRB. Unlike the figures for earnings growth, settlements data are not affected by factors such as progression and workforce changes.

2.16 Pay settlement medians have shown an increase since the end of 2022, from the 4 per cent seen through 2022 to between 5.0 and 6.5 per cent for the three months to March 2023. XpertHR reported a median pay award of 6.0 per cent for the three months to March 2023; IDR's median was 5.0 per cent and LRD reported a 6.0 per cent median for all employees and 6.5 per cent for the lowest rate of pay. The rise in the midpoint of the distribution and the shift in the skew for pay awards over the year is shown in figure 2.7. Using XpertHR data, over half (53 per cent) of pay awards in 2023 were at 6.0 per cent or higher, compared to a quarter (25 per cent) in 2022.

Figure 2.7: **Distribution of pay settlements, 2022 to 2023**



Source: ONS, average weekly earnings annual three-month average change in total pay for the whole-economy (KAC3);
Source: OME analysis of XpertHR data.

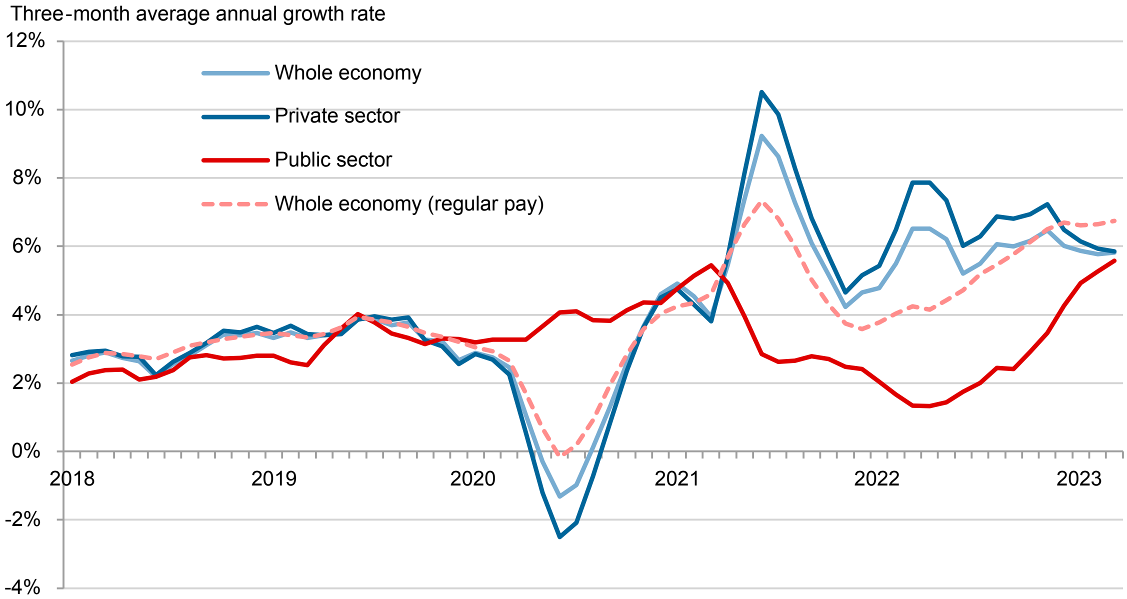
2.17 We also observe that additional non-consolidated payments have been a common feature of pay awards this year and last year, often to acknowledge cost of living issues. These have typically been weighted towards lower-paid staff.

Average earnings growth

2.18 Average earnings growth has risen over the last year, though has failed to match the high rates of inflation (see figure 2.8). Whole-economy annual total average earnings growth was 5.8 per cent in the three months to March 2023, having averaged 5.9 per cent in 2022. Regular earnings growth (i.e., excluding bonuses) was 6.7 per cent in the three months to March 2023. Private sector total average earnings growth was 5.9 per cent in the three months to March, having averaged 6.8 per cent in 2022, with regular earnings growth at 7.0 per cent. Public sector average earnings growth picked up in the latter half of 2022 and reached 5.5 per cent in the first quarter of 2023. However, public sector average earnings growth averaged only 2.4 per cent in 2022,[7] remaining below that in the private sector.

[7] Public sector excluding financial services i.e., nationalised banks (KAE2).

Figure 2.8: **Average weekly earnings growth, 2018 to 2023**



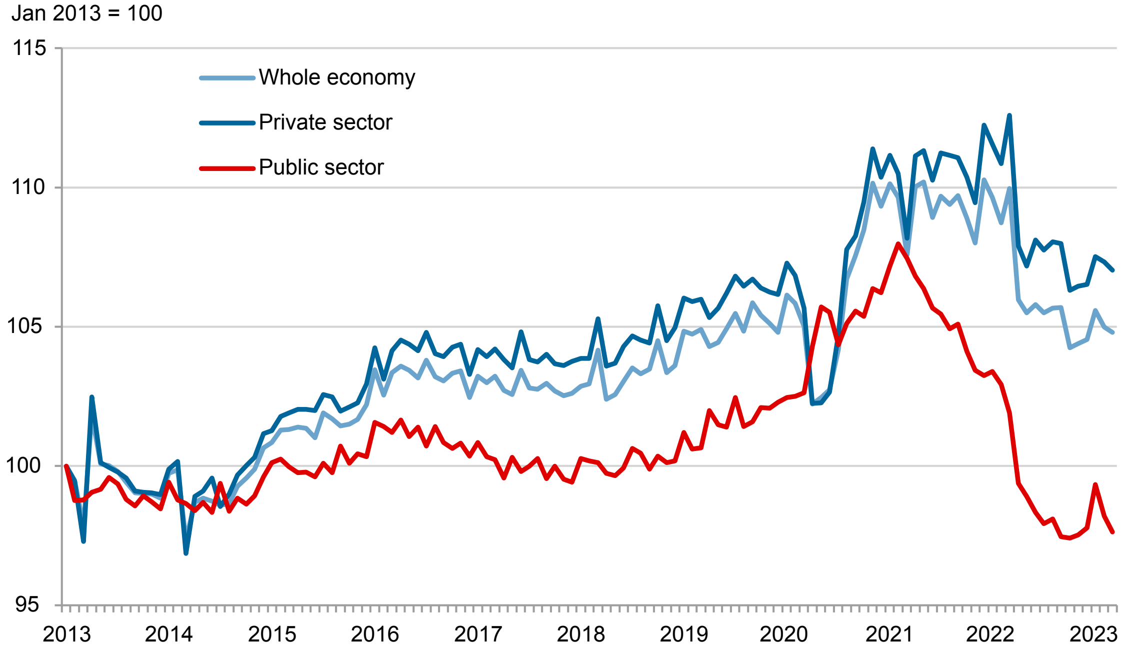
Source: ONS, average weekly earnings annual three-month average change in total pay for the whole-economy (KAC3); private sector (KAC6); public sector excluding financial services (KAE2); whole-economy regular pay (KAI9).

2.19 In real terms, average earnings growth has been weak over the last decade and over that period the public and private sectors have seen significant divergence (see figure 2.9). Between 2014 and 2016, real average earnings growth diverged, picking up in the private sector by more than in the public sector. Between 2017 and 2019, both sectors experienced similar levels of growth. During the pandemic in 2020, working hours, and therefore average earnings, fell sharply in the private sector, but expanded in the public sector, while the private sector also saw a significant loss of lower-paid jobs. More recently, the mid-decade divergence has re-emerged, with the public sector seeing falling real average earnings since the start of 2021 as working hours fell back and inflation increased. At the end of 2022, public sector real average earnings were at their lowest level since 2003.

2.20 In its March forecast, the OBR expected the labour market to loosen a little over the next year, with a small fall in employment, as economic growth weakened. It expected nominal average earnings growth for the whole economy of 5.0 per cent in 2023, down from the 6.2 per cent seen in 2022. With CPI forecast to average 6.1 per cent in 2023, this implied a further fall in the level of real wages.

2.21 The recent erosion of real average earnings across the economy, despite historically high nominal wage growth, reflects the supply side issues facing the UK economy. Low productivity growth and the terms of trade shock the country has experienced have combined to constrain real earnings.

Figure 2.9: **Real average weekly earnings (2013 = 100)**

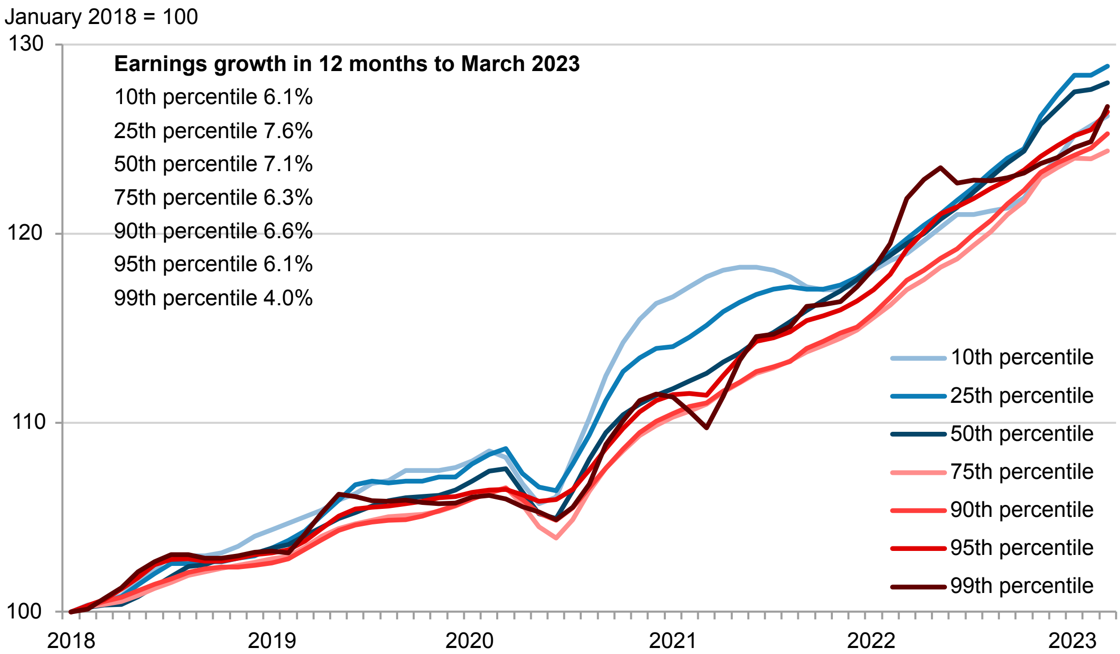


Source: ONS, Average weekly earnings, (KAB9, KAC4, KAD8). Adjusted by CPI (D7BT). Public sector excludes financial services.

Trends in senior pay

2.22 Our remit groups are at the top end of the public sector earnings distribution, so it is important for us to understand how earnings have grown for high earners as well as for all employees. PAYE data indicate that earnings have grown at a similar rate across the earnings distribution over the last year (see figure 2.9). Those at the very top end (99th percentile) have seen slightly slower earnings growth over the year as the high bonus payments seen at the start of 2022 have not been fully repeated.

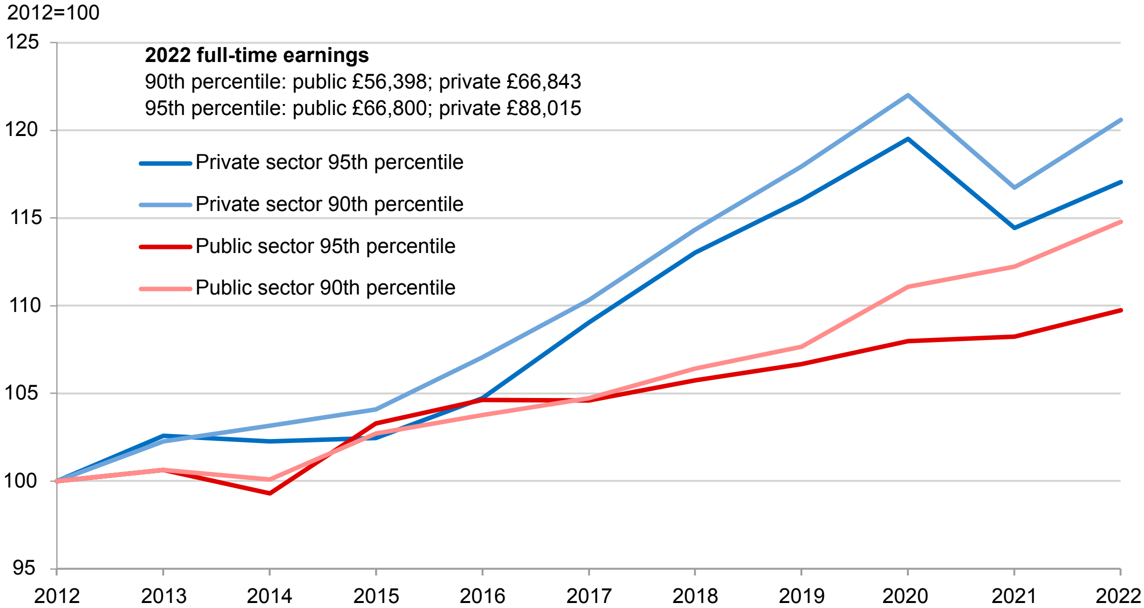
Figure 2.10: **Earnings distribution, 2018 to 2023 (2018 = 100)**



Source: ONS, Pay As You Earn (PAYE), Real Time Information, UK, May 2023.

2.23 While the PAYE data are not available for the public and private sectors separately, the Annual Survey of Hours and Earnings (ASHE) provides an indication of relative growth for higher-paid employees in the public and private sectors. Figure 2.11 shows the level of public and private sector pay at the 90th and 95th percentiles, indexed to 2012. Pay growth in both sectors was similar between 2012 and 2016. From 2016 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, and had not fully recovered by 2022. Over the decade, the private sector still had stronger earnings growth at the top of the earnings distribution.

Figure 2.11: **ASHE full-time earnings at the 90th and 95th percentile, 2012 to 2022 (2012=100)**



Source: ASHE.

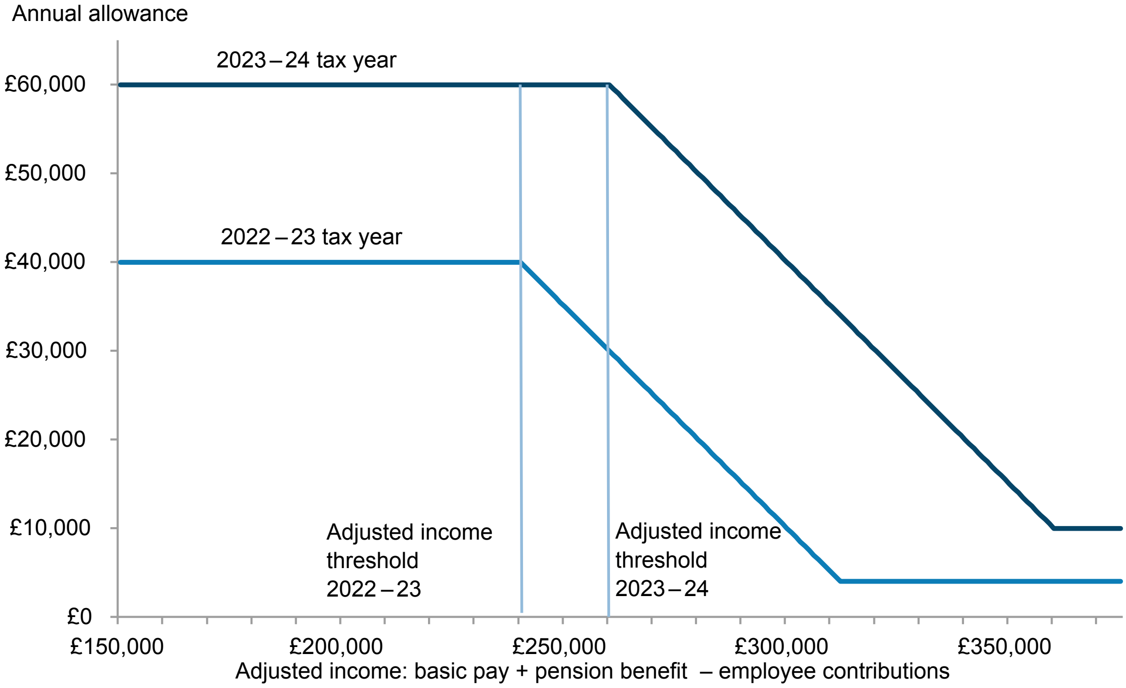
Note: Nominal annual full-time earnings over the year to April.

2.24 A comparison of remuneration, albeit only indicative and using a single cut of market data matched by job level, suggested that all SSRB roles were below the external market, with basic salaries ranging from 32 to 96 per cent of the market median. The more senior SSRB roles had a greater gap to market pay. Total remuneration for SSRB roles (i.e., including a measure of pensions and other benefits), ranged from 22 to 90 per cent of the external market median.

Pension taxation changes

2.25 In recent years, we have closely tracked both take-home pay and total net remuneration for our remit groups. Senior public sector employees have been heavily affected by changes to pension taxation over the last decade. The March 2023 Budget increased the pensions annual allowance from £40,000 to £60,000 from April 2023. The Budget also changed the rules around the taper. The minimum annual allowance will increase from £4,000 to £10,000, the level it was at in 2019-20. The adjusted income limit (where the taper cuts in) will increase from £240,000 to £260,000. It was £150,000 when the taper was introduced. There is no change to the threshold income limit, which remains at £200,000. This will allow some individuals to benefit by up to £13,500 in reduced annual allowance tax charge.

Figure 2.12: **Annual allowance before and after the Budget changes, by adjusted income**



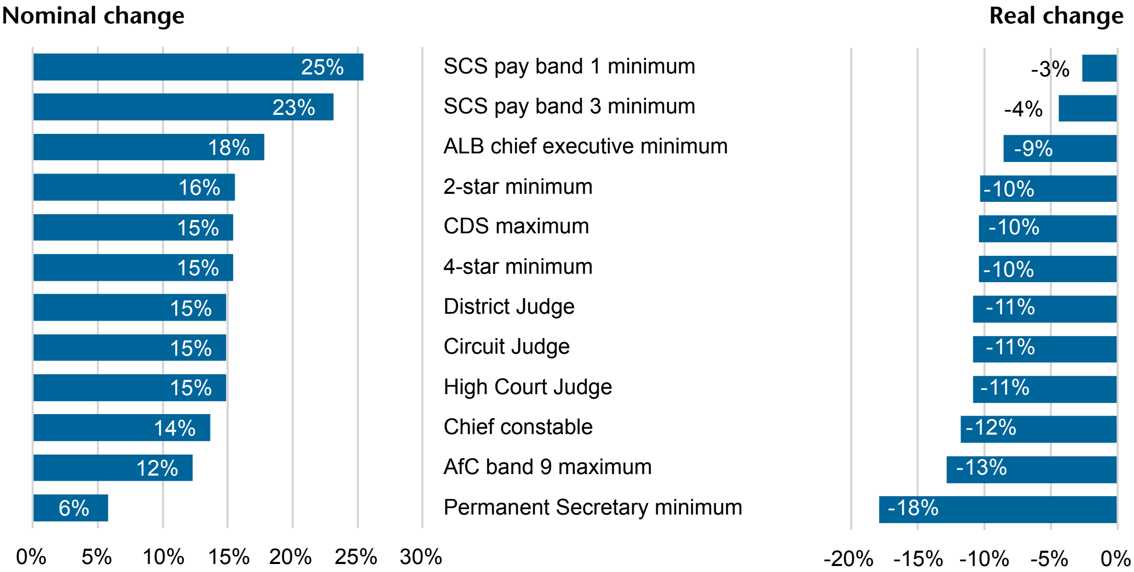
Source: OME analysis.

2.26 The lifetime allowance will also be removed from April 2023. The lifetime tax charge was levied at 25 per cent of the value of pension pots over the lifetime allowance. Its removal is potentially highly valuable for those whose pension pots are worth more than £1.073 million at retirement, which includes many of the higher earners in our remit group.

Trends in take-home pay and total net remuneration

2.27 Changes in basic pay for specific roles in our remit groups over the last decade are shown in figure 2.13. Increases in basic salary since 2012-13 range from 5.8 to 25.4 per cent. The highest increase is for the SCS pay band 1 minimum salary, which has seen targeted increases above the general pay award to reduce overlap with the grade below and increase incentives to promotion. All roles have seen a fall in the real value of the basic salary over the last decade, with falls of between 2.7 and 17.9 per cent. The largest fall is for the Permanent Secretary minimum salary, which has seen no change over a number of years. Most roles have seen real terms falls in basic salary of 10 to 11 per cent over the last decade.

Figure 2.13: **Change in basic pay, 2012-13 to 2022-23**

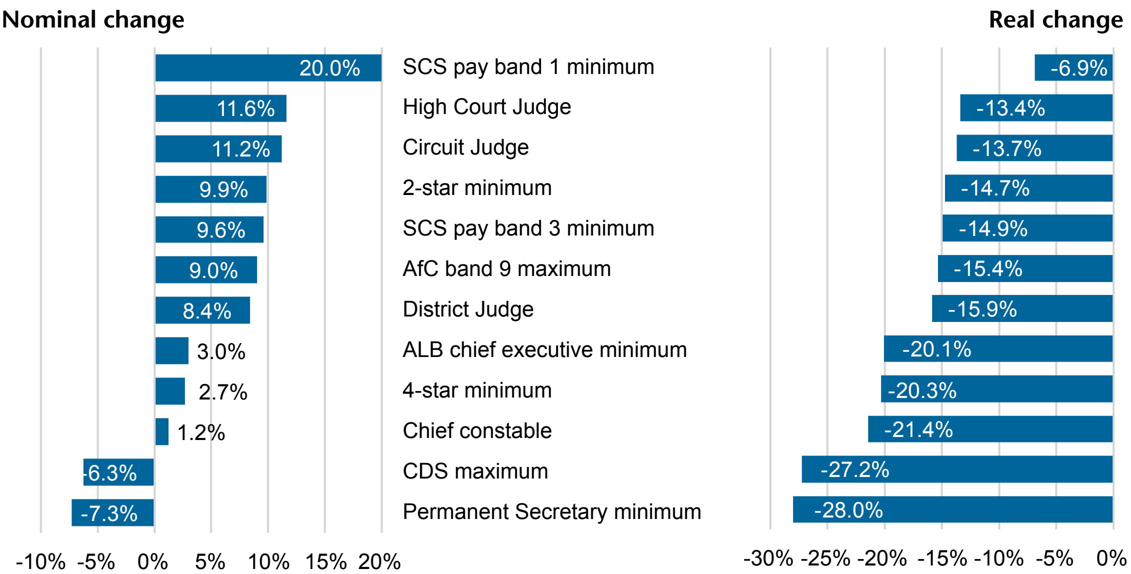


Source: OME analysis.

Notes: NHS band 9 maximum is used as a proxy for the lowest paid senior health manager. 2-star minimum includes X-Factor.

2.28 We calculate take-home pay as annual gross pay minus national insurance, income tax, pension contributions and any annual allowance charge. Changes in take-home pay for our remit groups over the last decade are shown in figure 2.14. The change in nominal take-home pay since 2012-13 ranges from an increase of 20.0 per cent to a fall of 7.3 per cent. Those with very low increases or falls in take-home pay have been negatively affected by the reduction in the pension annual allowance. Judges moved to a deregistered pension scheme from April 2022, so they are no longer subject to annual allowance charges.

Figure 2.14: **Change in take-home pay, 2012-13 to 2022-23**



Source: OME analysis.

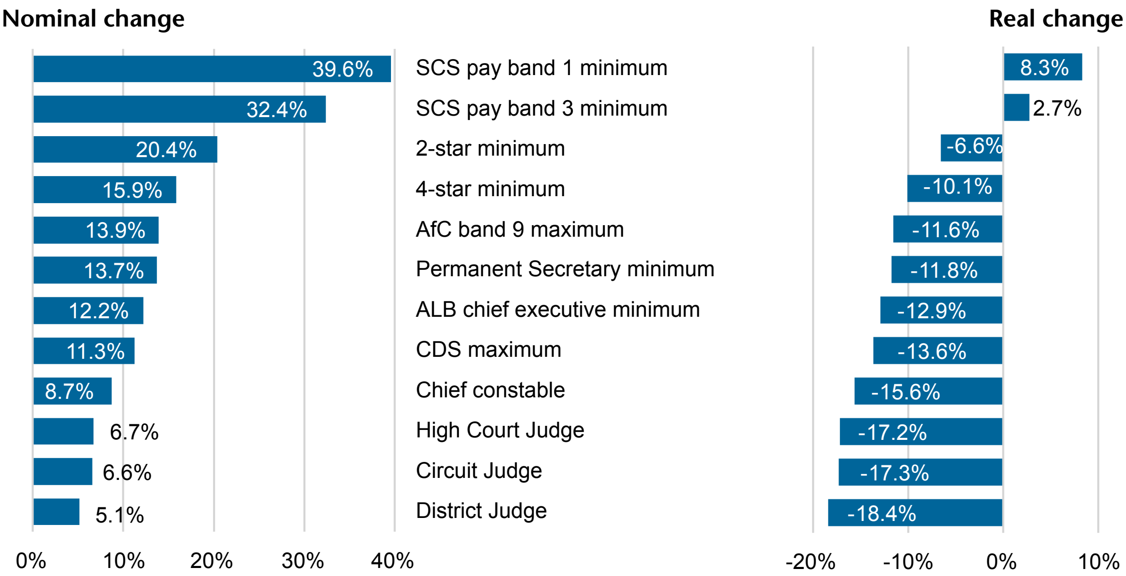
Note: Take-home pay is annual gross pay minus national insurance, income tax, pension contributions and any annual allowance charge.

2.29 In real terms, all roles have seen a fall in take-home pay over the period, ranging from 6.9 per cent to 28.0 per cent. Roles which have not been subject to annual allowance charges have typically seen falls of 13 to 16 per cent, while higher-paid roles that have involved annual allowance charges have seen falls in real take-home pay of over 20 per cent.

2.30 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 2012-13 range from an increase of 5.1 per cent to 39.6 per cent (see figure 2.15), as many roles benefitted from a higher accrual rate in the 2015 pension schemes. In real terms, the change in total net remuneration ranges from an increase of 8.3 per cent to a fall of 18.4 per cent.

2.31 The judicial roles have not fared as well under this measure, as they moved to a less generous pension scheme than the one in place prior to 2015, even though the most-recently introduced scheme is more valuable than that in place between 2015 and 2022.

Figure 2.15: **Change in total net remuneration, 2012-13 to 2022-23**



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.

2.32 The increase to the annual allowance from £40,000 to £60,000 for the 2023-24 tax year will benefit the higher-paid members of our remit groups with the exception of the judiciary, who are already outside pension taxation under the judicial pension scheme introduced in April 2022. The extent of the gains using the examples from our modelling are set out in table 2.2. Those that gain most have adjusted incomes (pay plus net pension benefit) in the range £240,000 to £330,000. The Chief of the Defence Staff (CDS) will see a more modest gain as the annual allowance at this level of earnings increases from the minimum £4,000 to £10,000.

Table 2.2: **Calculated gains from increase in the annual allowance**

Role	2022-23 basic pay	Adjusted income	Tax benefit from changes	Remaining annual allowance charge
SCS pay band 1 minimum	£73,000	£94,732	0	0
SCS pay band 3 minimum	£125,000	£162,213	£2,560	0
Permanent Secretary minimum	£150,001	£193,606	£6,452	0
2-star minimum	£125,035	£167,600	£1,026	0
4-star minimum	£190,800	£255,753	£9,000	£2,229
CDS maximum	£291,709	£391,014	£2,700	£40,187
Chief constable	£206,274	£237,531	£8,857	0
ALB chief executive minimum	£191,901	£221,889	£7,587	0
AfC band 9 maximum	£109,475	£127,130	0	0
District Judge	£118,237	£160,495	0	0
Circuit Judge	£147,388	£200,064	0	0
High Court Judge	£198,459	£269,388	0	0

Note: This applies the change in the annual allowance to 2022-23 salaries and tax allowances. Adjusted income is basic pay plus pension benefit minus employee pension contribution.

Inflation and affordability

2.33 Those evidence submissions by the Government to SSRB which gave a figure said that funding was available in 2023 for pay awards of up to 3.5 per cent. Pay rises in excess of this figure would, it was argued, put pressure on other spending priorities. In evidence, several ministers also said that higher increases would risk the fight against inflation, through encouraging a wage-price spiral and/or increased Government borrowing.

2.34 We recognise that the affordability and the impact on inflation of more generous pay rises for senior leaders are critical considerations. Nevertheless, such pay rises for our remit groups would only add materially to inflation under specific circumstances. First, if they were to raise wage expectations elsewhere in the economy, through an increase significantly higher than current settlement trends; second, if the pay rise for senior leaders itself led to an escalation in settlements offered to the wider public sector workforce; or third, if the additional cost were to generate a material fiscal stimulus. Our recommendations are designed to ensure that these risks are not realised, but we do believe there is scope, without worsening inflation, for increases below the inflation rate but higher than 3.5 per cent cited by ministers in evidence.

2.35 The Government also said that pay awards above 3.5 per cent would entail trade-offs with other spending priorities for the departments in question. It said that the 2021 Spending Review settlement was not to be reopened. However, we note that the relationship between a department's Spending Review settlement and the available funding envelope for pay increases is to some extent a matter of choice and may also be less relevant for small remit groups. It is open to the Government to revisit the Spending Review if that would make better use of public money.

2.36 We recognise that the factors outlined in this Chapter put pressure on the public finances. Like other spending, the value of public spending is reduced by inflation. The economy is no bigger than in 2019. The difficulty of the fiscal position is illustrated by the fact that, although the tax burden is at a 70-year high, the Government is expected to achieve its target of debt falling as a percentage of GDP only at the end of its five-year forecast horizon (in 2027-28) even with tight nominal targets for growth in public spending.

2.37 The estimated cost of our pay recommendations is shown in table 2.3. The total cost is £116 million, compared to a cost of £64 million if a 3.5 per cent increase had been applied. The SSRB appreciates that recommendations which exceed what the Government has said is affordable put further strain on a difficult fiscal position. Nonetheless, we have concluded that the other considerations we have to assess – earnings trends more broadly, and the emerging recruitment, retention and morale issues among our remit groups – outweigh the case for staying within the 3.5 per cent ceiling put forward by the Government. We believe that pay uplifts higher than this are both justified by the evidence and can be achieved without materially worsening inflation.

Table 2.3: **Cost of our pay recommendations**

Remit group	Paybill	Recommended paybill increase	Cost of recommendation
SCS	£826 million	6.5%	£54 million
Senior military	£31 million	5.5%	£2 million
Judiciary	£475 million*	7.0%	£33 million
Senior health leaders**	£372 million***	5.5%	£27 million

* Excludes fee-paid judges.

** Does not include very senior managers in Integrated Care Boards.

*** This is an estimate of salary costs. 33 per cent has been added for other employer costs when calculating the cost of the pay award.

Note: Uses latest available estimates for paybill. In some cases, this will not include the 2022 pay uplift.

Chapter 3

The Senior Civil Service

Summary

3.1 We have stressed for many years the importance of a strategic vision for the purpose, size and composition of the senior civil service (SCS). The Government has said that it wants a smaller, more capable and better-paid SCS. We agree with this aim. It is regrettable, therefore, that work to achieve this has stalled. The size of the SCS has grown by 6 per cent over the last year and 79 per cent over the last ten years. The total SCS paybill has increased by 112 per cent in nominal terms during that period. The SCS is now a greater proportion of the civil service as a whole than ever before.

3.2 In the absence of a strategy for the SCS, the link between this growth and Government objectives is unclear. It appears that the falling real and relative value of SCS pay has been accompanied by assigning SCS grading to roles that would previously have been part of the delegated grades – grade inflation. Filling SCS posts is over-dependent on internal promotion as vacancies attract too few suitable external candidates. Inadequate reward for delivering or developing expertise in role contributes to excessive churn, which reduces the effectiveness of the existing SCS.

3.3 In the absence of a strategy, there also appears to be a widening gap between the Government's aspiration for a single SCS and divergence in practice between the different nations.

3.4 While there is no evidence of widespread recruitment or retention issues in the SCS, we note the increase in the turnover rate from 10.7 to 12.4 per cent in the latest data. We remain concerned that the SCS may not be able to attract and retain sufficient leaders of the right calibre and that more needs to be done to provide the evidence base to show whether this is the case. The available indicators, including what we have heard in our discussion groups, suggest that there may be some deterioration in workforce quality.

3.5 The increase in the size of the SCS has been met largely through internal promotion, despite the Government policy of increasing external hires. Pay for SCS is well below the private sector for comparable positions, and the attractiveness of the roles and the overall package are relied upon to support recruitment and retention. The Civil Service Commission noted its concern that the proportion of good candidates applying for senior roles had been falling.

3.6 Lower salaries for those promoted internally compared to external recruits, and a pay overlap with grade 6 that causes resentment and reduces incentives for promotion are long-acknowledged issues with the current SCS pay system. This is coupled with high levels of job moves among SCS and a lack of incentives to stay in role, develop capacity and expertise, and deliver longer-term objectives. The median tenure of SCS members in their current post is under two years. The lack of a clear measure of the number of job moves within departments could mean that the impact of SCS churn on outcomes is being understated.

3.7 Since 2018, we have emphasised that a simple pay progression system for the SCS would help address these issues. We are increasingly concerned about the lack of progress on the implementation of capability-based pay progression, which the Government committed to in 2019. The absence of pay progression is having adverse effects in terms of incentives, unjustified pay disparities and a lack of recognition of expertise.

3.8 In oral evidence, the Minister told us that he will not go ahead with the existing proposals for capability-based pay progression as he was not confident they would deliver their intended objectives, including reducing churn, or that they would provide value for money for the taxpayer. However, he did not offer any alternative proposals or indicate any timeline. We hope that a simple pay progression model can be developed and implemented without further delay. We note the Government's announcement on 2 June that it is committed to introducing capability-based pay for the SCS and to intensive engagement with the trade unions on its design, with a view to implementing this as soon as possible.[8]

3.9 The Government has not set out the costs of its proposals on capability-based pay for some time and these will depend on the approach it now adopts. It is our view that even a small reduction in the size of the SCS, achieved through an improved workforce strategy, could fund the roll-out of a simple pay progression system.

3.10 People Survey indicators on motivation and morale for the SCS showed broad stability between 2021 and 2022. We would observe, however, that it was repeatedly suggested to us in discussion groups, and in oral evidence, that critical comments made by ministers in public have had a detrimental impact on the morale of some in the SCS.

3.11 The Government said that the headline figure for the SCS pay award should be no higher, on average, than for the delegated grades through the annual pay remit guidance, i.e., 4.5 to 5.0 per cent. Shortly before we finalised our Report it added a non-consolidated payment of £1,500 to the award in recognition of the pressures felt during the 2022-23 pay year. However, we do not think it is appropriate for us, as an independent pay review body, to base our judgement solely on the Government's decisions on pay awards for other staff.

3.12 We take account of broader pay trends in the economy, outlined in Chapters 1 and 2, and the substantial increase in the cost of living seen over the last year. We therefore recommend an across-the-board pay increase of 5.5 per cent for all SCS.

3.13 In addition to this, we recommend a further 1.0 per cent of the paybill to address pay progression, targeted at those who are delivering in role.

Government response to our 2022 recommendations

3.14 Last year, we recommended an across-the-board pay increase for all SCS of 3 per cent from 1 April 2022, with a further 0.5 per cent to increase the pay band minima and address other pay anomalies. In response, the Government limited the across-the-board increase to 2 per cent in line with the lower end figure contained in the delegated pay remit guidance.[9] The anomalies pot was increased from 0.5 per cent to 1 per cent.

3.15 We are dismayed that the Government rejected our recommendation, which followed a careful process of weighing the relevant considerations. We would have preferred the Government to have indicated the ways in which it did not agree with our assessment. Setting aside years with pay freezes or 1 per cent limits on pay rises, there have been four occasions since 2010 when we have been asked to recommend a pay award for the SCS. The Government has only once accepted our recommendation.

3.16 Most departments gave all SCS members a 2 per cent consolidated pay award and used the full additional 1 per cent pot. However, it was highlighted to us in our discussion groups that some departments did not pay a 2 per cent across-the-board increase to all SCS members, but instead paid a flat-rate cash increase that was worth more than

8 https://www.gov.uk/government/publications/policy-statement-on-civil-service-measures-june-2023

9 https://questions-statements.parliament.uk/written-statements/detail/2022-07-19/hcws233

2 per cent to those lower in the pay band but less than 2 per cent to those higher up. This was not the intention of our pay recommendation, or the Cabinet Office pay guidance (which specified a 2 per cent across-the-board increase).[10] The additional anomalies budget should have been used to provide this kind of differentiation. We are extremely concerned that our recommendation of a 3 per cent basic pay award should have resulted in some members of the SCS receiving a pay uplift of below 2 per cent.

3.17 We also note the very late payment of the pay uplift during the last round, and hope that this can be avoided in future. After the pay pause in 2021, this was especially unfortunate at a time of substantial increases in the cost of living.

3.18 Departments made good use of the additional 1 per cent budget to reward strong performance and increased effectiveness, to increase the pay of those lower in the pay ranges, and to address anomalies. We would encourage all departments to use this budget in full.

Key points from the evidence

3.19 The Government's written evidence on the SCS remained unpublished at the start of June 2023, over three months after departmental evidence was received for our other remit groups (and for those of the other pay review bodies).

3.20 Our key observations from the evidence this year are:

- There were 6,490 members of the SCS at 1 April 2022, an increase of 355 (5.8 per cent) over the previous year. This was the tenth successive year the SCS grew in size and represents an increase of 79 per cent since a low point of 3,616 in 2012.
- 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. The proportion of SCS to the civil service as a whole is the largest it has ever been.
- There was no evidence of significant recruitment or retention shortfalls in the SCS.
- The overall SCS paybill at 1 April 2022 was £825.7 million, an increase of 7.7 per cent from 2021. This was driven by the 5.8 per cent increase in the size of the SCS over the year, as well as the annual pay award worth 3 per cent of the paybill. Since the low point in 2012, the SCS paybill has increased by 112.5 per cent in nominal terms, with most of this due to increasing workforce numbers.
- The median tenure of SCS members in their current post is 1.9 years, with 67.9 per cent being in post for less than three years, an increase from 64.2 per cent in the previous year.
- The resignation rate for the SCS increased to 4.9 per cent in 2021-22, a significant rise on the previous year's rate of 3.1 per cent, which was the lowest for nine years. The overall turnover rate (which includes all leavers) was 12.4 per cent in 2021-22, up from 10.7 per cent in 2020-21. These were close to the rates seen in 2018-19. Including department-to-department job moves, turnover was at 21.7 per cent in 2021-22, up from 17.4 per cent in 2020-21.
- Some indicators of quality suggest the calibre of SCS leaders may be stable and others that it may be falling:
  - Overall, 58 per cent of the 2021-22 appointments for posts advertised by the Civil Service Commission were classed as 'good to outstanding', having fallen each year since 2018-19 when the figure was 68 per cent.
  - In 2021-22, 29 per cent of competitions chaired by Commissioners found only one appointable candidate (similar to 2020-21).

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[10] https://www.gov.uk/government/publications/senior-civil-service-pay-award-202223-practitioner-guidance

- In 2021-22, 81 per cent of appointments at SCS2 and SCS3 were existing civil servants, compared to 64 per cent in 2020-21. At April 2022, 18.1 per cent of all SCS were externally recruited.
- Some participants in our discussion groups thought that the quality of entrants to the SCS may be lower than in the past. Nobody suggested it was higher.
- In oral evidence, the Cabinet Office acknowledged that the growth in the SCS workforce may be partly due to the upgrading of roles in order to boost pay.
- The Cabinet Office also noted that the growing proportion of internal appointees to the SCS may suggest that possible external applicants perceive a decline in the attractiveness of the SCS relative to other options.

- People Survey indicators on motivation and morale for the SCS showed broad stability between 2021 and 2022. Overall SCS employee engagement was at 75 per cent, compared to 76 per cent in 2021.
- People Survey indicators on satisfaction with pay showed a sharp fall between 2021 and 2022: 38 per cent of SCS felt that their pay adequately reflected their performance, down from 47 per cent in 2021.
- It was repeatedly suggested to us in discussion groups, and in oral evidence, that critical ministerial public comments have had a detrimental impact on the morale of those in the SCS.
- The Government evidence said that, in 2021-22, around half of the 45 civil service organisations that had shared their pay scales centrally had a London grade 6 maximum higher than the SCS1 minimum.
- An FDA/Prospect survey of SCS members since our last Report found that 26 per cent of respondents managed someone on higher pay than them. This was 46 per cent among SCS working in the Scottish Government.
- Cabinet Office data indicated that salaries for senior civil servants were some way below their private sector equivalents. SCS1 pay was 38 per cent below the private sector median for base pay and 47 per cent below for total pay. SCS2 pay was 54 per cent below the private sector median for base pay and 69 per cent below for total pay. Base pay was also below equivalent roles in the rest of the public sector – by 19 per cent at SCS1 and 37 per cent at SCS2.
- Different approaches have been taken to SCS pay in the Scottish and Welsh Governments, including not paying performance bonuses. There is a particular issue with pay overlap between SCS and grade 6 in the devolved administrations.

2023 pay award

3.21 The Government said in evidence that the headline figure for the SCS pay award should be no higher, on average, than for the delegated grades through the annual pay remit guidance.

3.22 It said that there was an opportunity to apply the 2023-24 pay award in a way that provided a meaningful general uplift for all eligible SCS while also addressing some of the most pressing issues within the SCS reward framework. It considered these to include increasing the band minima for all SCS grades and targeting movement for individuals lower down the pay range, who were demonstrating higher capability and deepened expertise.

3.23 It recommended a similar approach to recent years with the pay targeted as follows:

- Priority 1: To increase the pay band minima for all pay bands.

- Priority 2: To allocate a consolidated basic pay increase to all SCS.
- Priority 3: For departments to allocate additional consolidated increases to individuals, distributed to SCS members dependent on demonstration of increased capability and deepened expertise.

3.24 The civil service pay remit guidance for delegated grades for 2023-24 said that departments were able to make average pay awards up to 4.5 per cent, with flexibility to make awards up to an additional 0.5 per cent, to be targeted at lower pay bands.[11] It said that there was flexibility for cases above this, particularly cases that covered multiple years, for example, to deliver transformational reform. Additional costs should be offset by savings, such as productivity and efficiency gains or savings from reduced turnover, which could be over multiple years. This included business cases that offered transformational pay and workforce reform, including introducing capability-based pay frameworks.

3.25 The FDA and Prospect said that the Government should award a fair and reasonable consolidated pay award for the SCS in 2023 that adequately addressed the increase in the cost of living. The FDA had proposed a strike ballot over pay among both SCS and members in the delegated grades but suspended this at the end of May following a formal invitation from Government to enter talks.[12]

3.26 We do not think it is appropriate for us, as an independent pay review body for senior civil servants, to base our recommendation on the Government's decisions on pay awards for other staff, rather than draw our own conclusions in the light of the considerations set out in Chapter 1.

3.27 Taking into account the very weak pay growth among the SCS group in recent years, the evidence that posts attract too few suitable external recruits, and the substantial increase in the cost of living, we recommend a basic pay award of 5.5 per cent from 1 April 2023. Members of the SCS continue to await the introduction of a long-promised and much-needed pay progression system. In its absence, there is inadequate reward for those who are delivering in role and developing expertise, and exacerbation of inefficient churn between roles. We therefore recommend that a further 1 per cent of the SCS paybill is used for progression increases for those lower in the pay ranges.

Recommendation 1

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

- An across-the-board increase for all SCS of 5.5 per cent from 1 April 2023.
- A further 1 per cent of the SCS paybill to be directed at progression increases for those lower in the pay ranges who are delivering in role and demonstrating expertise.

Pay ranges

3.28 The Government said that it intended to continue to rationalise the current SCS pay ranges by increasing the minima. It said 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 acknowledged the unwanted crossover between SCS1 and grade 6 pay ranges and the concomitant risk of making promotion into the SCS less attractive.

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[11] https://www.gov.uk/government/publications/civil-service-pay-remit-guidance-2023-to-2024

[12] https://www.fda.org.uk/home/value-civil-servants.aspx

3.29 The Government proposed increasing each pay band minimum by £2,000. This would equate to an increase of 2.7 per cent for the SCS1 minimum, 2.1 per cent for the SCS2 minimum and 1.6 per cent for the SCS3 minimum.

3.30 Despite stating its intent in 2017 to reduce the pay band maxima – to reduce inequities and facilitate progression – the Government said that this continued to be postponed while work on capability-based pay progression was ongoing. There were no proposals to change the maxima for 2023-24.

Table 3.1: **Government proposed SCS pay ranges for 2023-24**

	2022-23 pay range	Proposed 2023-24 pay range	Increase
SCS1/Deputy Director	£73,000 to £117,800	£75,000 to £117,800	2.7% 0%
SCS2/Director	£95,000 to £162,500	£97,000 to £162,500	2.1% 0%
SCS3/Director General	£125,000 to £208,100	£127,000 to £208,100	1.6% 0%

3.31 We consider that pay overlap with grade 6, the lack of incentives to promotion, the number of SCS managing those on a higher salary than them, along with the absence of pay progression all make a strong case for a much higher increase in the minima, in line with, or above, the pay award. However, recent years have seen significant increases to the SCS1 minimum, well above pay increases for those in post. The lack of a pay progression system, which should have been introduced alongside increases to the pay range minima, has seen individuals clustered at or near the bottom of the pay range for many years. There is sufficient flexibility to recruit into the SCS above the pay band minimum where required. Consequently, the main focus of the pay award this year should be to give increases to those that are delivering in their roles.

3.32 No changes were proposed to the Permanent Secretary pay ranges, which span £150,000 to £200,000. We note that no increase has been made to the Permanent Secretary tier 3 minimum of £150,000 since 2017-18. The large fall in the value of take-home pay and total net remuneration at this level, and the substantial overlap with SCS3, have led us to conclude that the £2,000 increase to the minima should also apply to the Permanent Secretary pay range.

Recommendation 2

We recommend the following pay ranges from 1 April 2023:

- SCS pay band 1: £75,000 to £117,800.
- SCS pay band 2: £97,000 to £162,500.
- SCS pay band 3: £127,000 to £208,100.
- Permanent Secretary: £152,000 to £200,000.

SCS strategy

3.33 Work on the Government's SCS Strategic Plan was paused in May 2022 in light of the announcement to reduce the size of the overall civil service workforce to its 2016 level. However, the Government said in evidence that the current Prime Minister did not believe that top-down targets for civil service headcount reductions were the right way forward. Instead, every department should look for the most effective ways to secure value and maximise efficiency within budgets.

3.34 The Cabinet Office said that activities under the plan's overarching banner continued and were being monitored to track their impact. The main changes that had been implemented were the assignment duration policy (making a minimum of three years in post the default) from July 2022 and the implementation of external-by-default recruitment for all SCS roles from May 2022.

3.35 In September 2022, an HR review was launched by the new Government Chief People Officer, focused on learning skills and capability, employee experience, recruitment, retention, talent and reward.

3.36 The FDA and Prospect said that there were chronic structural issues which were causing damage to morale and motivation, including the 10 per cent cap on the pay rise on promotion, while allowing outside recruits to negotiate higher pay; the lack of progression through pay bands; and an ineffective performance management system.

3.37 The FDA and Prospect's recent survey of their members found that 97 per cent of respondents did not believe the Government had an effective strategy for the SCS. They told us that members highlighted the complete lack of strategy for the SCS and wider civil service workforce. They reported that, rather than focusing on a long-term strategy for the good of the civil service, there was too much time and attention on short-term fads and initiatives as a distraction from making a proper investment in the SCS. Members highlighted that this had a number of negative consequences for organisations, including significant spending on consultants, and disincentives to build a career in the civil service.

3.38 In oral evidence, the Cabinet Office said it would like to see a smaller, higher-skilled and better-paid SCS. We agree. However, the actions above are incremental steps only and there is no strategy for the SCS currently in place to achieve the Government's aim.

3.39 We understand that the Government is still planning to reduce the size of the civil service, but this will now be a target for a reduction in cost rather than size. We hope there will be a clear strategy for this, so that the number and type of SCS in different areas reflects Government priorities and objectives.

Capability-based pay progression

3.40 In its written evidence, the Government said that, following the conclusion of the pilots conducted between September 2021 and April 2022, its intention remained to implement a capability-based pay progression system as soon as was practicable, recognising that roll-out must be properly resourced and funded within the overall SCS award.

3.41 It reiterated that the core aim of a capability-based pay progression system was for SCS to be incentivised and rewarded for developing capability and depth of expertise in post. It said that this would address long-standing issues of turnover in the SCS which had prevented the necessary capability-building.

3.42 The FDA and Prospect reported that their members did not believe that capability-based pay would deliver its objectives. In oral evidence, they raised concerns over the time taken to implement the system and the potential time it would take for existing SCS to then reach the target and expert rates. They again said that, for the system to be successful, it needed the trust and the confidence of the SCS. It was also emphasised that funding for capability-based pay progression needed to be separate from the annual pay award. There was also a risk that SCS members, who were exceptionally busy, may not have the time needed to invest in the capability-based pay system being proposed.

3.43 We note from our discussion groups with civil servants on the Future Leaders Scheme that the lack of any pay progression made promotion to the SCS less attractive. Among existing SCS, understanding of the potential capability-based scheme was limited, and there was scepticism about whether it would be properly funded. Many of those who had taken part in the pilot described it as far too bureaucratic with an obfuscation between capability and performance. Others described how demoralising it was to be stuck at the bottom of the pay range and leapfrogged by newer recruits.

3.44 In oral evidence, the Minister said that he was not confident that the existing proposals on capability-based pay progression would deliver their intended objectives, including a reduction in churn, or that they would provide value for money for the taxpayer. He had concluded that the existing proposals for capability-based pay progression were not the right ones.

3.45 The Minister emphasised the need for capability-based pay to fit within an overall strategy for the SCS. He also said it was important that a pay progression system should support and reinforce effective performance management. He said he was determined to deliver capability-based pay but did not offer an alternative plan or say when revised proposals might be expected. Since then, the Government has announced that it is committed to introducing capability-based pay for the SCS and to intensive engagement with the trade unions on its design, with a view to implementing this as soon as possible.

3.46 The case for a pay progression system for the SCS – to reward expertise and incentivise individuals to stay in role to enable delivery, to address unjustified pay gaps with external recruits, and reduce pay overlap with grade 6 – has been accepted by all stakeholders. It is not sustainable to fund pay progression through the annual pay award. Given the substantial growth in the size of the SCS, such a system could be funded by a small reversal of the increase in SCS numbers in recent years. A reduction in the rate of job-to-job moves and greater expertise in role would facilitate delivery and increase effectiveness.

3.47 We agree that the existing proposals can be significantly improved. They are too complicated, with the focus on skills and inputs rather than delivery and outputs. We hope that a simpler model can be developed and brought forward quickly. The problems caused by the absence of pay progression have intensified in the four years since the Government committed to introduce it and the need is pressing.

Use of non-consolidated performance payments

3.48 We welcome the new performance management system for the SCS with an improved link to business objectives, more regular conversations and a focus on managing poor performance. However, the fixed link between box markings and performance bonuses (where all those marked as exceptional receive an end-of-year bonus) may reduce its effectiveness as a performance management tool and reduce the link between actual outcomes and reward.

3.49 The current non-consolidated pay pot for performance awards is 3.3 per cent of the SCS paybill. The pot is used to fund end-of-year and in-year awards. Around two-fifths of SCS received a non-consolidated performance payment last year, with end-of-year payments ranging from £1,000 to £15,000 and in-year awards ranging from £500 to £5,000. Most departments were using, or intended to use, the full 3.3 per cent budget, although we note that there were no performance awards paid to SCS working in the Scottish or Welsh Governments, or to Permanent Secretaries.

3.50 The Cabinet Office said that, as a result of overall resourcing pressures and competing priorities, it had paused its review of non-consolidated performance-related payments for the SCS including the potential introduction of milestone-based reward (bonus payments to incentivise individuals to stay in post for the duration of projects).

3.51 We regret that progress has not been made on this review, which should be part of a broader strategy for the SCS. As we said last year, we would welcome evidence on the effectiveness of the current system and particularly on whether non-consolidated performance awards are the best use of the budget.

3.52 We have been asked for our views on whether the current guidance strikes the right balance of ensuring a consistent application of end-year awards to the SCS while still providing departments with appropriate flexibility to tailor their approach to their particular workforce.

3.53 We welcome the shift to in-year bonuses, which are more explicitly tied to specific outcomes and provide a more timely link to performance. However, we consider that the budget for the end-of-year awards could be used more effectively, for example in funding a pay progression system.

Looking ahead

3.54 The Government's commitment to move SCS roles out of London, and the reward issues that have emerged due to different policies in the devolved administrations, make it important to have a better understanding of how recruitment and retention issues, and talent management, vary across the country. This will be important in making best use of a more geographically diverse SCS in future. Data on applications per vacancy, for example, would help to ensure that quality is being upheld consistently across the SCS and highlight specific recruitment problems.

3.55 We hope that it will be possible in future to track the careers of individuals through the civil service, especially those recruited through schemes such as the fast stream or the Future Leaders Scheme. It would also be valuable to track the different experiences of internal and external recruits to the SCS. This would enable much better career and talent management.

3.56 At oral evidence the Cabinet Office outlined plans for strengthening the monitoring of quality of people and performance within the SCS. We have called for better monitoring for several years and hope there will be meaningful progress before our next Report.

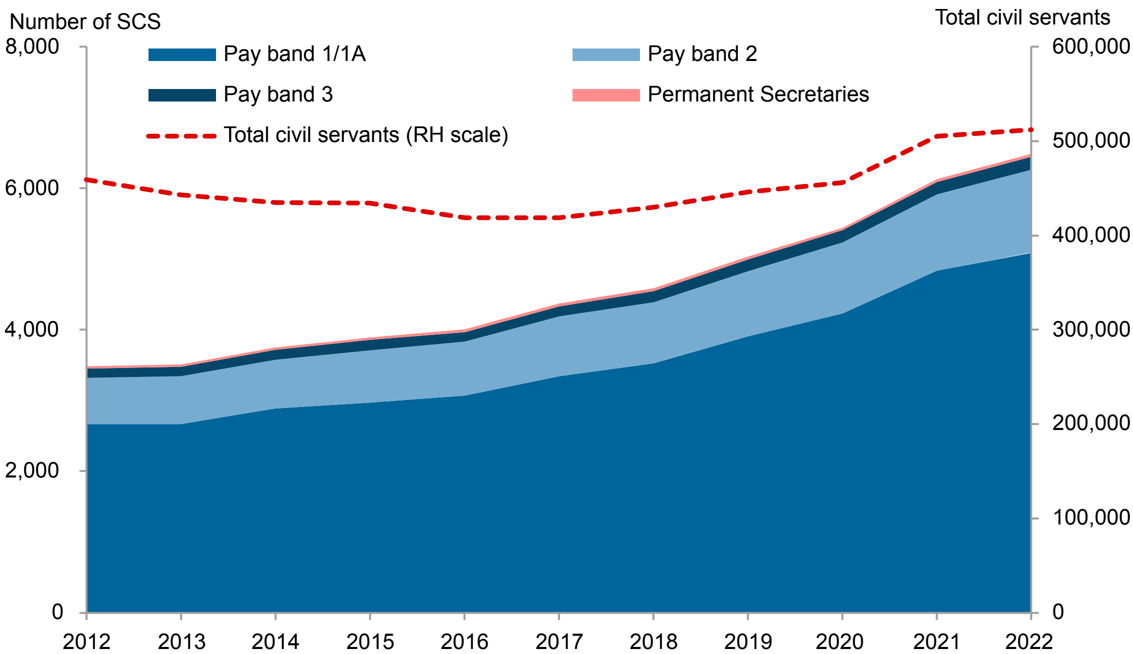
Annex: Data and evidence

3.57 We received written evidence from the Cabinet Office on behalf of the Government and oral evidence from the Minister for the Cabinet Office, the Chief Operating Officer for the Civil Service, and the Government Chief People Officer. We also received written and oral evidence from the FDA and Prospect, and the Civil Service Commission. We held six virtual discussion groups, including sessions with members of the SCS in the Welsh and Scottish Governments and a discussion group with Permanent Secretaries. We spoke with 41 members of the remit group and nine members of the feeder group, and we thank them for their valuable contributions.

SCS workforce

3.58 Our SCS remit group includes Permanent Secretaries, Directors General, Directors, and Deputy Directors across all government departments and some arm's length bodies in England, Scotland and Wales. There were 6,490 members of the SCS at 1 April 2022, an increase of 355 (5.8 per cent) over the year.

Figure 3.1: **Total SCS by grade (headcount), 2012 to 2022**



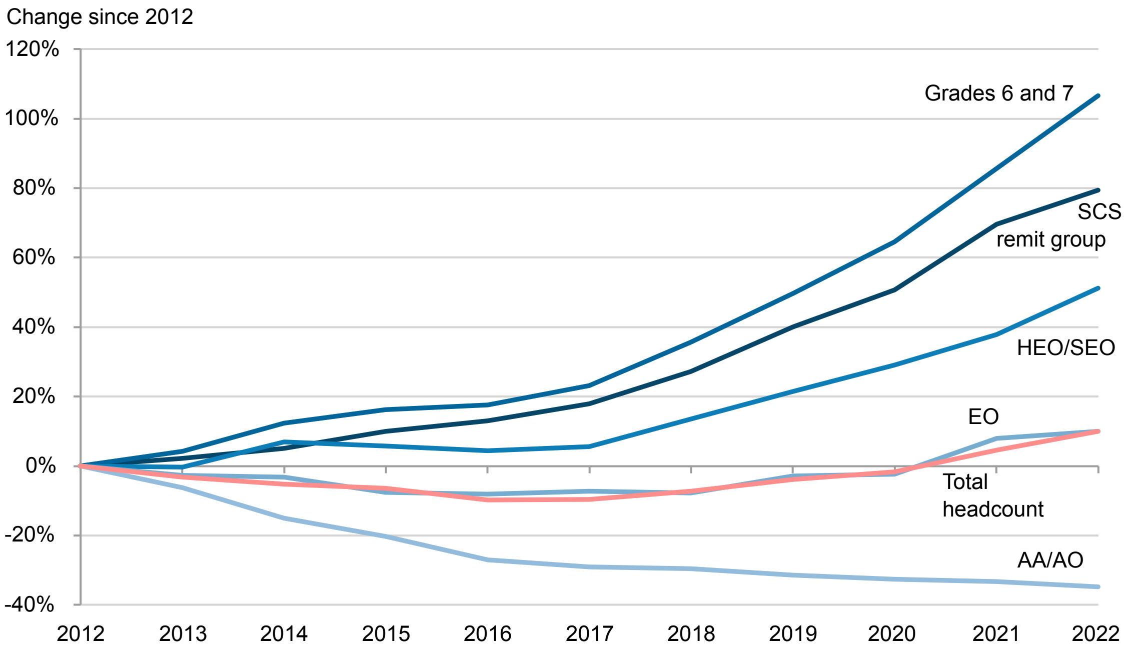
Source: SSRB reports, 2013-22; Cabinet Office unpublished evidence; ONS, public sector employment by sector, civil service, GB, headcount (G7D6), quarter 1.

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

3.59 This was the tenth successive year the SCS increased in size and represents an increase of 79 per cent since a low point of 3,616 in 2012. There is now one member of the SCS for every 78 civil servants in the delegated grades. This ratio has fallen from 1:126 in 2012 and continues a trend going back to at least 2002 (when it was 1:150). Figure 3.1 shows SCS headcount since 2012.

3.60 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 2012.

Figure 3.2: **Change in civil service employment by responsibility level, 2012 to 2022**



Source: Civil service statistics; Cabinet Office unpublished evidence.

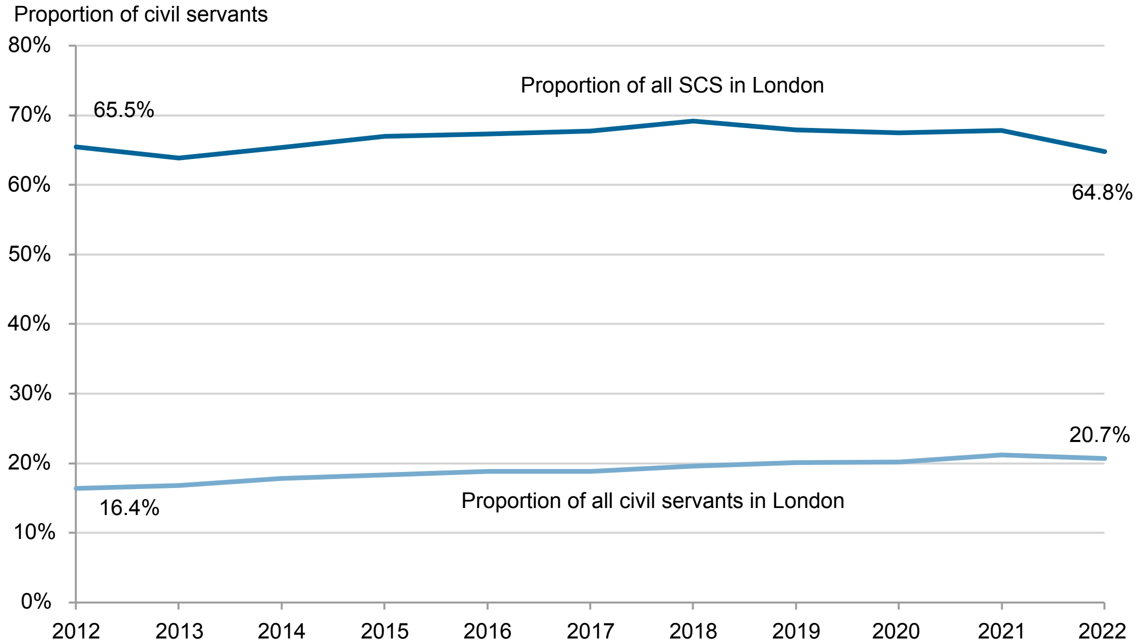
3.61 Overall, the SCS accounts for 1.3 per cent of the civil service. The proportion varies across departments, from 14.5 per cent at the Competition and Markets Authority to 0.3 per cent at the Department for Work and Pensions.

3.62 In oral evidence, the Cabinet Office acknowledged that, to some extent, the SCS had grown in line with the whole civil service since 2016. This reflected the demand for work, especially as a result of EU Exit and the COVID-19 pandemic, and was a general expansion in line with the number of people managed. Beyond this, however, it might also reflect a fall in the real and relative pay of the SCS, and a response to the need to pay people more.

Places for Growth

3.63 The proportion of SCS based in London was 64.8 per cent in 2022, a fall from 67.8 per cent in 2021. The proportion of all civil servants based in London was 20.7 per cent in 2022, compared to 21.2 per cent in 2021 (see figure 3.3). The Government has committed to ensuring that 50 per cent of the UK-based SCS roles are located outside of London by 2030.

Figure 3.3: **Proportion of civil servants in London, 2012 to 2022**



Source: Cabinet Office unpublished evidence.

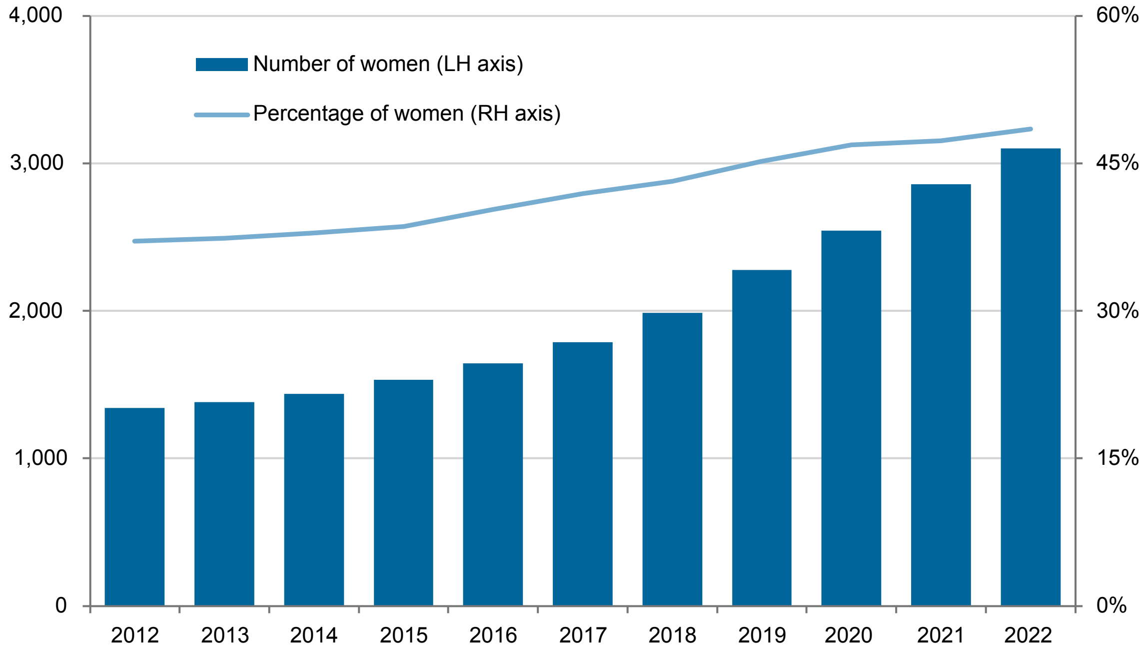
3.64 The Civil Service Commission noted in oral evidence that the success of this policy required senior staff to relocate before junior staff. It also highlighted that it was helpful for departments to be co-located, such as the HM Treasury campus in Darlington. It stressed the importance of attracting those working in local government to roles in government departments which had relocated out of London as a way of increasing capability and professionalism.

3.65 The FDA and Prospect said that they were supportive of moving civil service roles out of London and could see the opportunities for the levelling up agenda. They had found, however, that civil servants working outside of London had limited scope for progression into the senior civil service because of the scarcity of SCS roles based regionally. They also commented that the Places for Growth proposals had stalled slightly with little tangible progress in departments over the last year. In the FDA and Prospect members' survey, 9 per cent of respondents had been asked to volunteer to relocate to an office outside London, unchanged on the previous year. Just over 7 per cent of respondents had relocated outside London in the last two years, up from 4 per cent a year ago.

Diversity

3.66 The proportion of women in the SCS increased by 1.2 percentage points over the year to 2022, to 48.5 per cent in 2022 (see figure 3.4). The proportion of female Directors General increased to 41.0 per cent, up from at 40.4 per cent in 2021 and 30.0 per cent in 2012.

Figure 3.4: **Proportion of women in the SCS, 2012 to 2022**

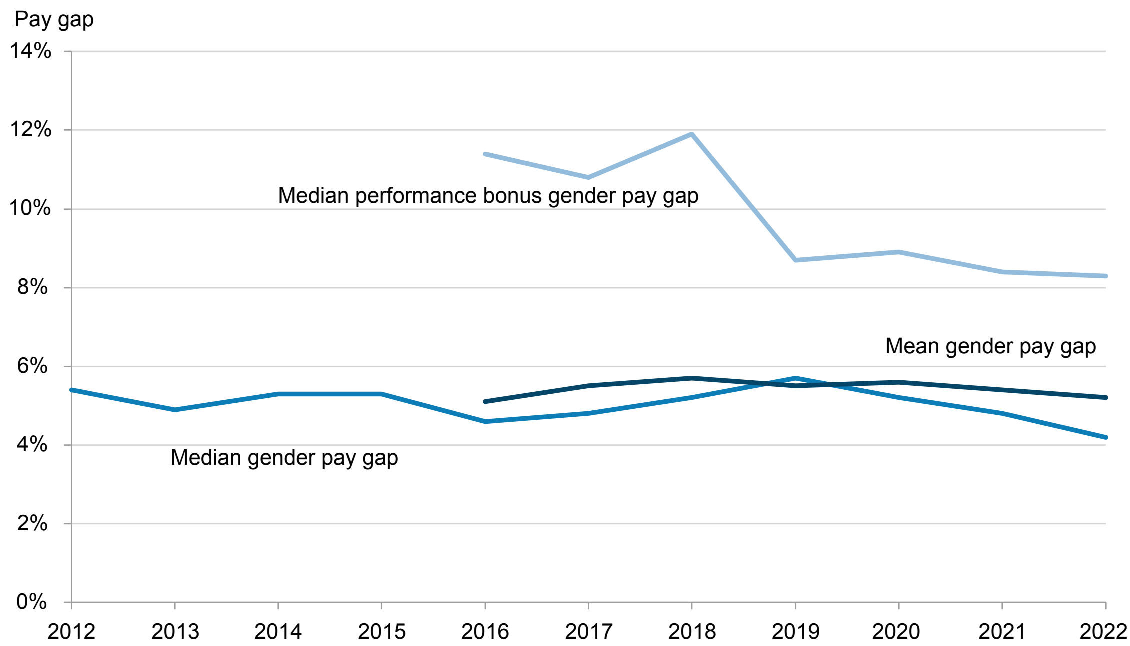


Source: Cabinet Office unpublished evidence.

Note: At 31 March or 1 April each year.

3.67 The gender pay gap, in terms of median base salary across all grades in the SCS, was 4.2 per cent in favour of men in 2022, down from 4.8 per cent in 2021. This has been broadly stable over the last decade (see figure 3.5). The within-band gender pay gap is generally smaller than the overall gap (see table 3.2). Some of the overall gender pay gap is driven by the predominance of women in pay band 1.

Figure 3.5: **SCS gender pay gap, 2012 to 2022**



Source: Cabinet Office unpublished evidence.

Note: Median/mean gender pay gap is the gap between the median/mean basic pay of women and of men, as a proportion of median/mean men's basic pay. The bonus gender pay gap is the gap between the average performance bonus of women and of men, as a percentage of men's average bonus.

Table 3.2: **Gender pay gap by pay band at 1 April 2022**

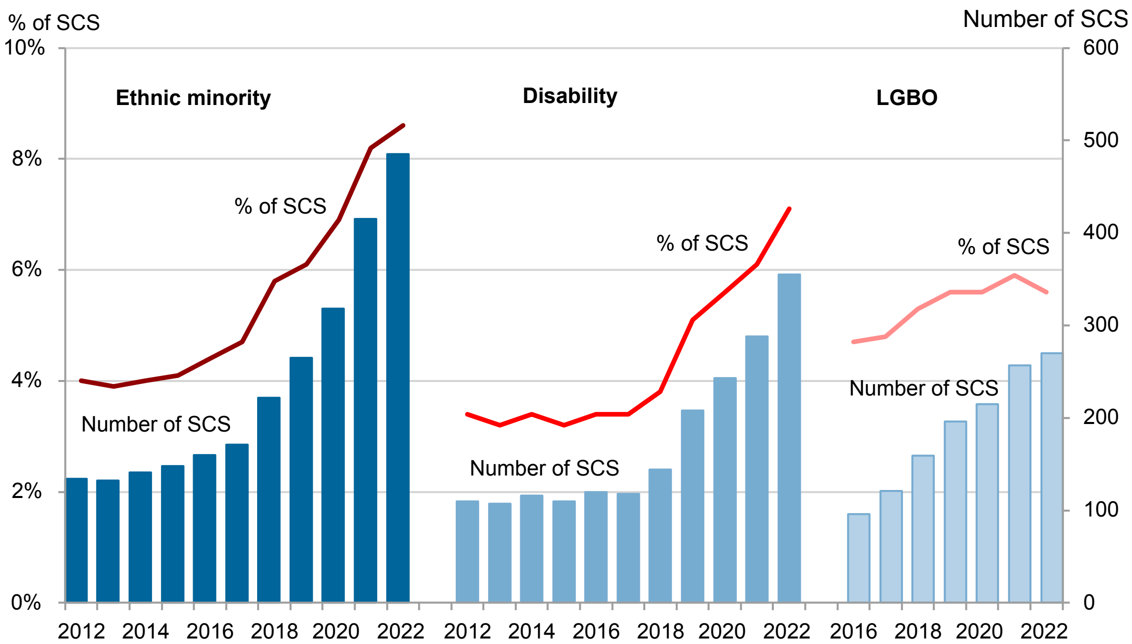
	Median pay gap %	Mean pay gap %	Mean bonus gap %
Pay band 1	2.6	3.3	5.0
Pay band 2	3.0	4.0	7.6
Pay band 3	3.7	7.5	17.8
Overall SCS	4.2	5.2	8.3

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

3.68 Men received an average performance bonus 8.3 per cent higher than women in 2022, compared to 8.4 per cent in 2021. In 2021-22, a higher proportion of women were assessed as top performers (32 per cent) than men (27 per cent), similar to the previous two years. SCS in more senior pay bands were more likely to be assessed as top performers and less likely to be low performers. Overall, 42 per cent of women in the SCS received a non-consolidated performance payment, compared to 40 per cent of men.

3.69 The proportion of the SCS from an ethnic minority background was 8.6 per cent in the first quarter of 2022. This was an increase from 8.2 per cent in 2021 and the highest recorded level. No evidence was provided on ethnicity pay gaps. Figure 3.6 shows the proportion of SCS members who are from an ethnic minority background, disabled, or LGBO since 2010.

Figure 3.6: **Proportion of ethnic minority background, disabled and LGBO members in the SCS, 2012 to 2022**



Source: Cabinet Office unpublished evidence.
Note: LGBO is lesbian, gay, bisexual, other.

3.70 In oral evidence, the Civil Service Commission noted an increasing tendency for candidates not to report diversity data.

3.71 Indicators in the 2022 People Survey on diversity, fairness and inclusion for the SCS were positive, stable, and significantly higher (by 5 to 22 percentage points) than for grades 6 and 7.

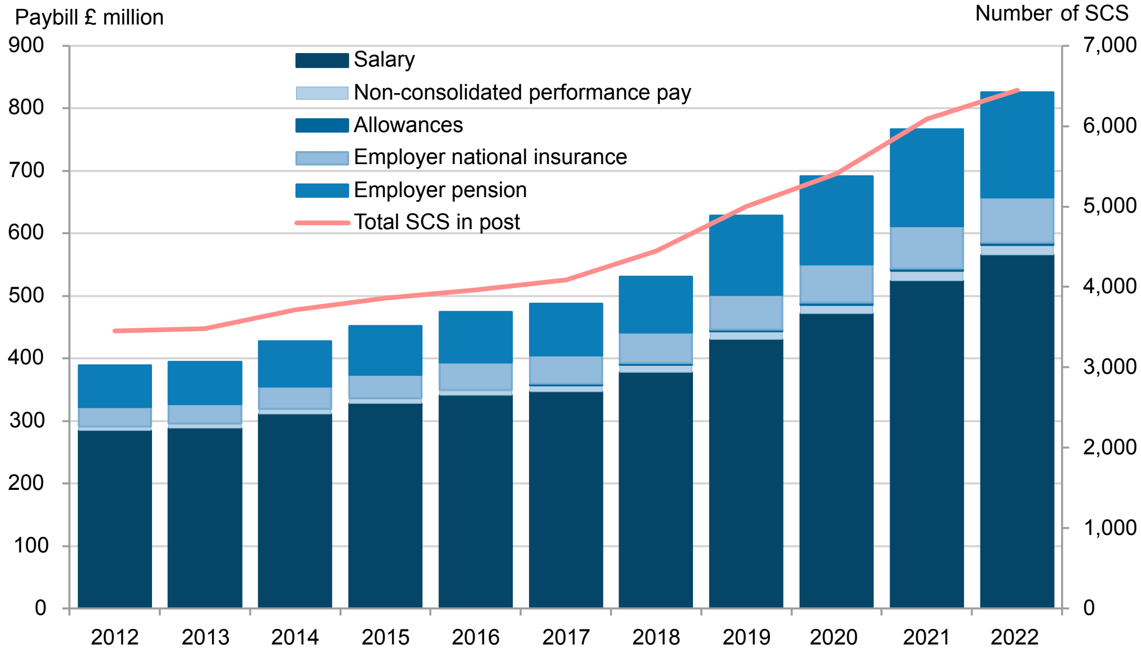
- 95 per cent of SCS said they were treated with respect by the people they work with, unchanged from 2021.
- 93 per cent of SCS thought that they were treated fairly at work, compared to 92 per cent in 2021.
- 88 per cent of SCS thought that their organisation respected individual differences (for example cultures, working styles, backgrounds, ideas, etc.), compared to 87 per cent in 2021.
- 90 per cent of SCS agreed that their organisation was committed to creating a diverse and inclusive workplace, unchanged from 2021.
- 77 per cent of SCS thought it was safe to challenge the way things were done in their organisation, compared to 76 per cent in 2021.
- 91 per cent of SCS felt able to challenge inappropriate behaviour in the workplace, compared to 90 per cent in 2021.
- 86 per cent of SCS agreed that, in their organisation, people were encouraged to speak up when they identified a serious policy or delivery risk, compared to 85 per cent in 2021.

Pay and the pay system

3.72 The three SCS pay ranges are wide and overlapping, ranging from £73,000 to £208,100 in 2022-23. Permanent Secretaries are in one of three pay tiers based on the weight and complexity of the role, ranging from £150,000 to £200,000. A number of specialist roles sit outside the Permanent Secretary pay tiers.

3.73 The overall SCS paybill at 1 April 2022 was £825.7 million, an increase of 7.7 per cent from 2021 (see figure 3.7). This was driven by the 5.8 per cent increase in the size of the SCS over the year, as well as the annual pay award worth 3 per cent of the paybill. Since the low point in 2012, the SCS paybill has increased by 112.5 per cent in nominal terms, with most of this due to increasing workforce numbers as well as employer national insurance and pension costs. The salary bill per FTE increased by 2.1 per cent from £88,232 in 2021 to £90,072 in 2022 (see figure 3.8). The salary bill per FTE has only increased by 7.2 per cent since 2012.

Figure 3.7: **SCS paybill, 2012 to 2022**



Source: Cabinet Office unpublished evidence.

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 allowances are available and shown since 2017 only. Relates to 1 April each year and excludes Permanent Secretaries.

Table 3.3: **SCS pay bands and median pay by pay band, 2022-23**

Pay band	Number in pay band	Pay band minimum £	Pay band maximum £	Median salary[1] (excluding bonus pay) £
1 (Deputy Director)	5,050	73,000	117,800	79,300
1A (Deputy Director)[2]	40	73,000	128,900	82,800
2 (Director)	1,175	95,000	162,500	103,500
3 (Director General)	180	125,000	208,100	138,500
Permanent Secretary	45	150,000	200,000	172,750[3]
Total	6,490			

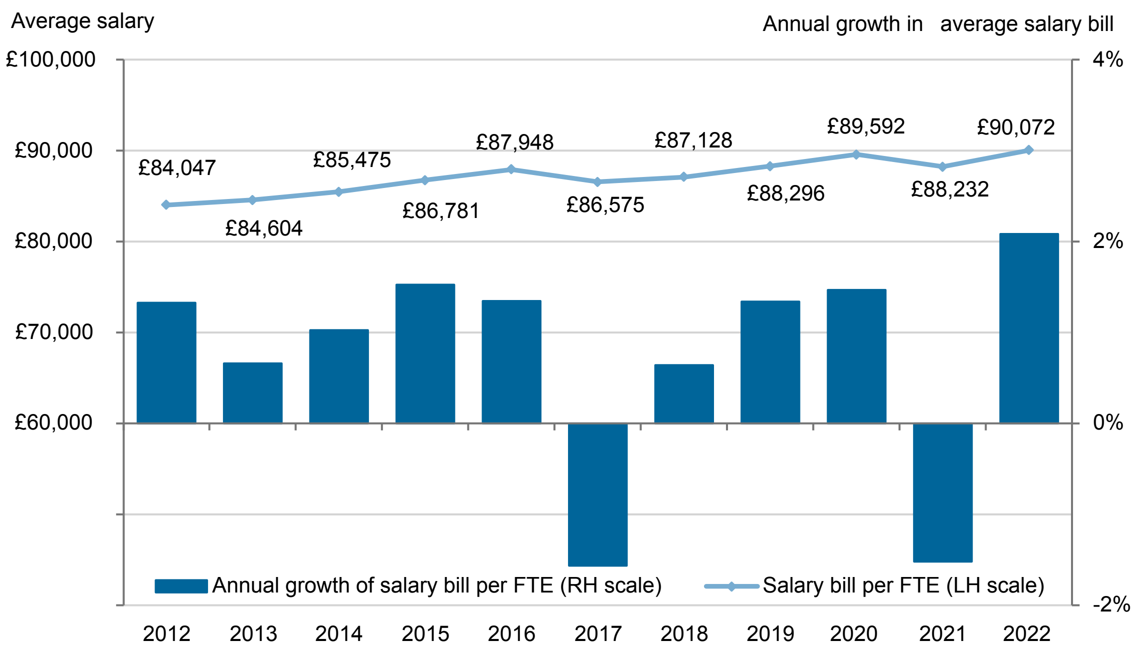
[1] At 1 April 2022.

[2] Closed grade.

[3] Calculated from published transparency data.

Source: Cabinet Office written evidence.

Figure 3.8: **Salary bill per FTE in the SCS, 2012 to 2022**



Source: Cabinet Office unpublished evidence.

Note: At 1 April each year.

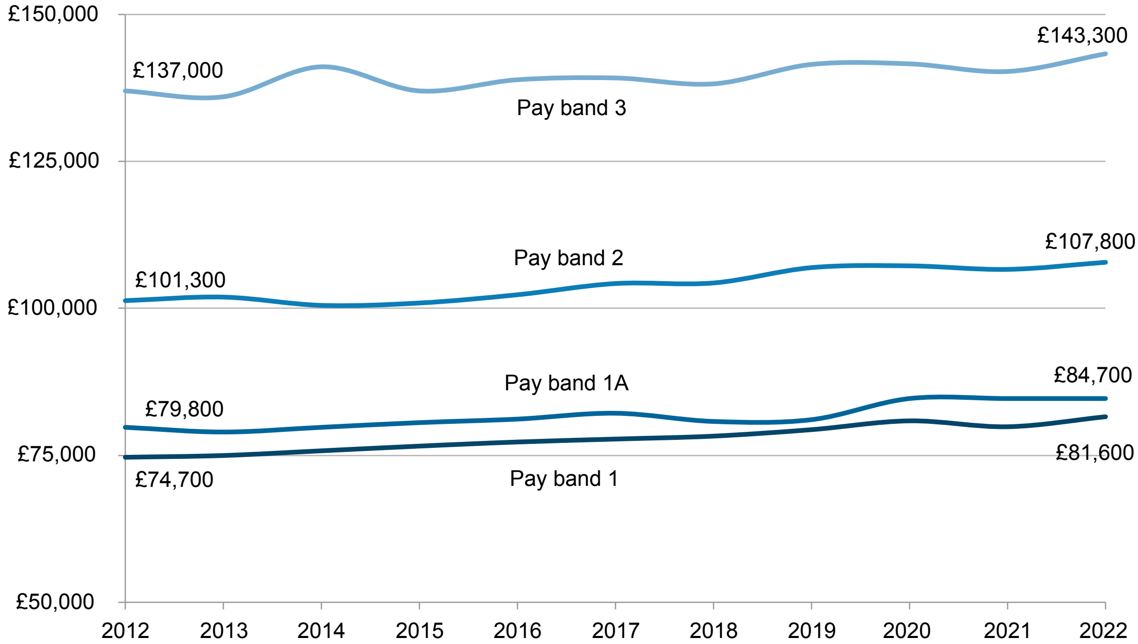
3.74 Median salaries including bonuses were higher in 2022 than in 2021 across all pay bands with the exception of pay band 1A, which is a closed grade (see figure 3.9).

- Median pay in band 1 increased by 2.1 per cent (£1,700) to £81,600.
- Median pay in band 1A was unchanged at £84,700.
- Median pay in band 2 increased by 1.1 per cent (£1,200) to £107,800.
- Median pay in band 3 increased by 2.1 per cent (£3,000) to £143,300.

3.75 SCS members remain clustered toward the bottom of the pay ranges. In 2022, 53 per cent of SCS1 were paid below £80,000, down from 61 per cent in 2021. Just below three-quarters (74 per cent) were paid below £85,000, down from 76 per cent in 2021. The larger increase to the SCS2 minimum last year (from £120,000 to £125,000) has increased the numbers in the first £5,000 of the SCS2 pay band.

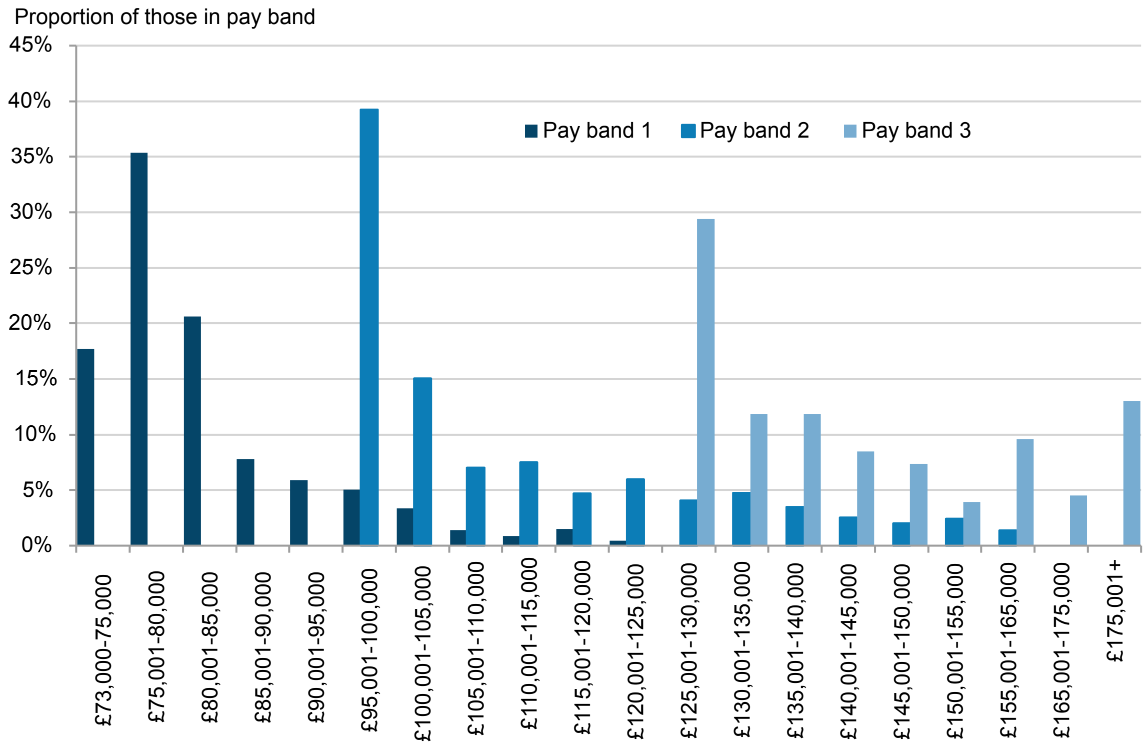
3.76 The number of civil servants below SCS earning above £70,000 increased from 6,935 in 2021 to 7,570 in 2022. The number earning above £75,000 increased from 3,035 to 3,820. The overlap with SCS is shown in figure 3.11. The number of SCS earning below £75,000 fell from 1,555 to 880.

Figure 3.9: **SCS median salaries, including bonuses, 2012 to 2022**



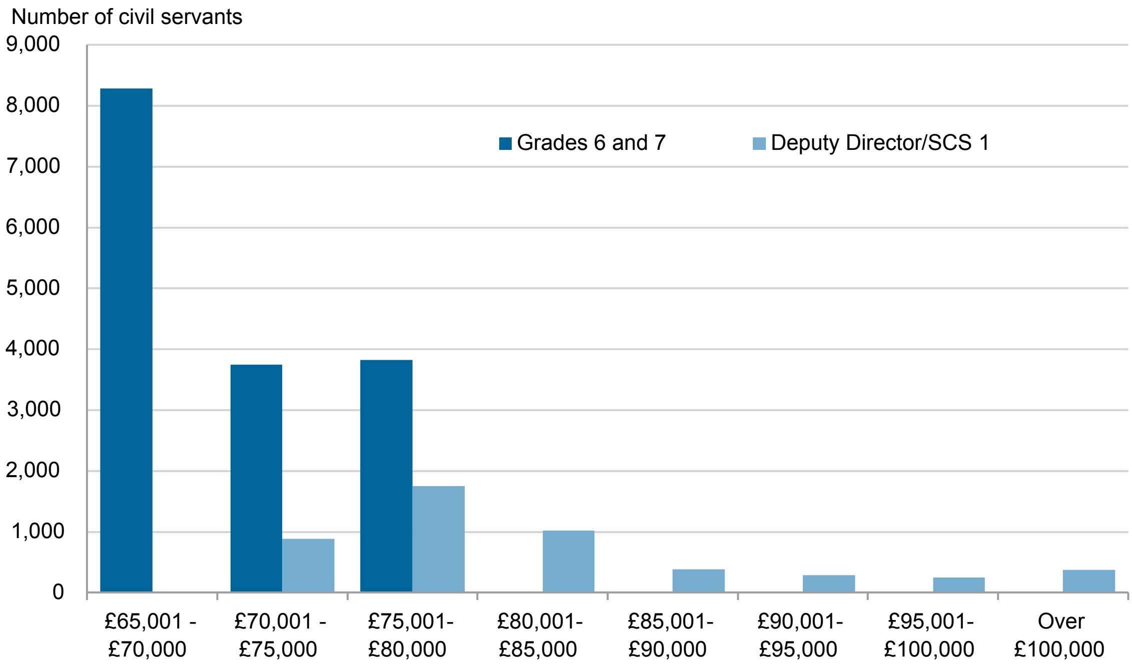
Source: Cabinet Office unpublished evidence.

Figure 3.10: **Distribution of SCS within each pay band, 2022**



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

Figure 3.11: **Distribution of SCS1 and grades 6 and 7 earning above £65,000**

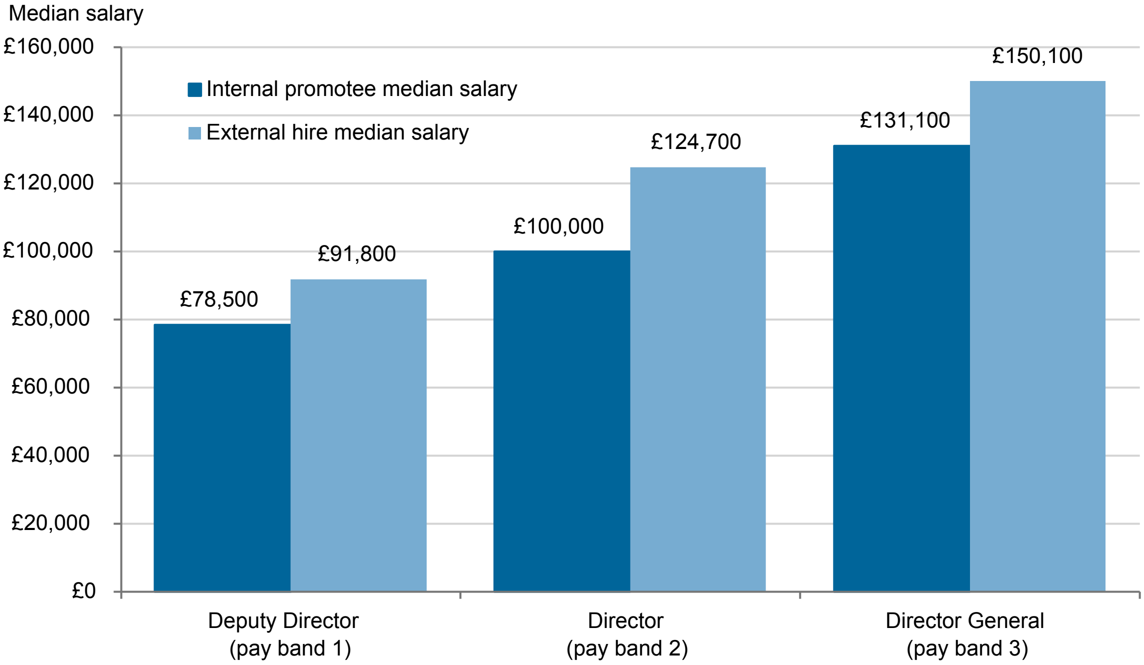


Source: Cabinet Office supporting data to the SSRB, unpublished.

3.77 The Government evidence said that, in 2021-22, around half of the 45 civil service organisations that had shared their pay scales centrally had a London grade 6 maximum higher than the SCS1 minimum. It said that feedback from members of the SCS suggested that the relatively small increase in salary when joining the SCS, coupled with the perceived large increase in responsibility and working hours, risked making promotion into the SCS less attractive. This issue was exacerbated in the devolved administrations where there was pay progression for delegated grades meaning a large proportion of grade 6 staff were at the top of the pay range, leading to issues such as leapfrogging on promotion to SCS1.

3.78 The gap in median base pay between internal promotees and external hires was 16.9 per cent for pay band 1, 24.7 per cent for pay band 2 and 14.5 per cent for pay band 3. The gap narrowed on the previous year at pay band 1 but widened at pay bands 2 and 3. Figure 3.12 shows SCS median base salaries for internal promotees and external hires.

Figure 3.12: **SCS median base salaries for internal promotees and external hires, 2022**

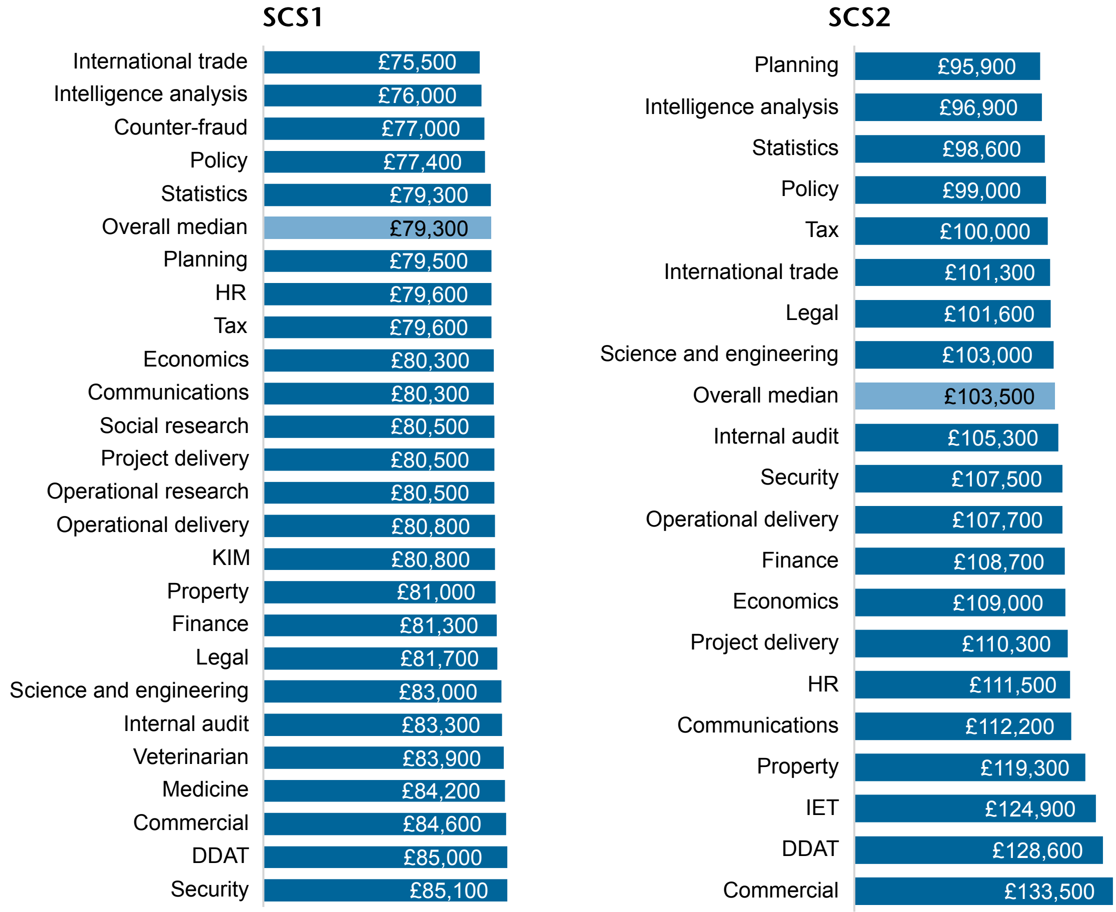


Source: Cabinet Office supporting data to the SSRB, unpublished.

3.79 Median SCS salaries show only limited variation by profession, especially at SCS1 (see figure 3.13). This might be expected given the consistent application of the pay ranges, the 10 per cent cap on pay on promotion, and the high level of internal recruitment. The highest-paid professions were commercial; digital, data and technology (DDAT); and, at SCS1, security (see figure 3.13).

3.80 Cabinet Office data indicated that salaries for senior civil servants were some way below their private sector equivalents. SCS1/Deputy Director was 38 per cent below the private sector median for base pay and 47 per cent below for total pay. SCS2/Directors were 54 per cent below the private sector median for base pay and 69 per cent below for total pay. Base pay was also below equivalent roles in the rest of the public sector – by 19 per cent at SCS1 and 37 per cent at SCS2.

Figure 3.13: **SCS median salaries by profession, 2022**



Source: Cabinet Office unpublished evidence.

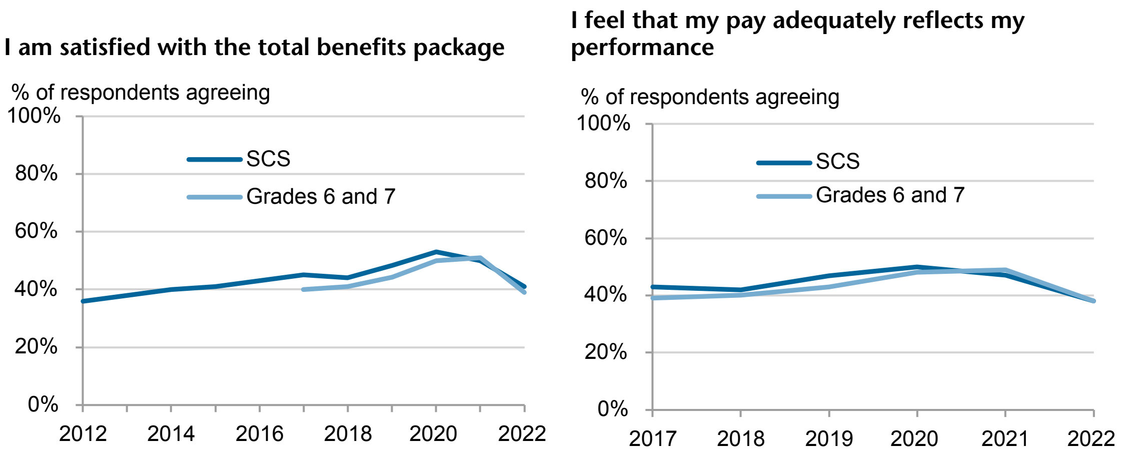
Note: DDAT – digital, data and technology; IET – Inspector of education and training; KIM – knowledge and information management. Commercial excludes those not on SCS terms and conditions.

Views on pay

3.81 People Survey indicators on satisfaction with pay showed a sharp fall between 2021 and 2022. Responses were very similar between SCS and grades 6 and 7.

- 38 per cent of SCS felt that their pay adequately reflected their performance, down from 47 per cent in 2021.
- 41 per cent of SCS were satisfied with the total benefits package, down from 50 per cent in 2021.
- 28 per cent of SCS felt that, compared to people doing a similar job in other organisations, their pay was reasonable, down from 36 per cent in 2021.

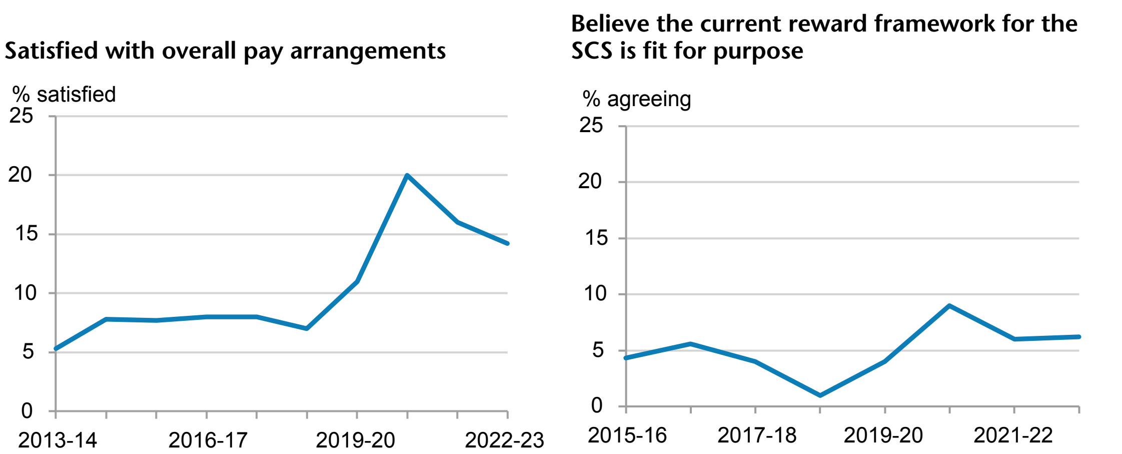
Figure 3.14: **People Survey indicators on pay**



Source: Civil service People Survey.

3.82 The FDA and Prospect conducted a survey of their SCS members in December 2022 and January 2023, which elicited 650 responses (10 per cent of the SCS). Overall, 86 per cent of respondents said they were dissatisfied or very dissatisfied with the overall pay arrangements in the SCS. Furthermore, 94 per cent of respondents did not believe the current reward framework for the SCS was fit for purpose (see figure 3.15). Four-fifths (83 per cent) of respondents did not believe that the results produced by the SCS pay system were fair or equitable.

Figure 3.15: **SCS views on the overall pay arrangements**



Source: FDA/Prospect written evidence.

3.83 The FDA/Prospect members were frustrated that new entrants into the civil service were able to negotiate significantly higher pay, and highlighted the inequity of this and its long-term impact. It was similarly noted that individual SCS could be leapfrogged by those promoted from grade 6 with a 10 per cent increase on promotion.

3.84 The FDA/Prospect survey found that 26 per cent of respondents managed someone on higher pay than them. This was 46 per cent among SCS working in the Scottish Government. However, this proportion has not been increasing over time.

Pay awards in 2022

3.85 The Cabinet Office guidance to departments on the 2022-23 pay award for the SCS was:

- A 2 per cent across-the-board increase for all eligible staff.

- A further 1 per cent to be used for raising the pay band minima and addressing anomalies.

3.86 The Cabinet Office collected evidence on the implementation of the pay award in 16 departments. All reported that SCS members received a 2 per cent consolidated pay award. HM Revenue and Customs (HMRC) reported paying this as a flat-rate award of £1,820 to SCS1, £2,550 to SCS2 and £2,600 to SCS3. This means that SCS1 paid above £91,000, SCS2 paid above £127,500 and SCS3 paid above £130,000 would have received a below 2 per cent pay uplift. Evidence from our discussion groups suggests that HMRC was not the only department to take such an approach.

3.87 Most departments had used the full additional 1 per cent pot, although some had held back part of the budget to address pay anomalies during the year. The pot was variously used for higher increases for high performance or increased effectiveness; pay anomalies; higher increases for those lower down the pay range; and bringing salaries up to the new minima.

3.88 Permanent Secretaries received a 2 per cent pay increase, with the 1 per cent budget used to address anomalies in two cases.

Performance and recognition awards

3.89 The current non-consolidated pay pot for performance awards is 3.3 per cent of the SCS paybill. The pot is used to fund end-of-year and in-year awards. SCS who receive an 'exceeding' box marking must receive an end-of-year award, and departments can also choose to pay an award to those marked as 'high performing'. There is no cap on the number of staff eligible for an end-of-year award. Departments can differentiate the level of award for each box marking to acknowledge different levels of contribution.

3.90 All staff are eligible for in-year awards to recognise high performance provided they are not on formal poor performance measures.

3.91 All departments were using the full available pot in 2022-23, although some had held back funding to use for in-year awards. Most departments were still only paying end-of-year awards to top performers, although some were using two tiers of award to also include those just below the top performer category. Typically, between 22 and 33 per cent of SCS received an end-of-year award, with a higher proportion where awards were also paid to those in the next performance tier.

- End-of-year performance bonuses for SCS1 ranged from £1,000 to £10,150.
- End-of-year performance bonuses for SCS2 ranged from £1,400 to £13,100.
- End-of-year performance bonuses for SCS3 ranged from £1,900 to £14,995.

3.92 All but one of the 16 departments made in-year awards, with the exception being the Foreign, Commonwealth and Development Office which used its full budget for a higher number of end-of-year awards. The value of in-year awards varied between £500 and £5,000. The Department for Education was continuing to pay in-year and sustained excellence awards (to 68 per cent of SCS overall) rather than end-of-year performance awards.

3.93 No non-consolidated performance awards were made to Permanent Secretaries.

Performance management

3.94 Following the move to four box markings last year, rather than three, a new performance management system was introduced for all SCS from April 2023. This involves quarterly reviews and a mid-year consistency check. The Cabinet Office said the new framework was intended to promote greater transparency, more support and appraisal of poor performers, and would ensure robust links between individual objectives and overall departmental priorities.

3.95 People Survey indicators on performance management for the SCS were positive, stable, and significantly higher (by 8 to 15 percentage points) than for grades 6 and 7.

- 91 per cent of SCS said they had a clear understanding of their organisation's objectives, compared to 90 per cent in 2021.
- 94 per cent of SCS said they understood how their work contributed to their organisation's objectives, compared to 93 per cent in 2021.
- 81 per cent of SCS thought that their performance was evaluated fairly, compared to 80 per cent in 2021.
- 80 per cent of SCS said the feedback they received helped them to improve their performance, unchanged from 2021.

3.96 By contrast, the FDA/Prospect survey of SCS members found that 85 per cent of respondents said they did not see a clear link between performance this year and pay outcomes. While very high, this proportion has not been changing significantly over time. Only 25 per cent of respondents said that they fully understood the performance management arrangements for the SCS, down from 32 per cent last year.

3.97 We note the stark difference in views on performance management between these two surveys. We have a concern that, since SCS are often judged by their division's results, there may be an incentive to give positive responses. However, we would hope that this incentive is broadly stable over time. We have also looked at the grades 6 and 7 People Survey results, which are typically less positive, but follow a similar trend.

Pay controls, exceptions and retention payments

3.98 In 2018, a pay-on-appointment policy was introduced for the SCS with the aim of controlling departmental turnover. No increase is given for moves on level transfer, and, on promotion, SCS receive no more than a 10 per cent increase or the minimum of the new grade. An exception process is available where internal candidates move to roles with greater scale or responsibility.

3.99 At SCS3/Director General level, 13 pay exception cases were agreed in 2021-22 out of 43 appointments, with one further case rejected. This compared to seven full or partially agreed cases in 2020-21. At SCS1 and SCS2 level, 67 exception cases were agreed in 2021-22, up from 46 in 2020-21. These were most likely to be for DDAT and project delivery roles. The median increase agreed under the exception process for level transfer at SCS1 and SCS2 was 10 per cent and 18 per cent for pay on promotion. The Cabinet Office said that the introduction of capability-based pay progression and the higher pay range minimum should replace the need for pay exceptions in the longer term.

Table 3.4: **Pay on appointment exceptions by pay band, 2021-22**

		Deputy Director	Director	Director General
Number of exceptions agreed		39	28	13
	Level transfer	13	16	1*
	Pay on promotion	26	12	12
Median salary agreed		£80,000	£108,000	£125,000

*one further level transfer application was rejected.

3.100 Pivotal role allowances (PRAs) have been in place since 2013 for SCS members delivering critical programmes and those responsible for implementing the Government's priorities. They are removable and non-pensionable and controlled within a notional central pot set at 0.5 per cent of the overall SCS paybill. The Government said in evidence that, pending substantive reform of the SCS pay system, PRAs were a useful tactical solution to address flight risk.

3.101 Since their introduction, 265 PRAs have been agreed for people responsible for delivering the Government's priorities including:

- EU exit priorities.
- COVID-19 pandemic response.
- Major transport infrastructure projects.
- Sustainable energy programmes.
- Key health and safety specialisms.
- Protecting the borders and national security.
- Providing digital services.
- Highly technical defence roles.

3.102 Currently there are 81 PRAs in payment (up from 65 last year). 37 PRAs were agreed in 2021-22 compared to 17 in 2020-21. From April 2022 to the end of January 2023, a further 44 PRAs were agreed. PRAs generally range from £10,000 to £15,000 a year in value. The PRAs currently in payment are spread across a wide range of professions, but are being used mainly by DDAT (28 per cent), policy (20 per cent), and science and engineering (15 per cent).

3.103 Concerns were expressed in our discussion groups that the Pivotal Role Allowance was too bureaucratic to be an effective retention tool.

Recruitment

3.104 In evidence, the Government says it aimed to:

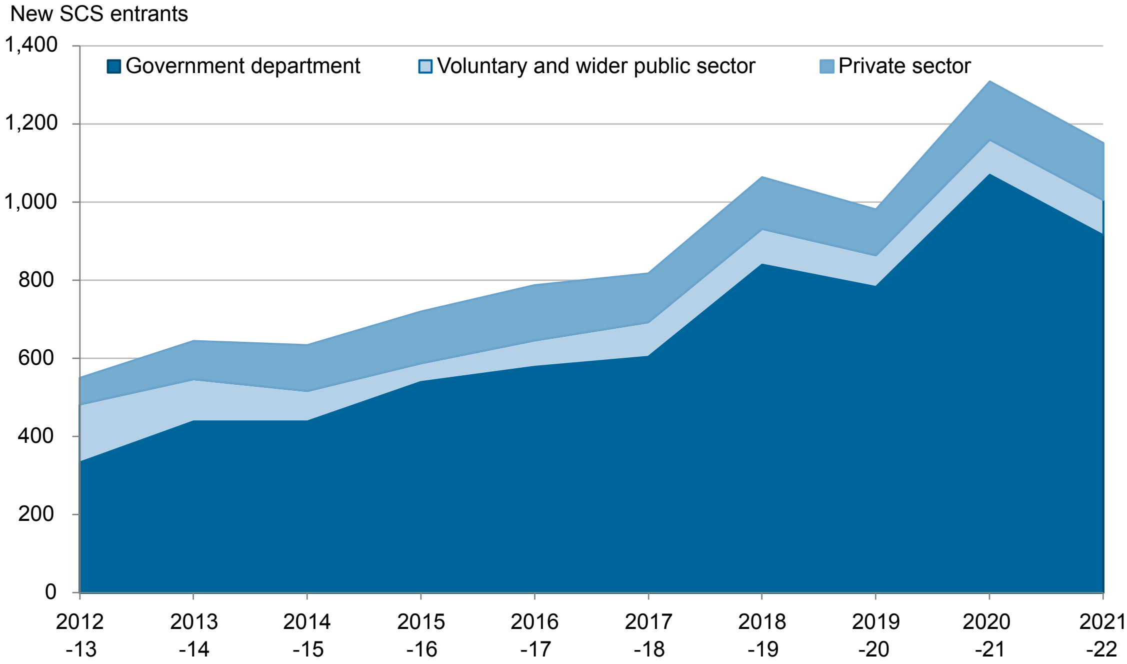
- Increase porosity in the SCS – the movement of people between the civil service and other sectors, including academia, to share skills, expertise and knowledge, and build better relationships and partnerships.
- Diversify representation in the SCS, including increasing the number of external hires and using secondments as a lever for porosity and scarce skills development.
- Develop talent pipelines and career pathways into the SCS.

3.105 Since May 2022, all SCS jobs must be advertised externally. The aim of this is to improve diversity, bring in specialist skills, upskill the workforce, and help move jobs out of London.

3.106 The Cabinet Office said it was undertaking an end-to-end review of recruitment. In oral evidence, the Civil Service Commission commented that the length of time between vacancy and appointment was very long and significantly longer for external candidates than internal candidates, with the need for Ministerial and Prime Ministerial approval causing considerable delay. In our Permanent Secretaries' discussion group, it was commented that the length of time it took individuals to gain security clearance sometimes acted as a barrier to recruitment for external candidates.

3.107 There were 1,150 new entrants to the SCS in 2021-22, down slightly from the record high of 1,309 in 2020-21 (see figure 3.16). Overall, 80 per cent of new entrants to the SCS in 2021-22 were promotions (a similar proportion to previous years); 13 per cent were from the private sector and 8 per cent were from the voluntary and wider public sectors.

Figure 3.16: **New SCS entrants, by previous employment sector, 2012-13 to 2021-22**



Source: Cabinet Office unpublished evidence.

3.108 At April 2022, 18.1 per cent of all SCS were externally recruited when they most recently entered the SCS. This proportion was 14.2 per cent for Deputy Directors, 29.9 per cent for Directors and 45.3 per cent for Directors General. By profession, the proportion of external recruits ranged from 43 per cent for internal audit and 39 per cent for property to 4 per cent for tax and zero for the veterinarian profession.

3.109 A recent report by the Institute for Government concluded that more external recruitment of specialists would both increase the technical expertise available to the civil service, making it better equipped to deliver ministers' priorities, and increase the cognitive diversity of the civil service, which would improve the way it functioned.[13] It said that the biggest barrier to the external recruitment of specialists into the civil service was a lack of specialist roles, particularly at senior levels. It also said that for some jobs, civil service pay was simply not high enough to consistently get the best talent into government.

3.110 The Civil Service Commission chairs selection panels for externally advertised competitions at SCS pay band 2 and all advertised competitions at SCS pay band 3 and Permanent Secretary. It reported that, of 246 advertised posts in 2021-22, 234 (95 per cent) resulted in an appointment, up from 149 out of 163 (91 per cent) in 2020-21. Overall, 58 per cent of the 2021-22 appointments were classed as 'good to outstanding', compared to 61 per cent in 2020-21. The Commission noted concern that this proportion had been falling.

13 https://www.instituteforgovernment.org.uk/publication/civil-service-external-recruitment

Table 3.5: **Advertised posts and appointments by the Civil Service Commission**

	Posts advertised	Applications per role	Appointments made	% of posts appointed to	% classed as good/ outstanding
2018-19	192	44.9	183	95.3	68
2019-20	161	44.4	156	96.9	65
2020-21	163	67.2	149	91.4	61
2021-22	246	46.4	234	95.1	58

Source: Civil Service Commission.

3.111 Of the competitions chaired by Commissioners in 2021-22 where an appointment was made, there were 71 instances (29 per cent of advertised posts) where there was only one appointable candidate (similar to 2020-21).

3.112 Eight competitions (3.3 per cent) in 2021-22 produced no appointable candidate, compared to 4.9 per cent in 2020-21. A further 10 competitions failed to appoint a successful candidate i.e., these competitions had appointable candidates but did not proceed to appointment (compared to six in 2020-21).

3.113 Overall, 4.4 per cent of applications (497 out of 11,415) were judged appointable in 2021-22. Out of the 234 appointments in 2021-22, 190 (81 per cent) were existing civil servants, compared to 64 per cent in 2020-21.

3.114 The Commission said it was unable to provide firm evidence that pay was adequate for recruitment. However, it noted that it had received only three requests to approve salaries of more than 20 per cent above the advertised maximum.

Table 3.6: **Appointments made by the Civil Service Commission**

	% appointments that were existing civil servants	Only one appointable candidate, % (number of competitions)	No appointable candidate, % (number of competitions)
2018-19	60%	32.8% (63)	4.7% (9)
2019-20	70.5%	33.5% (54)	3.7% (6)
2020-21	64.4%	28.2% (46)	4.9% (8)
2021-22	81.2%	28.8% (71)	3.3% (8)

Source: Civil Service Commission.

Retention

3.115 A new policy was introduced from 2022 to set a minimum assignment duration for permanent SCS1 and SCS2 roles of three years (with flexibility relating to outcome delivery plans and project timelines). The Cabinet Office said it would evaluate the impact of the policy change on SCS assignment duration.

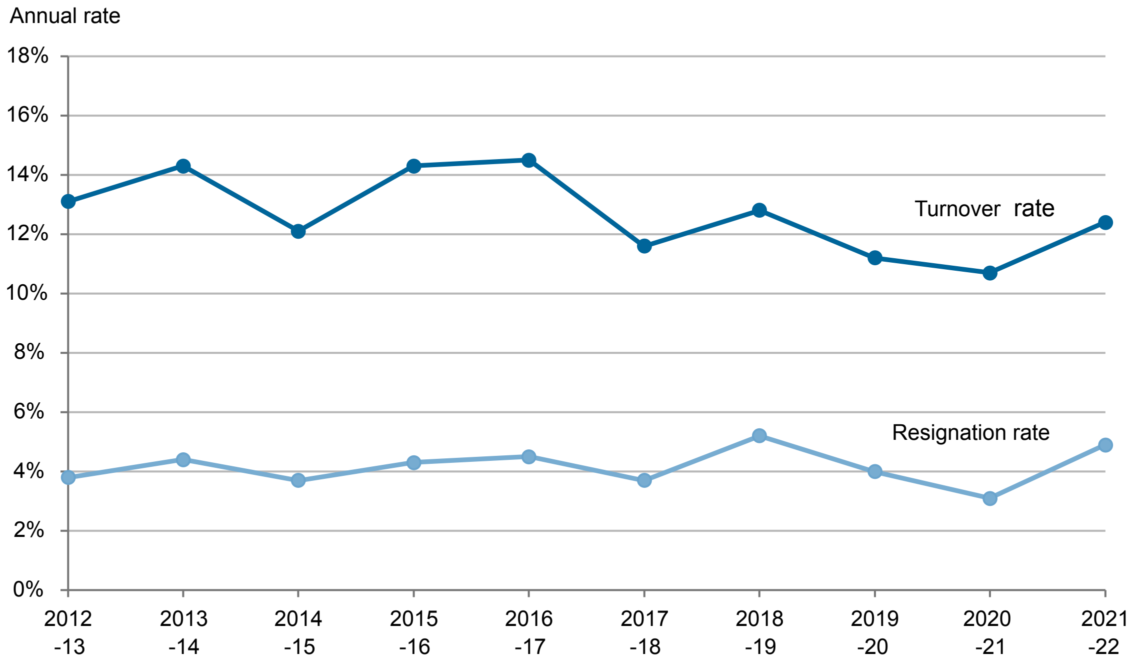
3.116 Over half (53.7 per cent) of members have been in the SCS for less than four years in 2022, unchanged from 2021 (53.8 per cent). The median tenure of SCS members in their current post was 1.9 years in 2022, with 67.9 per cent being in post for less than three years, an increase from 64.2 per cent in 2021.

3.117 The resignation rate for the SCS increased to 4.9 per cent in 2021-22, a significant rise on the previous year's rate of 3.1 per cent, which was the lowest for nine years (see figure 3.17). The overall turnover rate (which includes all leavers) was 12.4 per cent in 2021-22, up from 10.7 per cent in 2020-21 (see figure 3.17).

3.118 The turnover rate for SCS recruited externally was 15.1 per cent in 2021-22, up from 12.8 per cent in 2020-21. That remained higher than the 11.9 per cent for those recruited internally, up from 10.3 per cent in 2020-21.

3.119 The rate of SCS job moves between departments increased to 9.3 per cent in 2021-22, up from 6.7 per cent in 2020-21. This is likely to have been pushed up by a number of individuals moving from Public Health England to the Department of Health and Social Care. In addition to this, an estimated 3.9 per cent of SCS changed jobs within their department in 2021-22, up from 3.4 per cent in 2020-21.

Figure 3.17: **SCS annual turnover and resignation rates, 2012-13 to 2021-22**



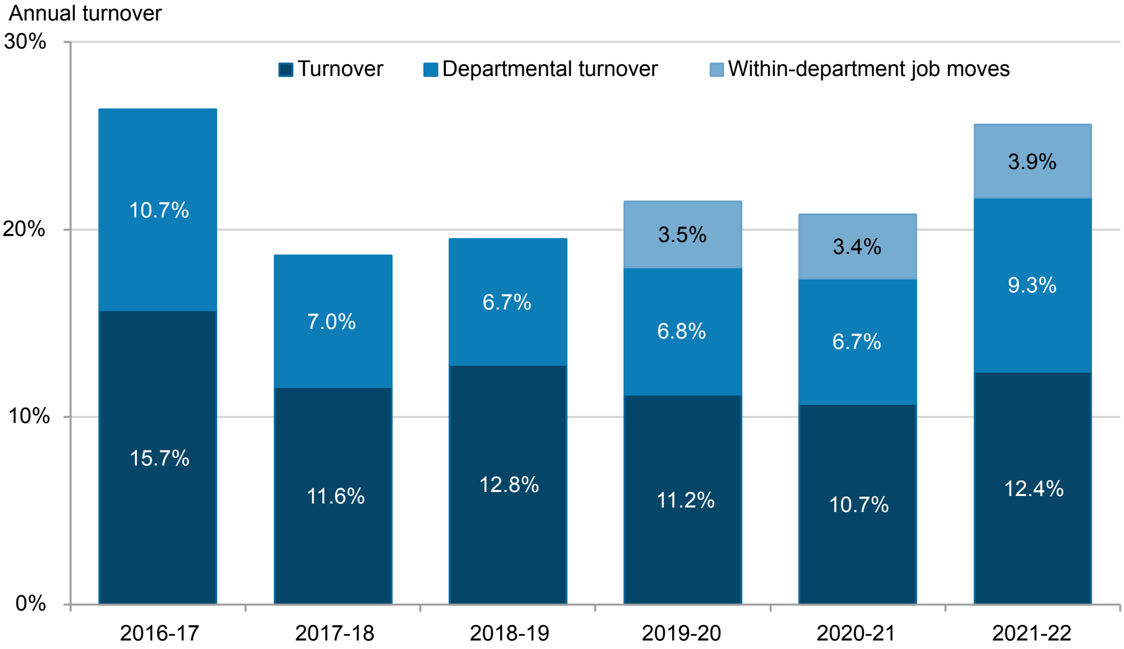
Source: Cabinet Office unpublished evidence.

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

3.120 The Government said in evidence that, although movement among senior talent was not problematic in itself (and may reflect the necessary agility to respond to changing priorities such as the response to the pandemic), churn within the SCS was felt to occur too frequently without reference to business need, exacerbated by the current incentives within the system.

3.121 In the FDA/Prospect survey, 41 per cent of respondents said that they had seen substantial changes to their responsibilities over the last year, and 38 per cent had seen some change. This compares to 40 and 31 per cent in the previous year. Only one in five (21 per cent) had seen minimal or no change in their role. Almost two-thirds (64 per cent) agreed that they had seen significant turnover among the people they line managed during the last year.

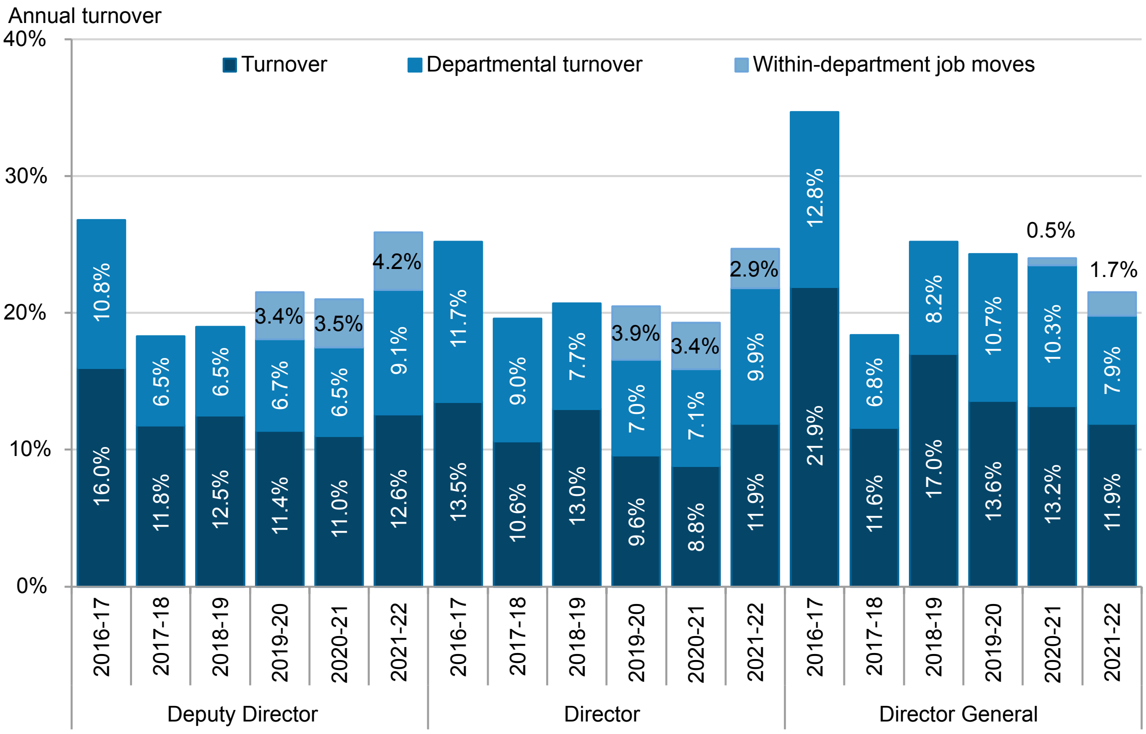
Figure 3.18: **SCS turnover and departmental turnover, 2016-17 to 2021-22**



Source: Cabinet Office unpublished evidence.

Notes: Turnover rate includes all moves out of the centrally managed SCS over the 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.

Figure 3.19: **Turnover and departmental turnover by pay band, 2016-17 to 2021-22**

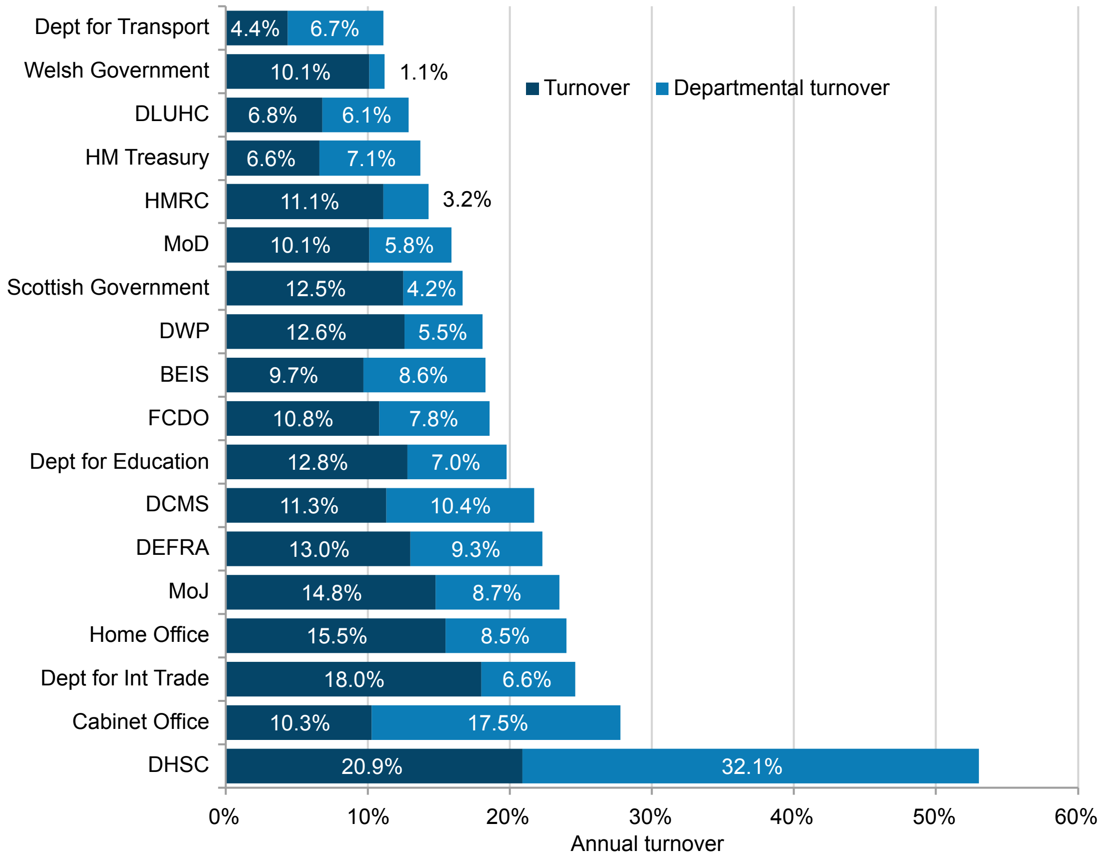


Source: Cabinet Office supporting data to the SSRB, unpublished.

Notes: Turnover rate includes all moves out of the centrally managed SCS over the 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.

3.122 Total turnover (leavers plus inter-department moves but excluding intra-department job moves) ranged from 11.1 per cent at the Department for Transport to 53.0 per cent at the Department for Health and Social Care. This latter figure included 32.1 per cent of SCS moving to another department, which was thought to be related to transfers from Public Health England.

Figure 3.20: **SCS turnover by department, 2021-22**

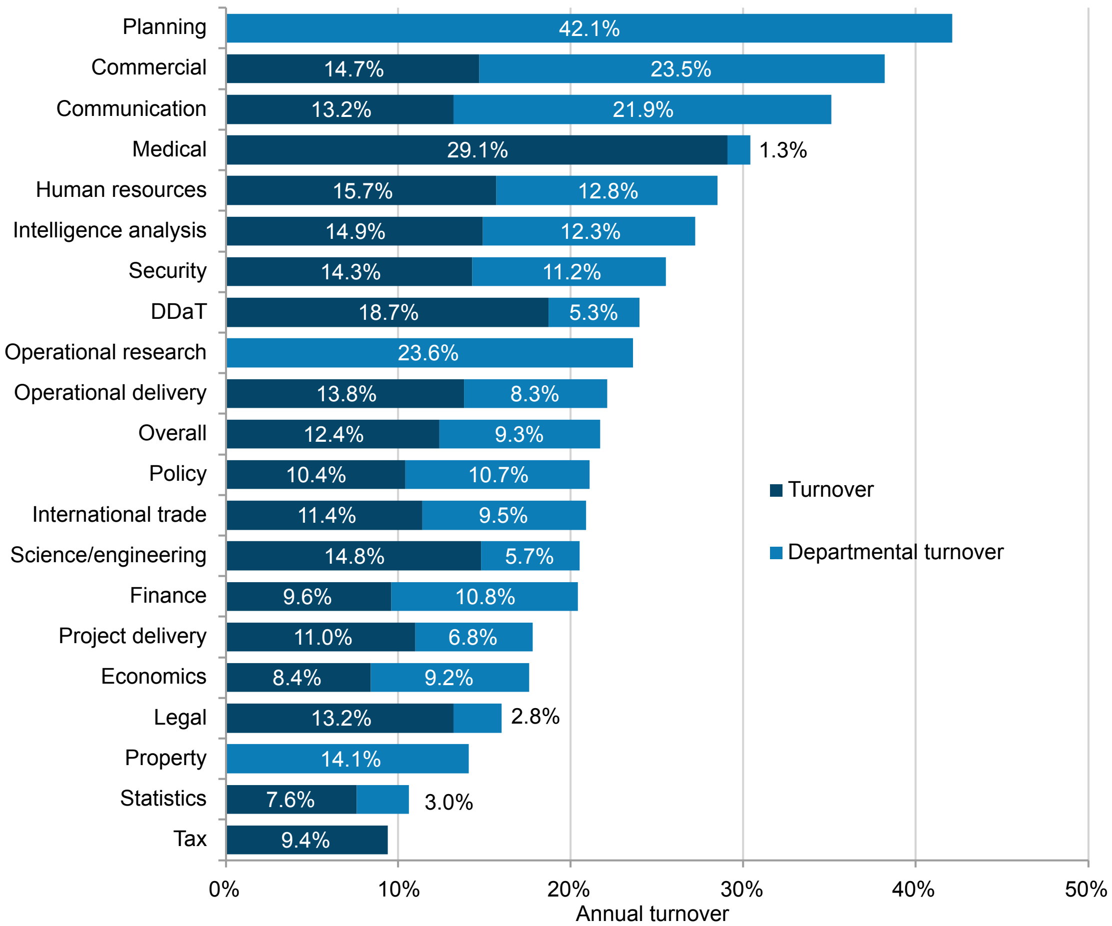


Source: Cabinet Office written evidence.

Notes: Turnover rate includes all moves out of the centrally managed SCS over the 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.

3.123 External turnover rates by profession ranged from 7.6 per cent for statistics to 29.1 per cent for the medical profession (see figure 3.21). Including department-to-department moves, turnover ranged from 9.4 per cent for the tax profession to 42.1 per cent for planning.

Figure 3.21: **SCS turnover by profession, 2021-22**



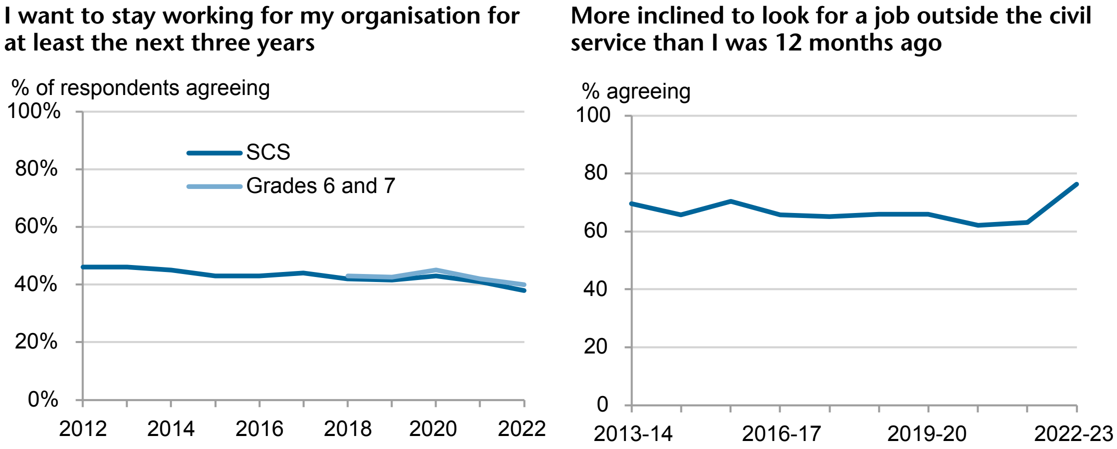
Source: Cabinet Office supporting data to the SSRB, unpublished.

3.124 Data from exit interviews indicate that the most common reason for leaving remained the opportunity for career development outside the civil service, with 89 per cent of leavers citing this as a reason in 2021-22, up from 62 per cent in the previous year. There was a large increase in the number of SCS leaving because of how their pay compared with people doing a similar job in other organisations, up from 34 to 55 per cent, which reversed the fall seen in the previous year.

3.125 In the 12 months to September 2022, 60 exit interviews or surveys were completed (44 per cent of recorded resignations). Of these, 59 per cent were deemed 'regrettable losses', down from 67 per cent in the previous year. Of those who recorded their next steps in the exit interviews, 28 per cent went to the private sector, down from 31 per cent in the previous year, and 30 per cent went to the wider public sector, down from 34 per cent. There was an increase in those going into consultancy.

3.126 In the 2022 People Survey, 38 per cent of SCS said that they wanted to stay working for their organisation for at least the next three years, compared to 41 per cent in 2021. In 2022, 5 per cent said they wanted to leave their organisation as soon as possible, compared to 4 per cent in 2021. In the FDA/Prospect survey, 76 per cent of respondents said that they were more inclined to look for a job outside the civil service than they were a year ago. This compared to 63 per cent of respondents in last year's survey.

Figure 3.22: **Survey evidence on retention**



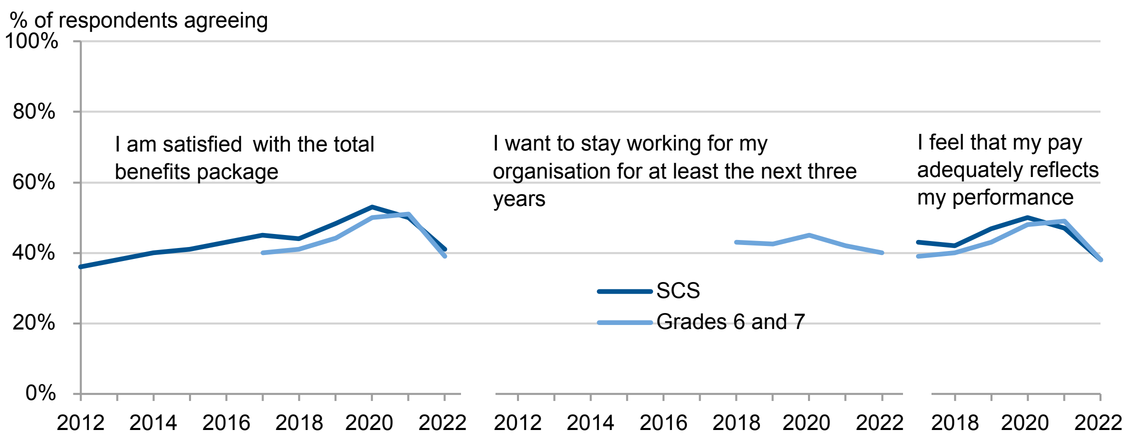
Source: Civil service People Survey and the FDA/Prospect written evidence.

Motivation and morale

3.127 People Survey indicators on motivation and morale for the SCS showed broad stability between 2021 and 2022. Responses were significantly more positive (by five to 13 percentage points) for the SCS than for grades 6 and 7.

- Overall SCS employee engagement was at 75 per cent, compared to 76 per cent in 2021.
- The proportion of SCS interested in their work was unchanged at 98 per cent.
- The proportion saying that their work gave them a sense of personal accomplishment was unchanged at 93 per cent.
- The 'Perma index' which measures the extent to which employees are flourishing at work was unchanged at 83 per cent.

Figure 3.23: **People Survey results on morale**



Source: Civil service People Survey.

3.128 The FDA/Prospect evidence highlighted that the SCS remained under considerable pressure in the aftermath of EU Exit, the coronavirus pandemic, the war in Ukraine, the cost-of-living crisis, and rising industrial disputes, all exacerbated by the tumultuous period in politics over the last year. They said that the civil service was at the forefront of responding to these multiple and complex challenges and was expected to do so while under considerable financial pressures and demands to do more with less.

3.129 The FDA and Prospect said that the Government's rejection of the SSRB's pay recommendation; the repeated attacks on the impartiality and professionalism of civil servants; the politically motivated sacking of Tom Scholar; the ill-thought out and reckless announcements to cut civil service numbers by 91,000 and to cut the Fast Stream (both later overturned); and the failure to put in appropriate processes to deal with ministerial bullying had all had a profound impact on the SCS and cemented the view among senior civil servants that they were not valued by the Government.

3.130 In the FDA/Prospect survey, there was an increase in the proportion of respondents who said their morale had decreased in the past year, from 63 to 77 per cent.

3.131 In a series of new questions in the FDA/Prospect survey on the behaviour of ministers:

- 90 per cent of respondents believed that the motivation and morale of civil servants had been adversely affected by recent allegations of unacceptable behaviour by ministers.
- 65 per cent of respondents said they felt "confident to speak truth unto power".
- 31 per cent felt that a concern about unacceptable behaviour at work by a Minister would be dealt with fairly.
- 17 per cent said that they had witnessed unacceptable workplace behaviour by a Minister in the last year.

Workload and the working environment

3.132 People Survey indicators on workload and the working environment for the SCS were moderate and stable. Grades 6 and 7 reported similar responses on work/life balance, but poorer responses on workload and stress.

- 62 per cent of SCS agreed that they had an acceptable workload, compared to 60 per cent in 2021. This proportion fell to a low of 56 per cent in 2020.
- 66 per cent of SCS agreed that they achieved a good balance between their work life and their private life, up from 63 per cent in 2021.
- The Proxy Stress Index, which measures conditions that can contribute to stressful environments, was 17 per cent for the SCS, compared to 18 per cent in 2021. It was 26 per cent for grades 6 and 7, compared to 25 per cent in 2021.

3.133 Evidence from the FDA and Prospect said that senior civil servants were continuing to work an unacceptable number of additional hours that were uncompensated. In their survey, 44 per cent of respondents said it was not at all realistic to achieve their objectives in their working hours.

3.134 The unions said that ministers would always be unrealistic about matching resources to commitments and it was not right that excess hours were neither recorded nor compensated. Members reported that ministers were not prioritising objectives or reducing workload as headcounts reduced, and this was unsustainable. The FDA/Prospect said that a service-wide approach to recording and compensating the SCS for additional hours worked should be implemented whether through time off in lieu or additional payments.

3.135 Members of our discussion groups described how the increase in hybrid working since the COVID-19 pandemic had created a culture of 24/7 working with a deterioration in work-life balance.

Devolved administrations

3.136 The UK Government continues to endorse the model of a UK-wide SCS. The Government evidence noted that Scottish Ministers now have an established and distinctive public sector pay policy which has diverged from the UK Government's policy choices. Because of this, the position for the reserved SCS in the Scottish Government was increasingly complex to navigate.

3.137 In our discussion group with SCS working in the Welsh Government, it was noted that the First Minister had sent a strong signal that the public sector in Wales, including the SCS, should be viewed as one public service. SCS working in the Scottish and Welsh Governments were more likely to compare their pay to other public services.

3.138 The Government evidence noted that some issues were particular to the devolved administrations, including the ministerial decisions on the non-payment of performance awards for SCS in the Welsh and Scottish Governments. The issue of leapfrogging was also exacerbated in the devolved administrations by the application of pay progression at delegated grades leading to many of the grade 6 and 7 cadre sitting at the top of their pay band while the members of the SCS were clustered towards the bottom of their pay band.[14] It said that the development of capability-based pay arrangements should give further opportunities for alignment.

3.139 In oral evidence with the FDA and Prospect, it was noted that the delegated grades negotiated a higher pay settlement for 2022 than the SCS in Scotland. This had led some SCS to believe they would be better off if their pay was under the control of the Scottish Government rather than belonging to a UK-wide SCS, despite the impact this might have on career opportunities.

3.140 The Places for Growth agenda and the increase in hybrid working mean that those living across the UK may be more able to apply for SCS roles in Wales or Scotland, and vice versa, which could lead to increased competition and career opportunities.

3.141 Turnover for SCS in the Scottish Government was 12.5 per cent in 2021-22, a similar level to the overall SCS (12.4 per cent). The turnover rate for SCS in the Welsh Government was slightly lower, at 10.1 per cent. Both of these showed a significant upwards jump in the latest data. The additional churn rate i.e., moves to other departments, was much lower than the overall SCS figure of 9.3 per cent, with 4.2 per cent of SCS in Scottish Government moving to another department in 2021-22 and just 1.1 per cent of SCS in Welsh Government. This is likely to reflect the much lower level of opportunities for SCS moves outside London.

3.142 The People Survey showed a similar level of engagement for SCS working in Scottish Government as the whole UK (76 per cent compared to 75 per cent for the UK), but a slightly slower level of engagement for SCS in Welsh Government (70 per cent). The proportion of SCS agreeing they had an acceptable workload was only slightly lower in Scottish Government (60 per cent compared to 62 per cent for the UK), but significantly lower for SCS in Welsh Government, at 48 per cent.

3.143 SCS in the Scottish and Welsh Governments were more likely to be satisfied with the benefits package (55 per cent in Scottish Government, 48 per cent in Welsh Government, compared to 41 per cent overall). They were also more likely to agree that their pay adequately reflected their performance (48 per cent in Scottish Government, 42 per cent in Welsh Government, compared to 38 per cent overall). However, both these proportions had shown even greater falls over the last two years than for the SCS as a whole.

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[14] The pay range maximum for the delegated grades is £80,434 in Scottish Government and £76,990 in Welsh Government.

Pensions

3.144 From 1 April 2022, civil servants in the closed pension schemes were moved to the career-average, defined-benefit Alpha pension scheme. This affected around 11 per cent of civil servants. When members moved to Alpha for future service, they retained final salary links if they were previously in the classic, classic plus or premium schemes within PCSPS.

3.145 Only 1 to 2 per cent of civil servants have chosen to join the Partnership scheme, a defined contribution scheme which has an employer contribution of up to 14.75 per cent without any matched employee contributions. Less than 1 per cent of civil servants have opted out of the pension scheme, with no indication that this proportion is increasing.

Table 3.7: **Civil service pension scheme membership**

	2021				2022			
Scheme	**Number of members**	**%**	**Number of members earning £70,000+**	**%**	**Number of members**	**%**	**Number of members earning £70,000+**	**%**
Alpha	498,392	89	14,398	89	524,300	98	18,100	98
Classic	36,773	7	883	5	–	–	–	–
Premium	11,592	2	377	2	–	–	–	–
Partnership	7,192	1	296	2	7,400	1	300	2
Nuvos	2,307	0	70	0	–	–	–	–
Classic plus	1,263	0	80	0	–	–	–	–
Non-member	4,911	1	82	1	4,000	1	100	1
Total	562,430		16,186		535,500		18,500	

Source: Cabinet Office written evidence.

Note: Numbers for 2022 are rounded to the nearest 100.

3.146 In 2021-22, 12,488 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 8,408 in 2020-21 and is a substantial increase. Overall, 41 per cent of all statements issued (5,272) were to members earning over £72,500. Around 50 per cent of statements were issued for pension inputs between £40,000 and £50,000 and 44 per cent were for pension inputs over £50,000 (with the rest being for pension inputs under £40,000). It is not known how many individuals received an annual allowance tax charge, or the amount of these charges.

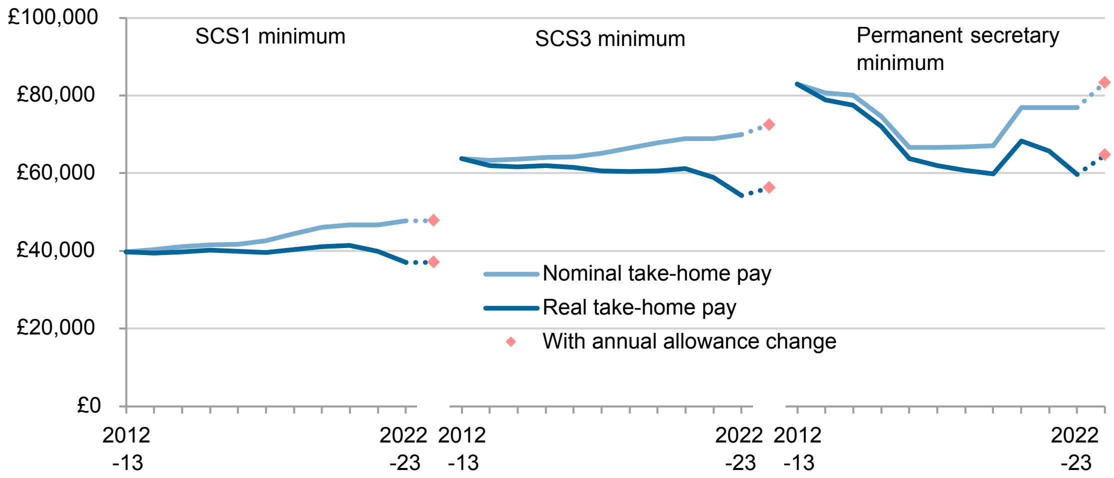
Take-home pay and total net remuneration

3.147 We have updated our analysis of take-home pay and total net remuneration, which tracks reward for specific roles over the last decade – SCS1, SCS3 and Permanent Secretary. 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, income tax on pensions in payment or the changing retirement age. It also assumes annual allowance tax charges are paid in the year, rather than through a pension reduction by using Scheme Pays.

3.148 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.

3.149 Due to the uprating in the pay band minima last year, which was offset by increased national insurance, nominal take-home pay grew by 2.2 per cent at the SCS1 minimum salary and 1.4 per cent for the SCS3 salary over the year. Because the Permanent Secretary minimum salary was not increased, take-home pay fell by 0.1 per cent for this role due to the increase in national insurance. Total net remuneration grew by 2.4 per cent over the year at the SCS1 minimum, 2.5 per cent at the SCS3 minimum and was unchanged at the Permanent Secretary minimum salary.

Figure 3.24: **Nominal and real take-home pay, 2012-13 to 2022-23**



Source: OME analysis.

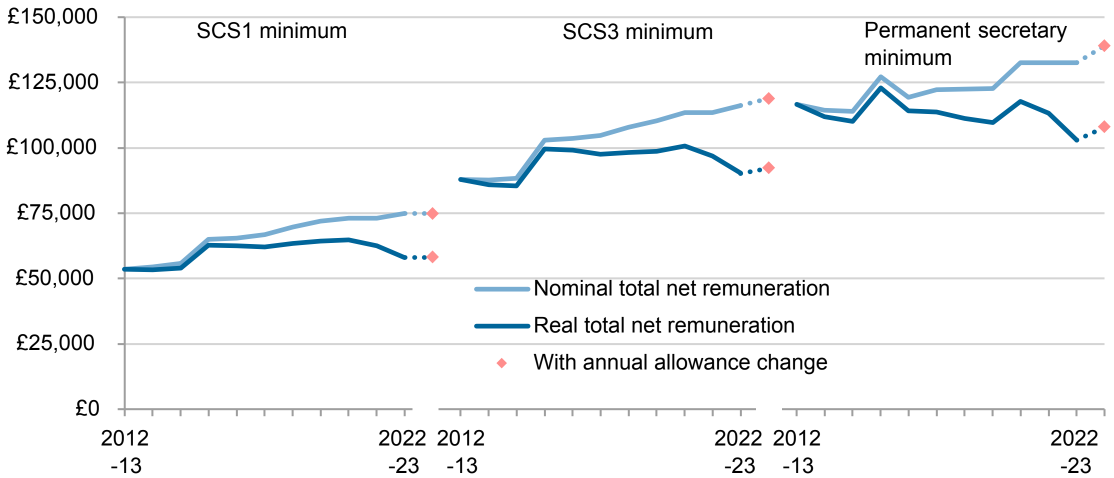
Notes: Real take-home pay based on the 2012-13 CPI. The annual allowance calculation uses 2022-23 salaries and tax allowances.

3.150 Inflation over the year was 10.1 per cent. This meant that all roles saw a large fall in take-home pay and total net remuneration in real terms. For the SCS1 minimum, there was a 7.2 per cent fall in take-home pay and a 7.0 per cent fall in total net remuneration over the year in real terms. For the SCS3 minimum, there was a 7.9 per cent fall in take-home pay and a 6.9 per cent fall in total net remuneration over the year in real terms. For the Permanent Secretary minimum, there was a 9.2 per cent real terms fall in both take-home pay and total net remuneration.

3.151 Since 2012-13, the SCS1 pay band minimum has seen a nominal increase of 20.0 per cent in take-home pay and 39.6 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 6.9 per cent while total net remuneration has increased by 8.3 per cent since 2012-13. Total net remuneration since 2012-13 is shown in figure 3.25.

3.152 Since 2012-13, the SCS3 pay band minimum has seen a nominal increase of 9.6 per cent in take-home pay and 32.4 per cent in total net remuneration. With a salary at £125,000, this group will have been liable for an annual allowance charge of around £2,560 in 2022-23 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 14.9 per cent while total net remuneration has increased by 2.7 per cent since 2012-13.

Figure 3.25: **Nominal and real total net remuneration, 2012-13 to 2022-23**



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. Real total net remuneration based on the 2012-13 CPI. The annual allowance calculation uses 2022-23 salaries and tax allowances.

3.153 Since 2012-13, the Permanent Secretary minimum salary has seen a nominal fall of 7.3 per cent in take-home pay and an increase of 13.7 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 £6,450 in 2022-23. In real terms, take-home pay at the Permanent Secretary minimum has fallen by 28.0 per cent while total net remuneration has fallen by 11.8 per cent since 2012-13.

3.154 The projected impact of the changes to the pensions annual allowance announced in the Budget is also shown in figures 3.24 and 3.25. This does not affect the SCS1 minimum, as there is no annual allowance charge at that salary. For both the SCS3 and Permanent Secretary minimum salaries, the annual pension input is between £40,000 and £60,000 so the roles should not face an annual allowance charge in future and will benefit by around £2,560 and £6,450 a year respectively.

Chapter 4

Senior Officers in the Armed Forces

Summary

4.1 As usual, we have been asked to recommend a pay award for members of the senior military. We have not been asked to advise on any other aspects of reward for leaders in the Armed Forces.

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 Ministry of Defence (MoD) in respect of senior military reward and the broader factors set out in Chapter 1 of this Report.

4.3 We note that the 2021 Spending Review provided the MoD with funding for a 2 per cent uplift for the 2023-24 pay award. The MoD says it has allocated 3.5 per cent for the pay award for members of the Armed Forces for this year.

4.4 The evidence shows that there are currently no recruitment and retention shortfalls in respect of senior officers in the Armed Forces. The MoD told us that the Armed Forces were still able to attract sufficient numbers from the feeder group. Nevertheless, we heard of instances where there was only one suitable candidate for some senior roles, particularly the more specialist ones. This leads us to question whether sufficient numbers of the highest-quality individuals are remaining in the Armed Forces to take up the most senior roles.

4.5 We have said previously that the Armed Forces need to monitor recruitment and retention carefully to assess whether the most skilled and talented members of the senior military and the feeder group are leaving. More information should be collected on the reasons why officers leave and the roles they take up following their military careers. Robust data are required to strengthen confidence that the apparent absence of recruitment and retention difficulties is not masking the loss of some of the most skilled and talented officers.

4.6 As stated in previous reports, we acknowledge 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. However, it is important that the policy of one guaranteed posting does not deter those considering promotion to the senior ranks. Although the Minister told us at oral evidence that this is not a major concern, we consider it is a risk which should be monitored, especially as the policy has recently been extended to those at OF5 in the Army and the Navy.

4.7 We have also highlighted previously that 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 was encouraging to hear from the Vice Chief of the Defence Staff that lateral entry is being considered as a necessary part of a more flexible employment model for all levels of the Armed Forces.

4.8 Results from the 2022 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 76 per cent rating their morale as high. However, there was an increase in those stating they did not feel valued in Service and some issues of concern were raised with us by members of the remit group. These included frustration at the removal of some 'job enablers' seen as key in carrying out heavily loaded roles and at the impact of inflexible requirements on family life.

4.9 A number of indicators have shown a fall in the proportion of senior military who are satisfied with the rate of pay and the overall remuneration package compared to the previous year. We heard in discussion groups that some senior officers felt that their pay was falling increasingly behind counterparts in the private sector, especially those with specialist skills. Our overall pay recommendation of 5.5 per cent for all members of the senior military aims to take account of affordability issues while ensuring that these senior roles remain sufficiently attractive to retain the required number of high-quality personnel.

4.10 Large pension annual allowance tax charges have also been a source of discontent. These charges can influence decisions on whether to take promotion or to remain in Service. Therefore, we welcome the announcements by the Government in the March budget which should reduce the number of those in the senior military who face such charges.

4.11 Increased diversity of the senior cadre is a key measure of the success of talent development. It is concerning that, despite the strong commitment from senior leaders and the initiatives underway, there has been almost no overall progress on improving the diversity of the senior military and the feeder group over the last five years. The Armed Forces need to develop a clear plan, with specific targets and dates for when these will be met.

4.12 In our view, these themes are symptoms of a dated employment model. There has been too little progress in diversifying the senior leadership, achieving a more flexible approach to postings or recognising specialist skills outside the traditional rank structure. The employment offer to the senior military is over-reliant on individuals' public service ethos overcoming frustrations with shortcomings in practical support and with impacts on family life. Action is needed to modernise the model and enhance the attractiveness to younger officers of careers in the senior military. This could take place alongside implementation of the recommendations from the Haythornthwaite Review of Armed Forces Incentivisation[15] which, at our time of writing, is due to be published soon.

4.13 We said last year that we remained concerned that some of the X-Factor[16] components appeared to be affecting members of the senior military to a greater extent than previously. We have worked closely with the MoD and the Armed Forces' Pay Review Body (AFPRB) this year on its five-yearly review of X-Factor. We have concluded that there is insufficient robust evidence at this time to recommend a change to the X-Factor taper for members of the senior military.

Government response to our 2022 recommendations

4.14 Last year, the Government accepted all the recommendations for the senior military in our 2022 Report as set out below:

- A 3.5 per cent consolidated pay award for all members of the senior military from 1 April 2022.
- A minimum 10 per cent increase in base pay for officers on promotion from 1-star to 2-star and from 2-star to 3-star.
- No change to the current pay arrangements for senior Medical Officers and Dental Officers.

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

16 The X-Factor and X-Factor taper are described at paragraphs 4.61 and 4.62.

4.15 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, therefore, welcome acceptance of a minimum 10 per cent increase in base pay for officers on promotion to both 2-star and 3-star. We note that the MoD plans to achieve this by the removal of the bottom increment levels of both the 2-star and 3-star pay scales with effect from 1 April 2023.

Context of our 2023 review

4.16 The MoD's expenditure limits remain those set out in the autumn 2021 Spending Review. We noted last year that the MoD, unlike most other departments, received a real-terms cut in its budget allocation for the Spending Review period.

4.17 The March 2021 *Defence in a Competitive Age* Command paper announced that there would be a comprehensive review of pay and reward for all military personnel within the next two years.[17] The review was named the Haythornthwaite Review of Armed Forces Incentivisation, following the appointment of Rick Haythornthwaite as its Chair in April 2022. The aim of the Haythornthwaite Review is to consider the structural, remuneration and incentivisation policies for all members of the Armed Forces. At oral evidence the Minister for Defence People, Veterans and Service families told us that Rick Haythornthwaite was due to submit his report to the Secretary of State for Defence shortly. The Minister asked us not to recommend any major changes to the senior military employment package that might cut across the Review's recommendations. In written evidence, the MoD said that the Review could result in proposals for further changes to the structure of senior officer pay. It said that details would be provided to us in due course. We encourage the MoD to treat enhancing the attractiveness of senior roles as a priority.

4.18 The MoD again 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.

4.19 At oral evidence, the Minister for Defence People, Veterans and Service Families and the Vice Chief of the Defence Staff highlighted the importance of maintaining the 'all of one company' ethos of the Armed Forces when making our recommendations.

Key points from the evidence

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

4.21 The key points from this year's evidence are:

- The number of senior military officers decreased by 8 to 124 over the year to 1 July 2022. The number of senior military officers has remained fairly stable over the last ten years.
- The number of Medical Officers and Dental Officers fell by one to four during 2021-22. These were all of 2-star rank.
- There currently appear to be no recruitment or retention issues in the senior military. During the 12 months to June 2022, 23 officers were promoted into the remit group and ten were promoted within it. The number of senior military officers voluntarily leaving the Armed Forces fell to one officer during 2021-22, compared to four officers the previous year. However, there was an increase in the number retiring to 29 in 2021-22 from 12 in 2020-21.

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

- The number of female officers in the senior military fell to four (all 2-stars), having been five for the previous three years. At oral evidence we heard that this had increased to seven.
- The number of the remit group declaring that they are from an ethnic minority background increased to two, from zero for the previous six years. No members of the senior military declared themselves as having a disability.
- Average salaries for our remit group fell by 0.7 per cent last year. This was due in particular to a fall in average pay for 3-star officers, as a number of more experienced officers left the cadre.
- A number of indicators showed a fall in satisfaction with pay and the overall remuneration package compared to the previous year.
- The number of members of the senior military facing a pension annual allowance tax charge was 131 for the tax year 2021-22, compared to 134 in 2020-21 and 120 in 2019-20. A large majority who responded to our OME survey said they expected to breach the lifetime allowance during their military career.[18]
- Results from the 2022 AFCAS showed a significant increase from 5 per cent to 20 per cent in the number of senior military disagreeing with the statement "I feel valued in the Service". Seventy-six per cent of the remit group rated their own level of morale as high, compared to 81 per cent the previous year. Satisfaction with the job in general, with the sense of achievement and with the challenge in the job all remained high at 88 per cent, 92 per cent and 92 per cent respectively.
- Some members of the senior military were concerned about the lack of respect that ministers appeared to have for their advice and expertise.
- Concerns were raised in discussion groups about the future attractiveness of the senior military employment package. Issues included:
  - Pay on promotion not being commensurate with the increase in responsibility and accountability.
  - Awareness that their skills were in demand outside the Armed Forces, for a higher salary and with a better work-life balance.
  - The need for the employment offer to be updated.
  - The likelihood of receiving large pension tax charges.
  - The need for increased pay for those with specialist skills.
  - The loss of various 'job enablers'.
- In the feeder group, the number of OF6 (1-star) officers voluntarily leaving the Armed Forces fell slightly to 19 officers (5.9 per cent) during 2021-22 from 24 officers (7.7 per cent) in 2020-21. This follows a period of decreasing levels of voluntary outflow for those at OF6 between 2016-17 and 2019-20, but a slight increase in 2020-21.
- The voluntary outflow rates for those at OF5 and OF4 increased slightly during the 12 months to 30 June 2021, compared to the previous year.
- Those in feeder group discussion sessions were concerned at the extension of the Senior Officers Compulsory Retirement (SOCR) scheme to those at OF5 in the Army and the Navy. More OF5s said they were considering leaving the Armed Forces than had been the case in previous years.

[18] 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 October 2022 to January 2023.

Proposals

4.22 The MoD did not propose a specific figure for the pay award this year. It said that it was funded for a 2.0 per cent pay award for 2023-24. However, recognising the wider economic climate, the MoD had allowed a further 1.5 per cent as contingency, bringing the total amount for the pay award this year to 3.5 per cent. The MoD told us that any increase above 3.5 per cent would need to be funded through reductions in its operating budget and could present a risk to the Government's fiscal policy. It asked us to recommend:

- A pay award which aimed 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.

Observations and recommendations

Recruitment, retention and morale

4.23 The evidence shows there are currently no recruitment and retention shortfalls within the senior military and that voluntary outflow rates for 2022-23 have fallen compared to 2021-22. We note there was an increase in the number of senior officers retiring compared to the previous year. The MoD told us the remit group is able to attract sufficient numbers of officers from the feeder group. However, we were informed during discussion groups of instances where there was only one suitable candidate for some senior military roles. In addition, there were cases of senior officers being extended in role because no immediate successor was available, particularly for more specialist roles.

4.24 This leads us to question whether sufficient numbers of the highest-quality individuals are remaining in the Armed Forces to take up the most senior roles. As we have said in previous reports, it is essential for the military to ensure they are not losing the most talented and skilled officers.

4.25 The Armed Forces currently have no lateral entry to the senior military. It is, therefore, crucial that sufficient numbers of the feeder group are retained to be able to fill senior military roles when required. We note a slight decrease 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, but a slight increase in 2021. However, there has been a small increase in the number of OF5 and OF4s leaving the military in 2021-22, compared to the previous year.

4.26 Voluntary outflow rates need to be carefully monitored for those in both the remit and feeder groups. Individuals' reasons for leaving should also be noted through the more rigorous application and documenting of exit interviews. This will supplement the reasons for leaving given by officers on the Joint Personnel Administration (JPA) system which can be open to multiple interpretations. As we have said previously, measures also need to be put in place to track the quality of those both remaining in and leaving the Armed Forces. We welcome the MoD's intention to introduce a process of tracking annual reports and promotion recommendations of the current cohort to see if this provides any future insights on talent retention.

4.27 We have commented before on the possibility of an adverse impact on recruitment and retention of the policy of only one guaranteed posting at 1-star and above. The Vice Chief of the Defence Staff told us that it allows for the flexible management of the senior officers and provides promotion opportunities for talented individuals. We recognise this. However, the need for in-depth experience and the retention of specialist skills means there may be a need for officers to remain in some roles for longer.

4.28 We were reminded of the Senior Appointments Committee plans aimed at improving career management and succession planning. These are particularly important for specialist cadres. We agree with the suggestion made to us in discussion groups, that it may be necessary to consider the greater use of enhanced rates of pay for specialist skills.

The senior military employment offer

4.29 In discussion groups this year, members of the senior military and the feeder group again questioned the attractiveness of senior roles and the competitiveness of the overall employment offer for current and future generations. It was acknowledged that the Armed Forces were working towards updating various aspects of the employment package. However, progress had been slow. Senior officers also commented that there had been a gradual 'chipping away' at the senior military package, including the loss of various 'job enablers', such as access to a car and driver, and first-class travel.

4.30 Most whom we met said they had not joined the Armed Forces for the money and were prepared to accept the limitations of the employment offer and the impact of Service life on themselves and their families in return for the opportunity of exciting and challenging roles that were not available outside the military. Many also said they were proud to serve their country by being a member of the Armed Forces. However, they were aware that their skills were in high demand, and increasingly well rewarded, in the civilian sector. Concerns were raised that the next generation coming through, who could have a more transactional approach, may not be prepared to serve for a whole career under the current employment offer.

4.31 In our view, reform of the employment offer and the remuneration strategy is needed now to ensure the Armed Forces can attract and retain the most skilled and talented officers in the future. The employment offer should be adapted so that it:

- 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.

Pay award recommendation

4.32 We have been aware of the need for the senior military offer to be sufficiently attractive to retain and incentivise the required numbers of highly skilled and motivated officers. We have also taken into account the evidence on affordability in the context of an ambitious reform programme and budgetary constraints.

4.33 The current economic climate is particularly challenging with inflation running at its highest rate for several decades. We are aware that members of the senior military, along with everyone else, have faced large increases in the cost of living over the last year.

4.34 We acknowledge that almost all 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. The senior military is a small cohort and we have not seen any evidence to suggest that there should be a differential pay award for the different ranks within the remit group.

4.35 The above considerations, and the broader factors outlined in Chapter 1, lead us to recommend an across-the-board consolidated pay award of 5.5 per cent for all members of the senior military, including Medical Officers and Dental Officers (MODOs). This recommended award will add an estimated £1.7 million to the paybill, including employer costs. The pay scales for a 5.5 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 5.5 per cent increase to base pay from 1 April 2023.

Table 4.1: **Recommended 2-star, 3-star, 4-star and the Chief of the Defence Staff pay scales with effect from 1 April 2023**

	Increment level					
	1	2	3	4	5	6
	£pa	£pa	£pa	£pa	£pa	£pa
2-star	131,929	134,506	137,136	139,817	142,553	145,342
3-star	153,494	161,015	168,914	175,547	180,722	186,053
4-star	201,294	206,326	211,485	216,772	221,108	225,530
CDS	290,002	295,802	301,718	307,753		

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 £3,057. 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-second Report of the AFPRB.

4.36 We are aware 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 officers. This will also apply to MODOs.

4.37 The MoD requested there be no change to the current pay arrangements for MODOs. We have not received any evidence to suggest that the existing percentage pay differentials between the 1-star, 2-star and 3-star MODOs should change this year. We therefore recommend that all 2-star and 3-star MODOs receive a pay award that maintains these differentials and is in line with the pay 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.

X-Factor taper

4.38 The X-Factor is a pensionable addition to pay, which recognises the special conditions of Service experienced by members of the Armed Forces compared to civilians over a full career. 2-star and 3-star officers receive X-Factor at a tapered rate.[19] More information on the X-Factor and the X-Factor taper is included in the Annex to this Chapter.

4.39 We said last year that we continued to be concerned that some of the X-Factor components were affecting members of the senior military to a greater extent than previously, through the increasing likelihood of longer, overseas deployments, heavier

[19] 2-star and 3-star officers receive X-Factor at 25 per cent of the top of the OF4 pay scale.

workloads and the impact of Service life on families. We have liaised with the MoD and the AFPRB on this year's five-yearly review of the X-Factor. This was to ensure appropriate consideration was given to whether changes were needed to the X-Factor taper for senior officers at OF5 and above.

4.40 We have also worked closely with the AFPRB, whose remit includes officers at OF5 and OF6, during the consideration of the evidence on the X-Factor taper. We agree with the MoD and the AFPRB that the evidence suggests officers at OF5 and above, on balance, appear to be affected by a majority of X-Factor components to a similar extent as those officers below, over the five-year period. For some components, there was a small relative decline for OF5 and above and a small relative improvement for all ranks. However, we conclude that there is insufficient robust evidence to support a change to the X-Factor taper for members of the senior military at this time. Our conclusions align with the AFPRB recommendations in respect of the X-Factor taper for OF5 and OF6 officers.

Looking ahead

4.41 At the time of writing, we have not seen the outcome from the Haythornthwaite Review of Armed Forces Incentivisation, which we understand is due to be published soon. We look forward to seeing the report and being closely engaged on the implementation of any recommendations that affect our remit group.

4.42 The MoD has acknowledged that more needs to be done to improve diversity and inclusivity in the Armed Forces. As we have said in previous reports, we appreciate that in an organisation such as the Armed Forces, where there is currently no lateral entry, it will take time for improvements in diversity in the lower ranks to progress through into the feeder group and the senior military. We are aware of the strong commitment from senior leaders to increasing diversity, the improvements that have been made to the culture and career structure, the introduction of alternative working arrangements, flexible service and other initiatives that have been in place for a number of years. The MoD also told us that work was underway to better communicate the Armed Forces' levels of ambition in relation to the recruitment and retention of female Service personnel and those from ethnic minority backgrounds. We expect to be informed about how this work is developing in the next pay round.

4.43 Despite an increase from zero to two in the number of senior military declaring that they are from an ethnic minority background, there has been almost no overall progress in increasing the diversity of the senior military or the feeder group over the last five years. We feel strongly that the Armed Forces need to develop a clear plan, with specific targets and dates for when these will be met, in order to address this crucial issue and allow it to access talent from the widest possible pool.

4.44 In this, and our previous reports, we have highlighted the importance of the Armed Forces collecting data on the quality of those who both leave and remain in the military. We therefore welcome the fact that the MoD is exploring the options for tracking annual reports and promotion recommendations of the current cohort with a view to providing future insights into the retention of talent.

4.45 We have also said it is vital to record the reasons why senior officers are leaving the Armed Forces, and where possible, to document what roles they take up after leaving. While we appreciate that officers do provide their reasons for leaving on JPA, these are open to multiple interpretations. We suggest that exit interviews should be carried out in a more routine and robust basis than is currently the case and an official record made of the discussions that took place.

4.46 Significant numbers of senior officers, including those in the feeder group, have received large pension annual allowance tax charges over the last few years. In discussion groups we again heard how this is a source of discontent. In addition, almost all members of the senior military will exceed the lifetime allowance. We therefore welcome the March 2023 Budget announcements of the abolition of the lifetime allowance and the increase in the annual allowance to £60,000 for the tax year 2023-24. We would, however, still like to receive evidence from the MoD on the impact of the pension annual allowance tax charges on members of our remit group and the feeder group for the next pay round.

4.47 We appreciate the feedback received directly from members of the senior military and the OF5 and OF6 officers. The additional discussion groups (under the auspices of the AFPRB) held for the fifth year running, via the individual Service Headquarters in autumn 2022, were particularly informative. These allowed us to hear directly from additional members of our remit group and the feeder group. We would like to hold these annually and request the MoD's assistance in arranging them ahead of our next report.

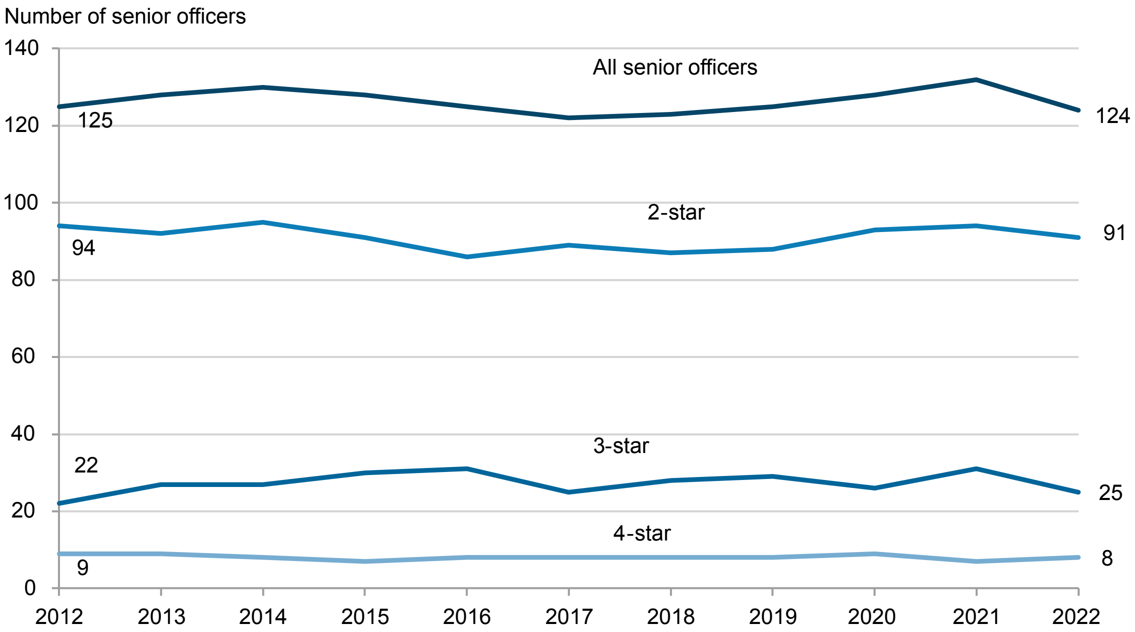
Annex: Data and evidence

4.48 We received written and oral evidence from the MoD. The oral evidence session was attended by the Minister for Defence People, Veterans and Service Families, the Vice Chief of the Defence Staff (VCDS), the Chief of Defence People (CDP), the Chief Operating Officer for the MoD and the Head of Armed Forces Remuneration. In addition, we held four in-person discussion groups with a total of 22 members of the senior military from all three Services and UK Strategic Forces Command. We also met with a total of 26 OF5 and OF6 officers from across the three Services.

The remit group

4.49 There were 124 senior officers at 2-star rank and above on 1 July 2022, a decrease of eight over the year. A breakdown of the numbers by rank since 2012 is shown in figure 4.1. 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 H.

Figure 4.1: **Number of senior officers at 1 July, 2012 to 2022**



Source: Ministry of Defence, written evidence, unpublished.

Note: 4-star includes the Chief of the Defence Staff.

Workforce diversity

4.50 As at 1 July 2022, there were four female officers (3.2 per cent) in the senior military, a decrease of one over the year. All four were at 2-star rank.[20] The MoD pointed out that the first female officer was appointed to the 3-star role of Deputy Chief of the General Staff in August 2022. However, this is not included in the statistics for this year. The number of women in the senior military had been either four or five for the last six years but we were told at oral evidence that this has recently increased to seven.

4.51 Two members of the remit group, both 2-stars, are from an ethnic minority background. This is an increase from zero in 2021 and is the first time in the last six years that a member of the senior military has declared they are from an ethnic minority background. No members of the senior military reported that they had a disability.

[20] Two OF7 generalists and two OF7 MODOs (one in a generalist role).

4.52 We were provided with diversity data for the senior military and for officers at OF4 to OF6 (paragraphs 4.117 and 4.118). The MoD told us it was committed to its People Strategy of being a diverse and inclusive employer. It acknowledged that its success and operational effectiveness as an organisation was dependent on its ability to harness and maximise its peoples' potential. It said it recognised that, as an organisation that develops and grows its own talent, improving retention and the depth and breadth of the feeder group and below was key to improving diversity in the senior military.

4.53 The MoD acknowledged that more needed to be done to improve diversity in the Armed Forces. It explained that work was ongoing to better define and communicate its levels of ambition in relation to inflow and retention. This was currently focussed on gender and ethnicity, but we were told this would include other protected characteristics in due course. The MoD said it would update us on progress on this work in pay round 2024.

4.54 The Minister also said at oral evidence that more needed to be done to improve the diversity of the feeder pool in respect of gender, but particularly in respect of ethnicity. These individuals would then be able to progress into and improve the diversity of the senior military. He stated that the Armed Forces were effective at recruiting individuals from Commonwealth countries but were not good at attracting those from ethnic minority backgrounds in the UK. He admitted that the MoD could not offer any quick solutions to this.

4.55 The Minister highlighted the fact that almost all Armed Forces roles were now open to women. The exception was the Ghurkhas, but this was something he planned to address. The CDP highlighted the number of talent programmes aimed at female officers and the recent introduction of the more flexible alternative working arrangements for all Service personnel.

4.56 The CDP said that the Haythornthwaite Review was expected to recommend a more flexible working environment with the ability to move in and out of the Armed Forces, re-entry at higher levels and appointments based on skills rather than experience. This would benefit those from more diverse backgrounds. It was acknowledged that lateral entry, which was seen as being crucial to the future success of the Armed Forces, could facilitate improvements in diversity, at many levels.

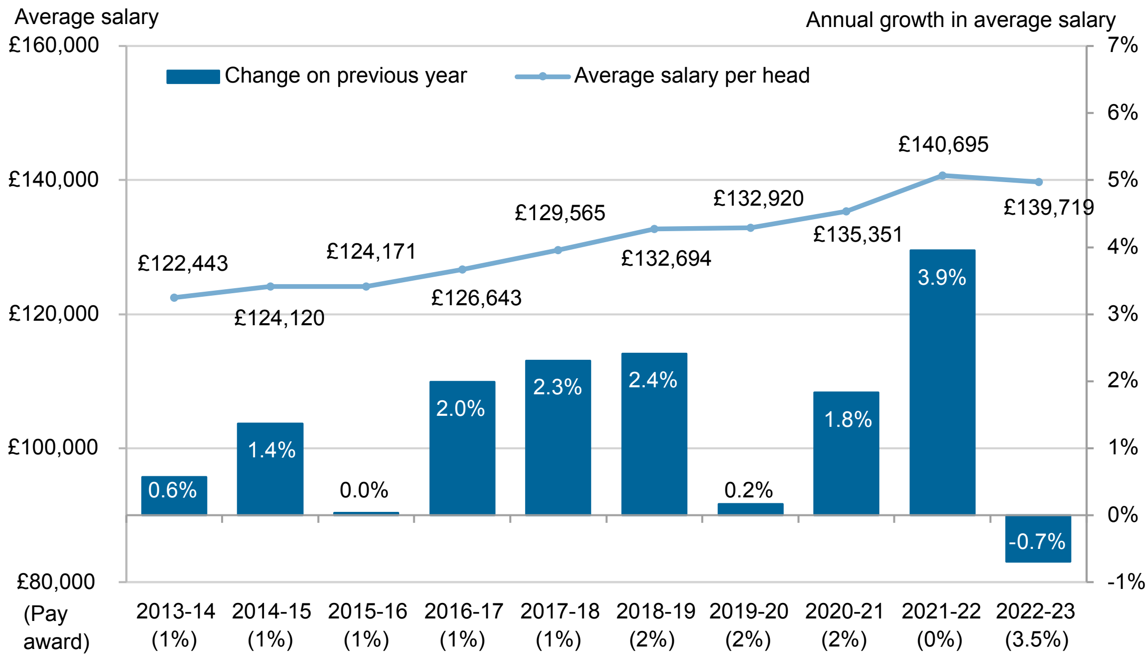
4.57 The Minister said it was also important to look to the future and consider the issues of disability and neurodiversity. As Defence becomes more technical there may be enhanced opportunities for neurodiverse people to make a distinctive contribution to its success in areas such as cyber and artificial intelligence.

Pay and the pay system

4.58 Members of the senior military were paid between £125,035 and £291,709 in 2022-23 with an associated paybill of £31.1 million. This included employers' national insurance and pensions contributions. This was a 5.4 per cent fall on the paybill for 2021-2022 of £32.9 million, driven by the smaller size of the remit group this year.

4.59 Average salaries for our remit group fell by 0.7 per cent last year (see figure 4.2). This was due in particular to a fall in average pay for 3-star officers, as a number of more experienced officers left the cadre.

Figure 4.2: **Average salary per head and annual growth, 2013-14 to 2022-23**



Source: OME calculations using MoD data, unpublished.

Note: Excludes employer's national insurance and pension contributions.

4.60 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. More detail on the current rates of pay and the value of annual increments can be found at paragraphs 4.83 and 4.84. All 2-star and 3-star officers also receive X-Factor but at a tapered rate as set out below. The senior military do not receive any performance-related pay.

The X-Factor and the X-Factor taper

4.61 The X-Factor is a pensionable addition to pay, which recognises the special conditions of Service experienced by members of the Armed Forces compared to civilians over a full career. It accounts for a range of potential advantages and disadvantages which cannot be evaluated when assessing pay comparability. The AFPRB carries out a review of the X-Factor every five years to determine whether the conditions of military life (based on 12 components) relative to civilian life have improved, worsened or remained the same over the preceding five-year period. [21] The current rate of X-Factor is 14.5 per cent. The AFPRB has carried out a review of the X-Factor during this pay round.

4.62 4-star officers do not receive X-Factor. For other senior officers the payment of X-Factor is tapered and is based on 14.5 per cent at the top of the OF4 pay scale (£11,525 for 2022-23) applied at the following rates:[22]

- 2-star and 3-star officers receive 25 per cent of the cash value at the top of the OF4 pay scale (£2,881 in 2022-23).

[21] The X-Factor components are as follows: autonomy, management control and flexibility; danger to physical and mental health; hours of work; individual, trade union and collective rights; job security; leave; promotion and early responsibility; separation; spousal/partner employment; stress, personal relationships and impact of the job; turbulence; training, education, adventure training and personal development.

[22] These rates have been in place for OF5 and OF6 (1-star officers), who belong to the AFPRB's remit, since 2008. Prior to 2008 no members of the senior military received X-Factor. In its 2008 Report the SSRB recommended that 2-star and 3-star officers should receive X-Factor at the rate of 25 per cent and this was phased in over three years. This was in response to a decrease in the overall package for senior officers and them being deployed more frequently in operational theatres.

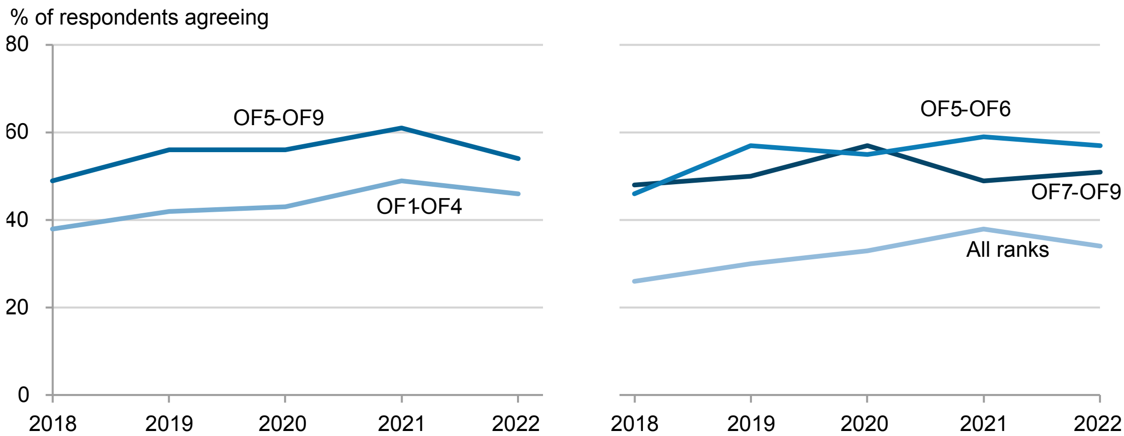
- 1-star officers (the rank immediately below the SSRB's remit) receive 50 per cent of the cash value of X-Factor at the top of the OF4 pay scale (£5,762 in 2022-23).
- OF5 officers receive 75 per cent of the cash value at the top of the OF4 pay scale (£8,644 in 2022-23).

4.63 In our previous four reports, we have mentioned our concerns that some of the X-Factor components appeared 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. These issues were raised during discussion groups with members of the senior military and those at OF5 and OF6 reporting that the level of disruption they faced now was as much, if not greater, than they had experienced earlier in their careers as more junior officers.

4.64 We explained that we would work closely with the MoD and the AFPRB on the current review of the X-Factor to ensure appropriate consideration was given to whether changes were needed to the X-Factor taper for senior officers at OF5 and above.

4.65 Results from the AFCAS showed that, over the last five years, levels of satisfaction remained fairly stable with around 50 per cent of the senior military agreeing that X-Factor was sufficient compensation for Service lifestyle, working conditions and expectations, and around 30 per cent disagreeing. There was a small improvement in agreement over the period for all ranks, and for officers at OF5 and OF6 and at OF1 to OF4 (see figure 4.3).

Figure 4.3: **Agreement that X-Factor is sufficient compensation for Service lifestyle, 2018 to 2022**

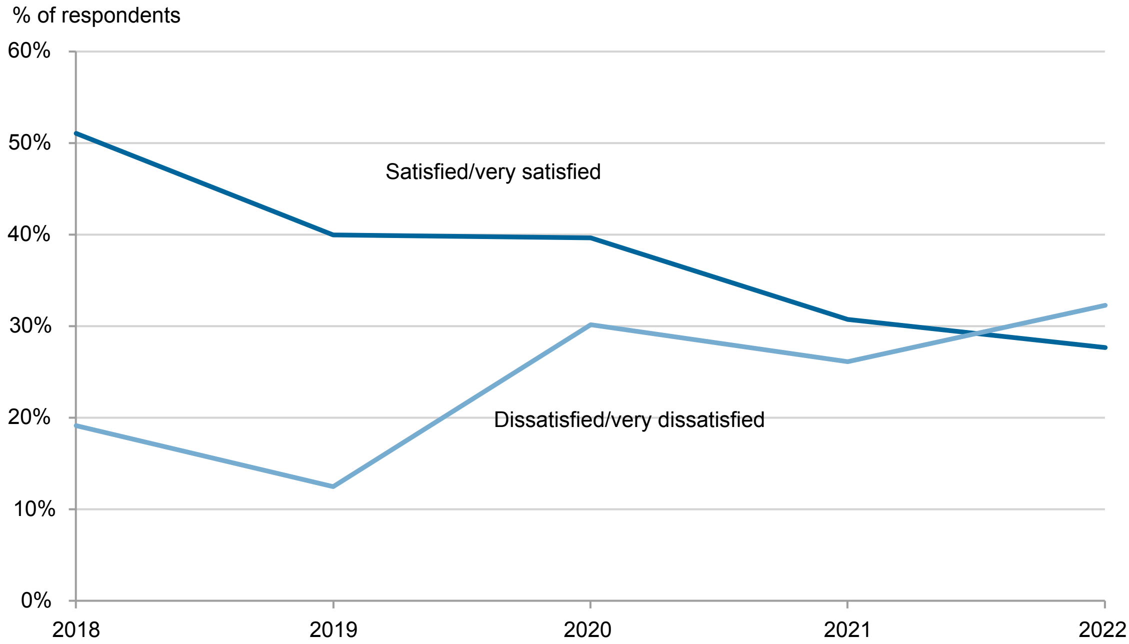


Source: Ministry of Defence, written evidence, unpublished.

Note: In response to the question: How strongly do you agree or disagree with the following? The X-Factor in my salary is enough compensation for Service lifestyle, working conditions and expectations.

4.66 The OME conducts its own survey of its senior military remit group each year, which includes the question: How satisfied are you with the value of X-Factor applied to your rank? This shows there has been a substantial downward trend in satisfaction over the last five years (see figure 4.4). The proportion of OF7 and OF8 officers satisfied with X-Factor fell from 51 per cent in 2018 to 28 per cent in 2022. The proportion of those very dissatisfied with X-Factor increased from 2 to 17 per cent over the period.

Figure 4.4: **Satisfaction with the value of X-Factor among the senior military, 2018 to 2022**



Source: OME survey of the senior military.

Note: Question asked of 2-star and 3-star (OF7 and OF8) officers only.

4.67 This year, the MoD provided evidence on the X-Factor taper to the AFPRB as part of the overall X-Factor review. The evidence focused on the analysis of the AFCAS and the Families Continuous Attitude Survey (FAMCAS) data to find out whether OF5 officers and above were affected to a lesser extent by the X-Factor components than those at OF1 to OF4 (i.e., officers not subject to the taper) over the last five years (2018-2022).

4.68 For 29 out of 45 questions in the AFCAS and the FAMCAS that were relevant to the X-Factor components, the MoD concluded there was no difference between OF5 to OF9 and OF1 to OF4. For 11 questions, OF5 to OF9 responses were more positive; and for five questions the OF5 to OF9 responses were more negative.

4.69 The MoD said that the evidence was not conclusive and that questions remained as to whether the existing tapering arrangements were justified or whether it made the case for a change or removal of the X-Factor taper for senior officers. It highlighted the consistently higher rates of satisfaction with the X-Factor experienced by the more senior officers who were subject to the taper. The MoD said it was not pushing for a significant change in this area and this view was reiterated by the Minister and the VCDS at oral evidence. However, the MoD said it appreciated that we and the AFPRB may have a different view.

4.70 We examined the evidence for components where there was a difference for officers at OF5 and above.

4.71 Under the turbulence component of the X-Factor, senior officers at OF5 to OF9 were significantly more likely than other ranks to consider that the frequency of operational deployments was about right and significantly less likely to consider that they were not often enough.

4.72 We note that for the hours of work component, senior officers were significantly more likely than junior officers and all ranks to report that their workload was too high. However, there was little difference between the OF5 and OF6 and the OF7 to OF9.

4.73 Our OME survey showed a fall in the proportion of senior military respondents satisfied with their working hours over the five-year period from 36 per cent to 23 per cent. Median hours stayed at around 60-64 over the period, with a fall in the number reporting working more than 70 hours a week from 34 to 24 per cent.

4.74 The MoD pointed out in its evidence that the requirement to be available 'out of hours' is something that is also expected of those who progress to more senior positions in the civilian sector and is not unique to senior officers in the military. At oral evidence, the VCDS said that the overall senior military offer compensated for the additional hours worked by senior officers, rather than the X-Factor taper. Research carried out by Incomes Data Research found that senior managers and professionals were slightly less likely to work paid overtime but slightly more likely to work unpaid overtime than all employees.[23] This was largely unchanged over the five-year period.

4.75 There has been a deterioration in the job security component for those at OF5 in the Navy and the Army over the five-year period. This is due to the extension of the policy of one guaranteed posting to officers at this rank in these two Services from 1 April 2020 and 20 December 2021 respectively.

4.76 Although there are differences in the findings of the various surveys, we agree with the MoD and the AFPRB that the evidence suggests officers at OF5 and above, on balance, appear to be affected by the majority of X-Factor components to a similar extent as those officers below, over the five-year period. There is some evidence of a small relative decline in the X-Factor components for senior officers relative to junior officers. The evidence we considered is based on survey data from the AFCAS, the FAMCAS and our own OME senior military survey. We therefore conclude that there is insufficiently robust evidence to support a change to the X-Factor taper for members of the senior military at this time. Our conclusions align with the AFPRB recommendations in respect of the X-Factor taper of OF5 and OF6 officers.

Career structure

4.77 There is limited security of employment for senior officers. 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 note that since December 2021 this policy has been extended, retrospectively, to those at OF5 in the Army. In addition, from 1 April 2020 the Navy only guarantees those who promote to OF5 a further six years in rank, or to age 55, whichever is soonest.

4.78 Where no suitable employment can be found at either the current or higher rank, officers are released from Service under Senior Officer Compulsory Retirement terms (SOCR).[24] SOCR allows for the compulsory retirement of senior officers on completion of their first appointment or after 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.

4.79 Both the Minister and the VCDS explained at oral evidence that the policy provided the flexibility required for the effective management of the senior workforce. It ensured that the right officers were in the most suitable roles for Defence to operate at the optimum level. They cautioned against overstating the difference from senior roles elsewhere: effective performance over several years typically meant continued employment, and vice versa.

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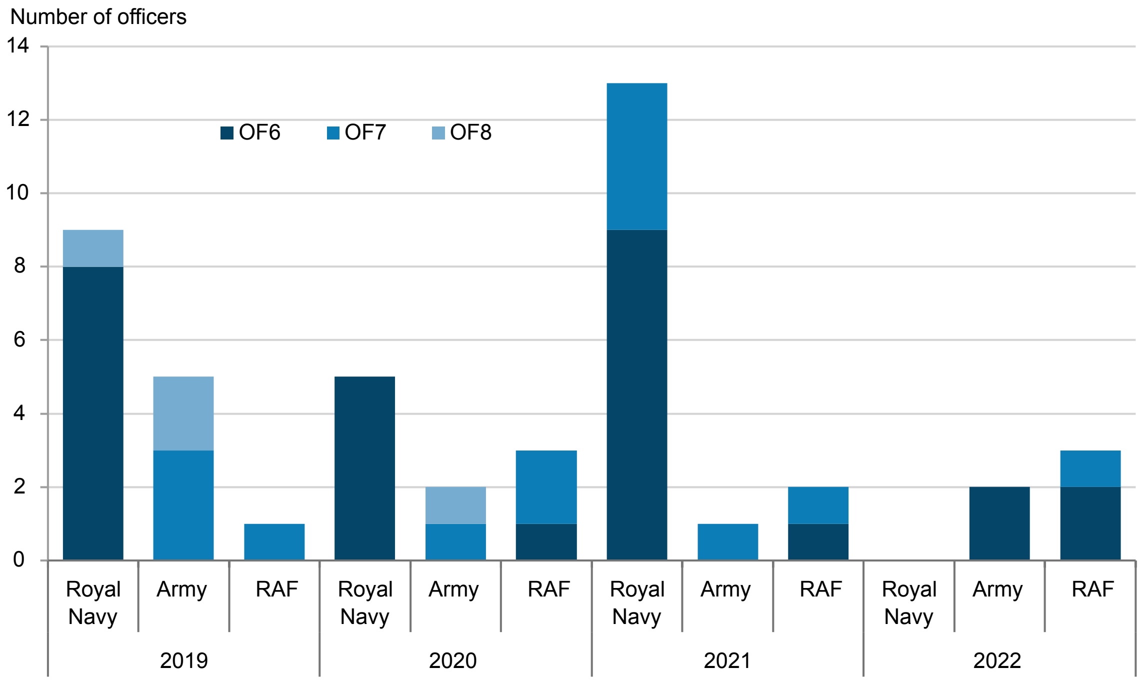
23 As part of the X-Factor review the AFPRB commissioned Incomes Data Research to carry out research on the impact of the X-Factor components on the civilian workforce for the five-year period, from 2018-2022.

24 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.

4.80 The MoD explained that individuals were informed of their terms of service on accepting an OF5/OF6 role. It acknowledged that the uncertainty of tenure of employment could affect decisions on whether to take promotion to OF5/OF6 or to leave the Armed 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. At oral evidence, the VCDS said that the impact of the extension of the policy to OF5s in the Army and the Navy would be monitored.

4.81 We were provided with data on the number of officers that had left under SOCR terms over the last four years (see figure 4.5). We note that over the last four years this has affected a total of 46 senior officers, just under half of whom were OF6 officers in the Royal Navy.

Figure 4.5: **OF6 to OF8 officers released under uncompensated SOCR terms, 2019 to 2022**



Source: Ministry of Defence, written evidence, unpublished.

4.82 We were informed at oral evidence that the Haythornthwaite Review was expected to contain overarching recommendations for changes to the pay structure to make remuneration more bespoke. We have been informed previously that this might be through the use of specialist pay spines for certain skills, for example cyber, or to de-link pay from rank to aid retention in these areas. We 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.

Senior officers pay structure, increments and pay on promotion

4.83 The MoD has previously explained 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 has 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.

4.84 Annual increments were worth between 2.0 and 4.9 per cent in 2022-23 for those who received them. The MoD told us that only two members of the senior military did not receive an annual increment during 2022-23 as they were on the maximum for their rank. The current value of each increment level from OF7 to OF9 is set out in table 4.2.

Table 4.2: **Value of increments**

Increment	2-star £pa	Value of increment	3-star £pa	Value of increment	4-star £pa	Value of increment
1	125,035		145,476		190,800	
2	127,478	2.0%	152,605	4.9%	195,670	2.5%
3	129,970	2.0%	160,091	4.9%	200,460	2.5%
4	132,512	2.0%	166,379	3.9%	205,471	2.5%
5	135,105	2.0%	171,284	2.9%	208,581	2.0%
6	137,748	2.0%	176,337	3.0%	213,772	2.0%

4.85 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 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.

4.86 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, last year the MoD asked us to consider and make recommendations on four options for changes to the senior pay structure. These changes were aimed at increasing the incentives for promotion to 2-star and 3-star by ensuring the increase in pay on promotion adequately reflected the increase in responsibility, accountability and challenge that came with these senior roles. This was an issue that had frequently been raised during discussion groups with both the remit group and the feeder group.

4.87 In response to this request, last year we recommended that the minimum 10 per cent increase in base pay on promotion from 1-star to 2-star should be maintained. We also recommended a minimum 10 per cent increase in base pay on promotion from 2-star to 3-star. We said that it was for the MoD to decide what changes to make to the structure of the 2-star and 3-star pay scales in order to achieve this. We welcome that the MoD accepted our recommendations. We note that it has decided to remove the bottom increment level from both the 2-star and 3-star pay scales, with effect from 1 April 2023, in order to achieve this.

4.88 The current pay increases on promotion to 2-star and 3-star from each pay point are shown in table 4.3. It also illustrates the increase in pay that will be received following the removal of increment level 1 from each pay scale with effect from 1 April 2023. These are based on 2022-23 rates of pay.

Table 4.3: **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 %		Pay increase after removal of IL1 %	
				To IL1	To IL2	Exc X-Factor	Inc X-factor	Exc X-Factor	Inc X-factor
1-star	1	113,470	2-star	125,035	127,478	13.4	10.2	15.7	12.3
	2	113,470		125,035	127,478	13.4	10.2	15.7	12.3
	3	114,618		125,035	127,478	12.2	9.1	14.5	11.2
	4	115,765		125,035	127,478	11.0	8.0	13.3	10.1
	5	116,913		125,035	127,478	**9.9	6.9	12.1	9.0
	6	118,061		125,035	127,478	*8.8	5.9	11.0	8.0
2-star	1	125,035	3-star	145,476	152,605	16.7	16.3	–	–
	2	127,478		145,476	152,605	14.4	14.1	20.2	19.7
	3	129,970		145,476	152,605	12.2	11.9	17.8	17.4
	4	132,512		145,476	152,605	10.0	9.8	15.5	15.2
	5	135,105		145,476	152,605	7.8	7.7	13.2	13.0
	6	137,748		145,476	152,605	5.7	5.6	11.0	10.8

*10 per cent uplift achieved by a SDRP to give a basic rate of pay of £126,410.

** 10 per cent uplift achieved by a SDRP to give a basic rate of pay of £125,147.

Note: Salaries include X-Factor and are for 2022-23.

4.89 Not all officers promoted from 1-star to 2-star and from 2-star to 3-star are on the top increment level of the 1-star and 2-star pay scales. Of the 23 officers promoted from 1-star to 2-star during the period 1 July 2021 to 30 June 2022, three were on the top increment of the 1-star pay scale (IL6), two were on IL5,[25] 11 were on IL4, five were on IL3, one was on IL2 and one was on IL1. Removal of the bottom increment of the 2-star pay scale will result in the following:

- Officers promoting from the 1-star IL6 will receive an increase in base pay of 11.0 per cent (previously 10 per cent with the SDRP).
- Officers promoting from the 1-star IL5 will receive an increase in base pay of 12.1 per cent (previously 10 per cent with the SDRP).
- Officers promoting from the 1-star IL4 and IL3 will receive increases in base pay of 13.3 per cent (previously 11.0 per cent) and 14.5 per cent (previously 12.2 per cent) respectively.
- Those promoting from IL2 and IL1 will receive increases in base pay of 15.7 per cent (previously 13.4 per cent).

4.90 This is based on 2022-23 salaries. The increases on promotion from 1-star to 2-star will change if there is a differential pay award for members of the senior military and the rest of the Armed Forces this year. As it has done previously, the MoD may need to award an SDRP to ensure the minimum 10 per cent increase in base pay is maintained.

4.91 During the period 1 July 2021 to 30 June 2022, two of the eight officers promoted to 3-star had been on the top increment level (IL6) of the 2-star pay scale, two had been on IL5, one had been on IL4, and three had been on IL3. From 1 April 2023, removal of the bottom increment of the 3-star pay scale will result in the following:

[25] The MoD applied a Specially Determined Rate of Pay to maintain the 10 per cent increase to base pay for those promoting from IL6 and IL5.

- Officers promoting from the 2-star IL6 will receive an increase in base pay of 11.0 per cent (previously 5.7 per cent).
- Officers promoting from the 2-star IL5 will receive an increase in base pay of 13.2 per cent (previously 7.8 per cent).
- Officers promoting from the 2-star IL4 and IL3 will receive an increase in base pay of 15.5 per cent (previously 10.0 per cent) and 17.8 per cent (previously 12.2 per cent) respectively.

Medical Officers and Dental Officers

4.92 There were four 2-star Medical Officers and Dental Officers (MODOs) at 1 July 2022, a decrease of one from the previous year.[26] The 3-star Director General Defence Medical Services post is currently held by a civilian.[27]

4.93 The 2-star rate of pay for MODOs (£166,700) 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 (£177,955) is 5 per cent above the MODO 2-star base rate plus X-Factor.[28] The associated paybill costs for 2021-22 for the MODOs, including employer's national insurance and pensions contributions, was £1.2 million.[29]

4.94 The MoD requested us to recommend that the pay arrangements for MODOs remained unchanged.

Recruitment

4.95 The senior military only appoints officers from within the Armed Forces. The most senior officer roles are filled with those already substantive in rank or by those on promotion. The MoD stated that recruitment to the senior military remained healthy. It said there was no evidence of large numbers of officers turning down promotion into the most senior roles.

4.96 During the 12 months to 30 June 2022, 23 officers were promoted into the remit group and a further 10 were promoted within it. This was sufficient to replace the 29 that retired from the senior military and the one officer that left voluntarily.

Talent management and succession planning

4.97 The MoD acknowledged the increasing importance of retaining officers with specialist skills as well as leadership qualities. It told us that senior officer career managers continued to identify and monitor those with the requisite skills and aptitude for the most senior roles.

4.98 We were informed that the process for senior talent management has been developing over the last four years. The Senior Appointments Committee (SAC) 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.

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[26] This includes one MODO currently occupying a General Service post.

[27] This post will be held by a 3-star military officer from July 2023.

[28] 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 received as X-Factor was £4,585 in 2022-23.

[29] These costs include the one MODO who is currently occupying a General Service post but is paid at the MODO OF7 rate.

4.99 The MoD told us the Defence Secretary had been tasked by the SAC with the following to enhance succession planning:

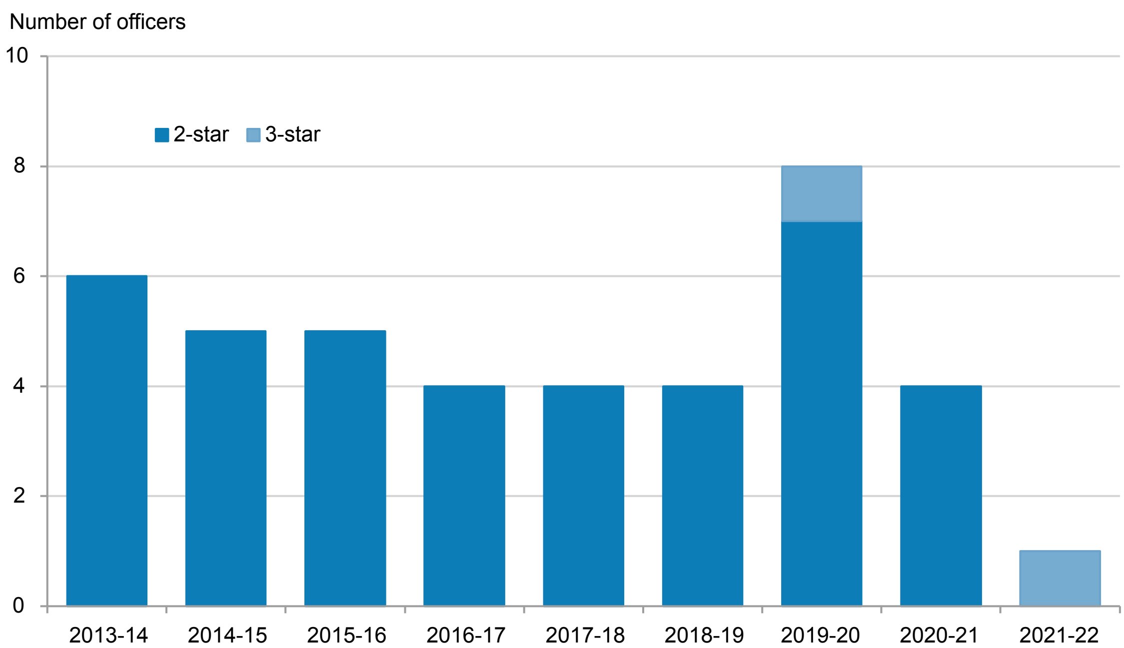
- Develop recommendations for the Defence Council to consider in relation to 4-star officer appraisal and objective setting, and to succession planning and length of tenure options for Chiefs of Staff.
- Conduct a review of Defence Council and SAC appointments, with a view to streamlining decision-making.
- Undertake a review of the senior officer cohort in relation to:
  - Appraisals and reporting.
  - Identifying potential.
  - Assuring functional pipelines.
  - Diversity.
  - Candidate fields.
  - Professional development.

4.100 At oral evidence, the VCDS said that Defence had not managed some specialist cohorts particularly well in the past. He explained it was now developing a more data-led process that looked much further back to ensure a greater depth and breadth of individuals to select from in the future. He added that, as part of his review, the Defence Secretary had been asked to look at improving how the Armed Forces identify, select and manage small pools of specialised cadres to ensure the right talent is available for senior roles.

Retention

4.101 One 3-star officer voluntarily left the Armed Forces during the period 1 July 2021 to 30 June 2022, down from four 2-star officers over the previous year. The number of voluntary leavers over the last nine years is shown in figure 4.6.

Figure 4.6: **Officers leaving the Services voluntarily, 2013-14 to 2021-22**



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. No 4-star officers left the Services voluntarily over the period.

4.102 We were provided with data from the Joint Personnel Administration (JPA) system on the reasons given for voluntary early exit by the 3-star officer.

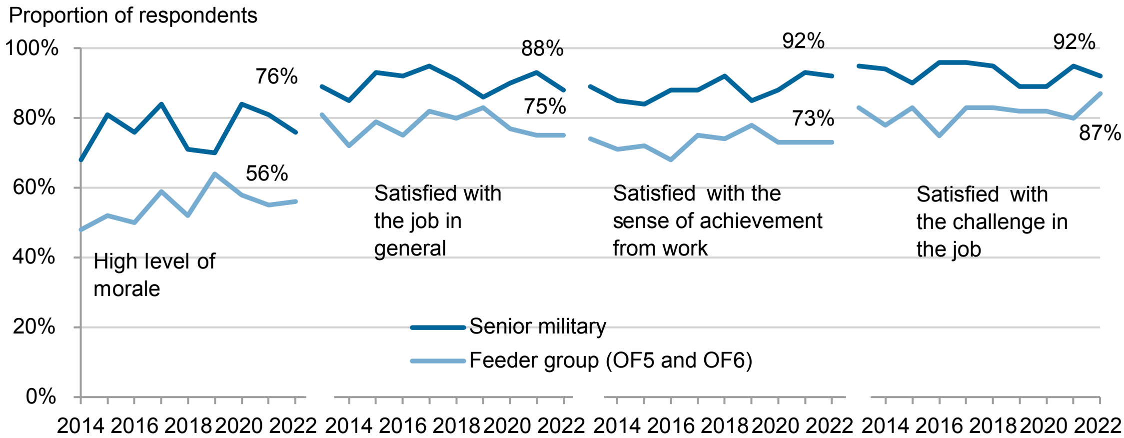
Motivation and morale

4.103 The MoD provided the results from the 2022 Armed Forces Continuous Attitude Survey (AFCAS) in its evidence.[30] 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 48 per cent (down from 58 per cent in 2021). Given the low overall number of responses to the AFCAS and due to the small cohort, we treat the results to this, and to our OME survey, with a degree of caution.

4.104 The MoD told us that the only statistically significant change in the AFCAS responses for the senior military related to the statement 'I feel valued in the Service'. The number of senior officers disagreeing with this statement increased to 20 per cent in 2022 from 5 per cent in 2021. Those agreeing with the statement fell to 74 per cent in 2022 from 87 per cent in 2021.

4.105 The 2022 AFCAS results also showed 76 per cent of senior officers rating their own morale as high compared to 81 per cent the previous year. The percentage rating their morale as low remained similar to the previous year at 8 per cent. Respondents' satisfaction with their job in general was 88 per cent compared to 93 per cent the previous year. Satisfaction with the sense of achievement and with the challenge in their jobs, both at 92 per cent, remained similar to the previous year.[31] Levels of morale and satisfaction for the senior military and the feeder group between 2014 to 2022 are shown in figure 4.7.

Figure 4.7: **Levels of morale and satisfaction, 2014 to 2022**



Source: Ministry of Defence, written evidence, unpublished.

Notes: AFCAS – How satisfied are satisfied are you with your basic pay (includes X-Factor but excludes RRP and allowances)? How satisfied are you with your pension benefits? OME survey of the senior military – How satisfied are you with your non-pay benefits (e.g. healthcare)? How satisfied are you with your overall remuneration package?
The figure shows the percentage of respondents answering satisfied or very satisfied.

4.106 The SSRB's secretariat conducted an online survey (the OME survey) that was sent to all members of the senior military.[32] The survey contained questions that complemented those in the AFCAS and elicited a response from 56 per cent of the remit group (70 responses in total). The 2022-23 results showed that 91 per cent of respondents said they were either motivated or highly motivated to do a good job, compared to 88 per cent the previous year.

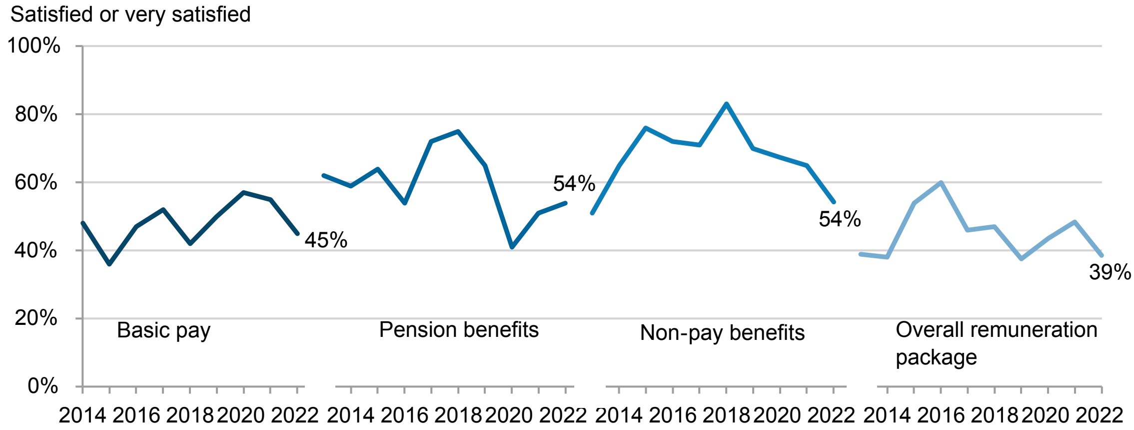
30 The 2022 AFCAS was carried out between September 2021 and February 2022.

31 We note the MoD has said that none of these changes are statistically significant.

32 The OME survey ran from October 2022 to January 2023.

4.107 Some indicators demonstrated a fall in satisfaction with pay. The OME survey showed that 39 per cent of respondents were either satisfied or very satisfied with the overall remuneration package, a decrease from 48 per cent in the previous year. There was a fall in the proportion satisfied with pay on promotion from 42 to 34 per cent and also a fall in satisfaction with non-pay benefits, from 65 to 54 per cent. The AFCAS showed 45 per cent of respondents were satisfied with the basic rate of pay (including X-Factor but excluding allowances) in 2022. This figure was 55 per cent in 2021. The proportion of respondents who were satisfied with their pension benefits remained fairly stable at 54 per cent. Levels of satisfaction with basic pay and other benefits for members of the senior military between 2014 and 2022 are shown in figure 4.8.

Figure 4.8: **Satisfaction with pay and benefits for officers at 2-star and above, 2014 to 2022**



Sources: Ministry of Defence, written evidence, unpublished; OME survey of the senior military.

Notes: AFCAS – How satisfied are you with your basic pay (includes X-Factor but excludes RRP and allowances)? How satisfied are you with your pension benefits? OME survey of the senior military – How satisfied are you with your non-pay benefits (e.g. healthcare)? How satisfied are you with your overall remuneration package? The figure shows the percentage of respondents answering satisfied or very satisfied.

4.108 Results from the AFCAS showed that just 31 per cent of respondents agreed that their family benefited from being a Service family, with 51 per cent disagreeing. The figures were 35 per cent and 40 per cent respectively for 2021.

4.109 The discussion groups we held with members of the senior military suggested a number of specific areas of concern. Most of these were similar to those raised in previous years, including concerns about senior military pay in comparison to roles in the civilian sector, the increase in pay on promotion, the attractiveness of the senior military employment offer to the next generation, and the impact of pension tax charges. An emerging and concerning issue was the reported lack of trust and respect that some ministers appeared to have for the advice and expertise given by members of the senior military. The discussion groups were held before the March 2023 Budget which announced increases to the annual allowance taper and the abolition of the lifetime allowance.

4.110 There was concern about the attractiveness of the senior military employment offer to the next generation of senior officers. It was reported that some in the feeder group were reluctant to take promotion due to the additional responsibility, accountability and workload for a relatively small increase in pay. There was also the risk of receiving a large pension tax bill on promotion and the lack of security of employment under SOCR terms. The increase in responsibility and accountability from 1-star to 2-star and also from 2-star to 3-star was considered to be significant. Some commented that while the recommendation and acceptance of a minimum 10 per cent increase in base pay on promotion to 2-star and 3-star had been welcome, the increase should apply to basic pay i.e., including X-Factor. There was concern that those who did not think the senior military employment offer was attractive were taking the decision to leave earlier in their careers.

4.111 Those we spoke to were aware that their skills were in high demand from civilian employers and that they could earn much higher salaries, for less responsibility and with a better work-life balance if they left the Armed Forces. Many said they were headhunted on a regular basis. There were reports of an increase in the number of senior military leaving to take up roles in the senior civil service which they thought were more attractive in terms of pay and flexibility in pension provision.

4.112 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. However, it did appear that a tipping point had been reached where pay was becoming more of an issue than in previous years. 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.

4.113 Pension taxation, mainly in relation to the annual allowance, but also the lifetime allowance, was still one of the biggest concerns for members of the remit group. Nearly all members of the senior military were 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. Many felt the taxation detracted from the value of the Armed Forces Pension scheme. Some commented that using Scheme Pays to settle the charge was not a good option as it reduced the future benefit. There were also concerns that the offer in relation to the pension and pension tax charges might deteriorate further in future. There were requests for the Armed Forces Pension Scheme to be de-registered for tax purposes.

4.114 Workloads were reported to be exceptionally high, with members of the senior military regularly working evenings and weekends. Technology had increased the work tempo and the expectation to be available 24 hours a day. Over many years, the loss of various 'job enablers' including administrative support, a car and driver and the ability to be able to access first-class travel had impacted on productivity and efficiency and added to workloads.

4.115 Many commented that certain aspects of the military employment package were rigid and not suited to the 21st century family. It was thought that the Armed Forces were changing but almost reluctantly and not quickly enough. There were concerns 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/families due to frequent house moves.
- The disruption to children's education despite the Continuity of Education Allowance and the complex 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.

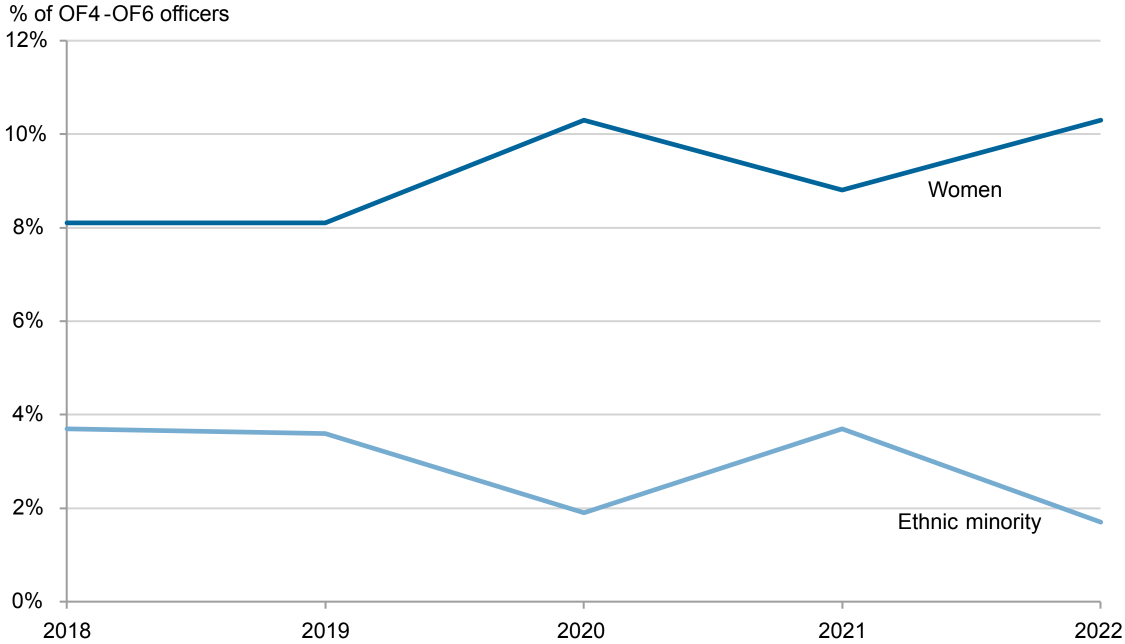
The feeder group

4.116 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 322 officers at this rank at 1 July 2022, up from 311 a year earlier.

4.117 The two groups below the immediate feeder group are the OF4 and OF5 ranks. On 1 July 2022, there were a total of 4,702 officers in the OF6 to OF4 ranks, up from 4,659 a year earlier.[33] Of these, 10.3 per cent (482 individuals) were female officers, an increase from 8.8 per cent in 2021 and the same percentage as in 2020.

4.118 The percentage of officers at OF4 to OF6 declaring that they are from an ethnic minority background decreased to 1.7 per cent at 1 July 2022[34] from 3.7 per cent in 2021 and 1.9 per cent in 2020. The data show that 2.1 per cent (99 individuals) of those at OF4 to OF6 declined to declare. This is similar to the 2.0 per cent (95 individuals) declining to declare in 2021.

Figure 4.9: **Gender and ethnicity of OF4-OF6 officers as at 1 July, 2018 to 2022**



Source: Ministry of Defence, written evidence, unpublished.

4.119 The MoD explained it was difficult to collect reliable data on ethnicity as, rather than selecting the 'decline to declare' option, many chose not to complete this on JPA and to leave the section blank. The gender and ethnicity of OF4 to OF6 officers over the last five years is shown in figure 4.9. No officers in the OF4 to OF6 ranks declared themselves as having a disability.

4.120 Data provided by the MoD showed that 19 OF6s (5.9 per cent) left the Services through voluntary outflow in the 12 months to 30 June 2022. This was a slight decrease from 24 officers (7.7 per cent) who left during the 12 months to 30 June 2021. Trend data show decreasing levels of voluntary outflow for those at OF6 over the last five years, with a slight increase in 2021 (see figure 4.10).

4.121 There was a slight increase in the voluntary outflow rate for OF5 officers in 2021-22. The number of OF5s leaving the Armed Forces voluntarily in the 12 months to 30 June 2022 rose to 39 officers (3.9 per cent), up from 31 officers (3.1 per cent) in the 12 months to 30 June 2021. Trend data showed increasing levels of VO for those at OF5 between 2017-18 and 2019-20, followed by a decrease in 2020-21 thought to be due to the economic uncertainty created by the COVID-19 pandemic.

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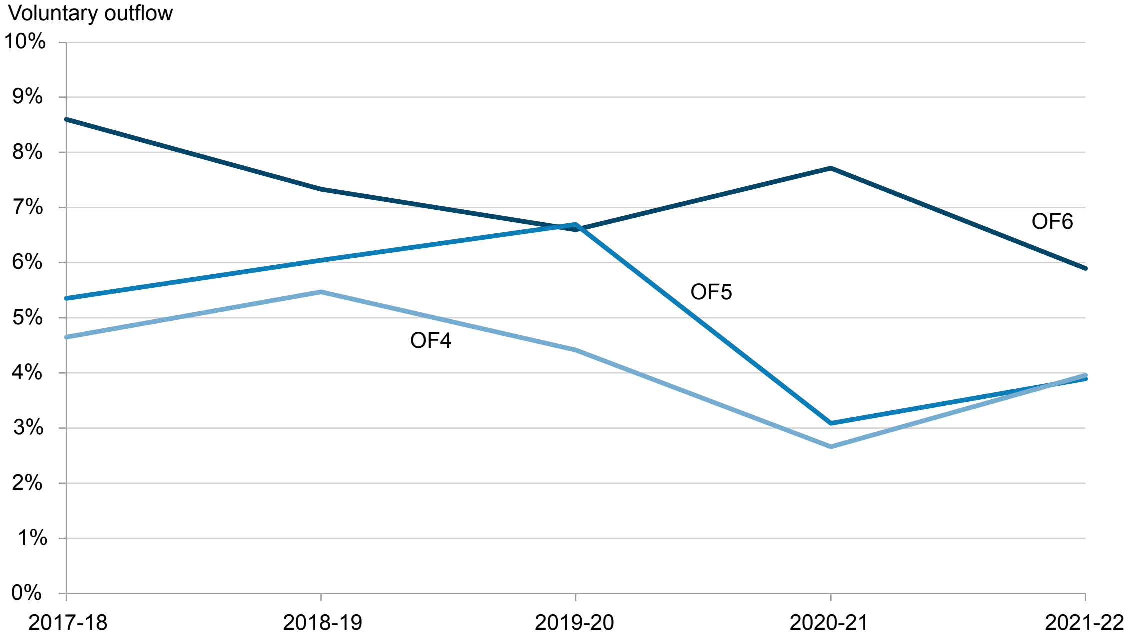
33 This was made up of 322 OF6s, 1,001 OF5s and 3,379 OF4s.

34 81 officers from an ethnic minority background out of 4,702 personnel.

Figure 4.10: **Outflow rate from the feeder group (OF4 to OF6), 2017-18 to 2021-22**



Source: Ministry of Defence written evidence, unpublished.

Note: Outflow rate is calculated as number of voluntary leavers over the year to 30 June as a proportion of number in rank at the end of the year.

4.122 There was also an increase in the voluntary outflow rate for OF4 officers in 2021-22 to 134 officers (4.0 per cent) from 89 officers (2.7 per cent) in 2020-21. This increase follows a trend of decreasing voluntary outflow rates for OF4s from 2018-19 to 2020-21.

4.123 Data from the JPA system showed the five most frequently cited reasons for leaving the Armed Forces for those at OF6 to OF4 were 'firm offer of civilian employment', 'opportunities/prospects outside', 'dissatisfaction with overall career/promotion prospects', 'seeking fresh challenges' and 'live in own home/settle and live in one area'.

4.124 The MoD does carry out exit interviews with those leaving the Armed Forces but does not think the data provided are sufficiently reliable to provide insights into the quality of those leaving or their reasons for doing so. It says officers are often reluctant to state their reasons for leaving. The MoD's response to our request in recent reports that it should carry out independent exit interviews was that making the process independent, or mandatory was likely to exacerbate the issue of responses being unreliable.

4.125 The MoD provided us with responses to the 2022 AFCAS from OF5s and OF6s. We were informed that 286 OF5s and OF6s were asked to complete the AFCAS and that the response rate was 59 per cent. With the low number sampled, the results need to be treated with a degree of caution. The survey acts as a useful engagement tool. We suggest again this year that the MoD increases the number of OF5 and OF6 officers sampled to provide more robust data.

4.126 We were told by the MoD that the AFCAS results this year showed no significant changes for the OF5s and OF6s compared to those in 2021. We observe that the responses were more positive in relation to pay and pensions than those of the senior military. However, the percentage of those rating their own morale as high was 56 per cent compared to 76 per cent for members of the senior military. Fifty-five per cent of OF5s and OF6s agreed with the statement 'I feel valued in the Service' and 24 per cent disagreed with it. These responses were similar to those for 2021.

4.127 The proportion of OF5 and OF6 respondents satisfied with their basic rate of pay (includes X-Factor but excludes allowances) was 59 per cent compared to 65 per cent the previous year. Eighty-two per cent were satisfied with their pension benefits compared to 76 per cent in 2021. The proportion who agreed their family benefited from being a Service family remained low at 31 per cent, with 49 per cent disagreeing.

4.128 Figure 4.7 above shows the trends in morale, satisfaction with the job, sense of achievement and challenge in the job for the OF5s and OF6s from 2014 to 2022. Absolute levels of satisfaction are typically lower for this group than for those in the senior military, but with a decreasing gap for some indicators, such as the level of challenge in the job.

4.129 The MoD also provided us with the results from its annual Continuous Working Patterns Survey for the OF5s and OF6s. The results indicated an increase in the average number of weekly hours worked (from 56 in 2020-21 to 58 in 2021-22), the average number of weekly hours on duty (from 71 to 80), the average number of weekly hours on call (from 10 to 19) and the average number of weekly unsociable hours worked (from 9 to 11). We note that the number of usable responses was very low (31 individuals) meaning the results cannot be considered reliable. We again urge the MoD to extend this survey to provide more robust data on working hours.

4.130 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. Pay appeared to be more of an issue this year. A frequent comment was that many other public sector workers had received a higher pay award last year than members of the Armed Forces. There were concerns about the impact of high inflation and the increase in the cost of living on the more junior members of the Armed Forces. 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. Many said they were regularly approached on social media by civilian employers with job offers. They said the Armed Forces needed to pay individuals what they were worth in order to retain them in an aggressive jobs market.

4.131 The fact that the policy of one guaranteed posting had been extended to those at OF5 in the Army and the Navy was an issue of concern. Many saw this as a detrimental change to their terms and conditions and as something that acted as a disincentive for those at OF4, particularly those with mortgages and those using Continuity of Education Allowance, to take promotion. We were told that the policy encouraged individuals to consider career options outside the military at an earlier stage than they previously would have. It was thought that the Armed Forces could see a big talent drain in five years' time. Some of those that did accept promotion commented that it felt more like accepting a 'contract' rather than a 'commission'. However, others said they recognised the policy was necessary in an internally sourced, pyramid-shaped organisation like the Armed Forces to facilitate promotion of the most talented individuals.

4.132 The much heavier workloads at the rank above, the risk of incurring a large pension tax charge and the increasing lack of job security at OF5 and above were all thought to be acting as disincentives to remaining in Service and seeking promotion. More officers, particularly those at OF5, appeared to be considering leaving the Armed Forces to take up roles outside than had been the case in previous years. Some commented that the military was good attracting the brightest and most talented individuals but was not necessarily able to retain them. Incentives to increase retention of these individuals were needed, particularly those with specialist skills. The de-coupling of pay from rank for specialist roles was discussed, but it was acknowledged this would need to be carried out in a transparent way.

4.133 When asked, most said there was no reduction in the requirement to be operational at OF5 and above and therefore did not feel the X-Factor taper was justified for senior officers.

Pensions

4.134 The MoD submitted its written evidence before the March 2023 Budget where the Chancellor announced changes to the annual allowance and the lifetime allowance with effect from 6 April 2023.

4.135 From 1 April 2022 all members of the Armed Forces moved to the Armed Forces Pension Scheme 2015 (AFPS 2015). Prior to this date, 63 per cent of the senior military belonged to AFPS15, 8 per cent to the 2005 Armed Forces Pension Scheme and 29 per cent to the 1975 Armed Forces Pension Scheme.[35]

4.136 The MoD said that the non-contributory Armed Forces Pensions Scheme continued to be a valued element of the military employment offer. However, the fact that the standard annual allowance limit of £40,000 had remained unchanged since 2014-15 was an issue of concern to the more senior members of the Armed Forces. This had led to members of the senior military, the feeder group and some mid-rank non-specialist OF4s breaching the annual allowance threshold. We note that a total of 3,745 pensions savings statements were issued to members of the Armed Forces for the tax year 2021-22, of which 862 were to officers at OF5 to OF9.[36]

4.137 Some members of the senior military informed us that those who had exceeded their lifetime allowance were financially better off moving to a Director General, pay band 3 role in the senior civil service, rather than remaining as a 3-star officer in the Armed Forces.

4.138 We welcome the Government's recent announcement in the March 2023 Budget to increase the annual allowance from £40,000 to £60,000 and to abolish the lifetime allowance. The CDP said at oral evidence that this should considerably improve the situation in relation to pension taxation charges for members of the senior military, but particularly in respect of annual allowance tax charges for those in the feeder group and below.

4.139 We were told that the Armed Forces Remuneration team and the single Services were continuing their communication initiative aimed at highlighting 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. Support had been provided to all those who required it following receipt of an annual allowance breach letter. In addition, a suite of pension taxation videos had been provided to supplement the comprehensive guidance supplied internally and on the Government website.

4.140 The MoD told us that for the tax year 2021-22, 131 members of the senior military received a letter informing them that they had exceeded the pension annual allowance.[37] This compares to 134 officers in 2020-21, 120 officers in 2019-20, 114 in 2018-19 and 112 in 2017-18.

4.141 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

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[35] As at 1 July 2021.

[36] Not all those issued with a pension savings statement would be liable for a pension tax charge.

[37] 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.

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.

4.142 We were told that the Scheme Pays process for the tax year 2021-22 would be ongoing until 31 July 2023. At the time of writing, 35 out of the 77 members of the remit group who requested quotes from JPA had settled their pension tax charge using Scheme Pays. The figures were 135 out of 327 for the OF5 and OF6 officers. For the tax year 2020-21, 90 of the 110 members of the senior military who received quotes from JPA settled their annual allowance tax charge using Scheme Pays, the same number as for 2019-20. The figures were 377 out of 498 for the OF5 and OF6 officers for the tax year 2020-21.

4.143 Results from the OME survey showed that 95 per cent of respondents had incurred a pension annual allowance tax charge for 2021-22 (62 out of 65 who were able to answer this question). Of those 62 officers, all intended to use Scheme Pays to pay the charge. Sixty per cent of those who responded said that they understood the effect of the annual allowance on their pension well or very well.

4.144 The majority of those who responded to the lifetime allowance question, 82 per cent (54 individuals), said they expected to breach the pension lifetime allowance during their military career. A further 8 per cent of respondents (five individuals) said they did not know. Around 68 per cent of respondents knew roughly what proportion of their lifetime allowance they had used so far and around two-thirds of these said they had used or exceeded their lifetime allowance. Only 37 per cent of those who responded said they understood the effects of the lifetime allowance on their pension well or very well.

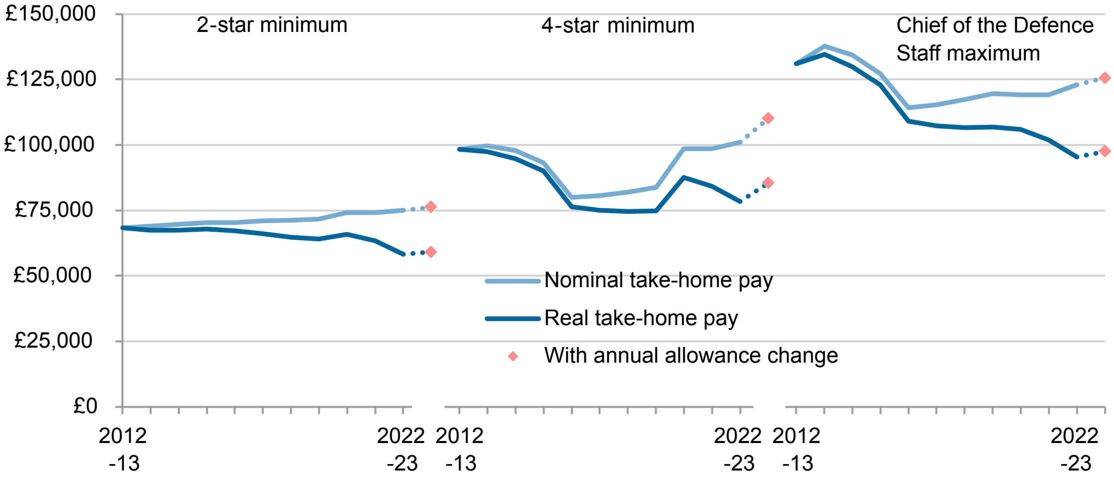
Take-home pay and total net remuneration

4.145 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 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, income tax on pensions or the changes to the retirement age. It also assumes annual allowance tax charges are paid in the year, rather than through a pension reduction by using Scheme Pays.

4.146 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.

4.147 The 3.5 per cent pay uplift last year was offset by an increase in national insurance so that nominal take-home pay grew by 1.3 per cent at the 2-star minimum, 2.4 per cent at the 4-star minimum and 3.1 per cent for the CDS maximum over the year. Total net remuneration grew by 2.1 per cent at the 2-star minimum, 2.8 per cent at the 4-star minimum and 3.3 per cent at the CDS maximum salary over the year.

Figure 4.11: **Nominal and real take-home pay, 2012-13 to 2022-23**



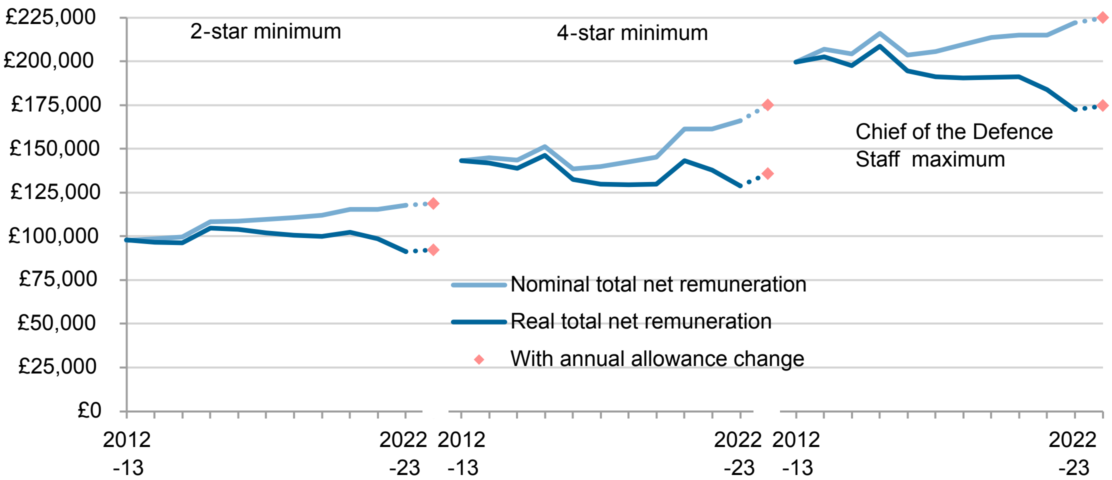
Source: OME analysis.

Notes: Real take-home pay based on the 2012-13 CPI. The annual allowance calculation uses 2022-23 salaries and tax allowances.

4.148 Inflation over the year was 10.1 per cent. This meant that all roles saw a large fall in take-home pay and total net remuneration in real terms. For the 2-star minimum, there was an 8.0 per cent fall in take-home pay and a 7.2 per cent fall in total net remuneration over the year in real terms. For the 4-star minimum, there was a 7.0 per cent fall in take-home pay and a 6.6 per cent fall in total net remuneration over the year in real terms. For the CDS maximum, there was a 6.4 per cent fall in take-home pay and a 6.2 per cent fall in total net remuneration over the year in real terms.

4.149 Since 2012-13, the 2-star minimum has seen a nominal increase of 9.9 per cent in take-home pay and 20.4 per cent in total net remuneration. This is due to general pay uplifts, an increased personal tax allowance and an improved accrual rate in the 2015 pension scheme. A basic salary of £125,035 at this rank is subject to the income tax personal allowance taper for those earning between £100,000 and £125,140. There will also be a small annual allowance tax charge of around £1,000 for 2022-23. In real terms, take-home pay at the 2-star minimum has fallen by 14.7 per cent while total net remuneration has fallen by 6.6 per cent since 2012-13. Total net remuneration since 2012-13 is shown in figure 4.12.

Figure 4.12: **Nominal and real total net remuneration, 2012-13 to 2022-23**



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. Real total net remuneration based on the 2012-13 CPI. The annual allowance calculation uses 2022-23 salaries and tax allowances.

4.150 Since 2012-13, the 4-star minimum has seen a nominal increase of 2.7 per cent in take-home pay and 15.9 per cent in total net remuneration. With a salary at £190,800, this group will have been liable for an annual allowance charge of around £11,200 in 2022-23. In real terms, take-home pay at the 4-star minimum has fallen by 20.3 per cent while total net remuneration has fallen by 10.1 per cent since 2012-13.

4.151 Since 2012-13, the CDS maximum salary has seen a nominal fall of 6.3 per cent in take-home pay and an increase of 11.3 per cent in total net remuneration. With a salary at £291,709, this role will have been liable for an annual allowance charge of around £42,900 in 2022-23. In real terms, take-home pay at the CDS maximum salary has fallen by 27.2 per cent while total net remuneration has fallen by 13.6 per cent since 2012-13.

4.152 The projected impact of the changes to the pensions annual allowance announced in the Budget is also shown in figures 4.11 and 4.12. The 2-star role will no longer be liable to an annual allowance charge, as pension accrual is just above the £40,000 limit. For the 4-star role, the increased annual allowance will mean a reduction in the annual allowance charge by £9,000 from around £11,200 to around £2,200. The CDS maximum salary is still subject to the full annual allowance taper, but the increase in the minimum annual allowance from £4,000 to £10,000 will see a reduction in the annual allowance charge of £2,700 from around £42,900 to £40,200.

Chapter 5

The Judiciary

Summary

5.1 The judiciary is the only one of our remit groups to show 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. They have also spread to the District (Magistrates') Bench. Shortfalls have continued at the Circuit Bench, though these have not worsened recently. Shortly before submission we heard from the Lord Chancellor that he expected to see an improvement in the numbers for the latest Circuit Bench recruitment campaign.

5.2 These shortfalls do not affect all posts or all parts of the courts system, but they are widespread and persistent enough to be a concern. Shortfalls affect the speed of justice, through their effects on court backlogs.

5.3 The 'quality' of applicants, as judged by the Judicial Appointments Commission's (JAC) ratings of candidates selected for appointment, has fallen over the long-term for both the District and Circuit Benches. While we recognise the limitations of these ratings, the size of the changes is, we believe, significant enough to be a concern. Only a decade ago, quality ratings of appointed applicants were much higher. This is as much a concern to us as is the shortfall in numbers.

5.4 The judiciary is the only one of the SSRB's remit groups that requires the recruitment of senior and experienced practitioners from an external labour market. It is also the only one of our remit groups to have shown recruitment problems over the past few years. We believe these two issues are linked.

5.5 We recognise and welcome the efforts made by bodies involved in judicial appointments, particularly the JAC, the Ministry of Justice (MoJ) and the judicial leadership, to continue an ambitious and proactive schedule of regular recruitments to fill judicial vacancies, 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.

5.6 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 UK than we found at the time of the Major Review.

5.7 We recognise and welcome the continuing attempts in all UK jurisdictions to improve judicial diversity, though all parties agree there is still more to do. We particularly welcome recognition that different under-represented groups may be best reached by taking different approaches.

5.8 We have growing concerns about the relative attractiveness of fee-paid judicial roles compared to salaried ones. We have 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 out 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.

5.9 We understand that the MoJ is conducting a review of various additional fees and are sure it will keep this issue in mind. We would, however, point out that the relative attractiveness of 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.

5.10 The MoJ said in written evidence that it had funding available for a 2023-24 pay award of 3.5 per cent. In his oral evidence, the Lord Chancellor confirmed his view that an increase much above that would not be affordable. He said an award above this level would require further trade-offs in the MoJ's budgets, efficiencies in delivery, wider trade-offs for public service delivery or risk the fight against inflation through further Government borrowing. The Lord Chancellor also said that the MoJ had made a significant investment in pension reform and, taken together with judicial salaries, this provided a competitive remuneration package.

5.11 We know that the MoJ made a significant investment in changing the judicial pension scheme. The new scheme, which is unregistered for tax purposes, is certainly more attractive than the 2015 scheme it replaced. This means it is not subject to tax rules about annual and lifetime allowances. The MoJ said at the time that it was expected to make an important contribution to judicial recruitment issues. We were aware of this when completing last year's Report.

5.12 As our Report last year argued, the extent to which the pension reforms enacted in April 2022 have already made a difference is a matter of judgement. We believe it has made a difference but it is not the whole solution. Recruitment shortfalls remain. An important question is how much the pension changes had already been taken into account by applicants for judicial posts before 2022-23.

5.13 The MoJ argued that the full effect of the pension change had yet to occur, and that it would take another year or two to assess whether it was sufficient. On balance, we are not convinced by this argument. We have heard that applicants are made aware of the pension by judges and other sources to whom they speak, and that application materials give information about pension benefits. We are also aware that the most persistent shortfall is at the District (Civil) Bench, where the benefits to current remuneration are the lowest, though the increase to retirement income is real. Because the new pension scheme was announced in 2019, consulted on in 2020, and has been extensively discussed by serving judges, we think much of the effect of the pension has already been 'priced in'.

5.14 Moreover, since the changes in the Budget to the pension annual allowance and, especially with the lifting entirely of lifetime allowance charges for everyone, the judicial pension scheme has lost some of its relative attractiveness.

5.15 The MoJ said in written evidence that the recruitment pool for the judiciary was made up of expert and often highly-paid individuals, and that to attract these individuals to salaried office it was essential to offer an attractive remuneration package, good working conditions, attractive terms and conditions, and a manageable workload.

5.16 We agree with this and think both a meaningful pay award and more investment into non-pay factors will be needed to solve the recruitment problems. While we understand concerns about affordability, our judgement is that a pay award larger than 3.5 per cent is needed to begin to address both shortfalls and the long-term decline in quality ratings. We are mindful of the decline of nearly a fifth in the real total net remuneration of UK judges in the past decade, the current level of annual pay settlements generally, and the rate of inflation over the past year. While we know the legal labour market is very heterogenous, we have seen some evidence that the median incomes of private legal practitioners have not seen such a decline.

5.17 Moreover, we think regular private sector annual average earnings growth of 7 per cent in the first quarter of 2023 has some bearing as a labour market comparator. Since judges are on a 'spot rate' – a salary that stays fixed throughout their service, unless they move to a higher court or leadership position – the only increase they see over a long period is the annual uplift. We believe that something has to be done to begin to address the problems with recruitment, both in terms of numbers and quality.

5.18 We are therefore recommending an across-the-board increase of 7 per cent. By our calculations this will cost £33 million, £17 million more than the MoJ's proposed 3.5 per cent award. We consider this a reasonable cost to attempt to fill more judicial vacancies and to tackle the court backlog.

5.19 Other non-pay factors also affect judicial recruitment and morale. One of the most important is the condition of the court estate, particularly in the lower courts in England and Wales. Some steps have been taken to fund the most urgent repairs, but judges and other stakeholders agree that a larger budget will be needed over a longer period of time to restore conditions to what they ought to be. We make further observations about various other issues that affect judicial recruitment below.

5.20 The SSRB is keen to begin the next Major Review, and believe that stakeholders are keen for us to do so. However, the terms of our interim Chair and three other members, including the judicial lead member, end this summer. Until the Cabinet Office is able to progress recruitment, we will not be able to take on the Major Review.

5.21 The then Lord Chancellor wrote in this year's annual pay remit letter that he expected the next Major Review would focus on Circuit and District Judges, and on the level of fee-paid judges applying for salaried office. There has since been further correspondence about including the role of Sheriff Principal in Scotland. We agree that these are priorities.

Background

5.22 For 2023, the then Lord Chancellor asked the SSRB to make a recommendation for all judicial office holders for whom he sets the rate of remuneration. He asked that this take account of:

- Evidence the MoJ provided, including on affordability.
- Evidence on recruitment, retention, and diversity of judges.

5.23 He also said that in the current economic context it was particularly important to have regard to the Government's inflation target when forming recommendations.

5.24 In the SSRB's last Major Review of Judicial Salary Structure, we consulted widely about key principles that would underpin our judgements on job placement and salary structure. These were agreed with and supported by the judiciary and governments across the UK. The agreed principles were:

- There should be no inherent distinction between the work of court-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 in which they work.
- Judges should continue to be paid at a spot rate, with no progression up a pay range.
- Geographical location within the UK 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.

5.25 We continue to follow these principles. However, as noted in last year's Report, each has costs, as they are often at odds with labour-market facing evidence that differs for different groups.

5.26 This year we have received written and oral evidence from the Lord Chancellor and Secretary of State for Justice, the Lord Chief Justice, the Senior President of Tribunals, the Master of the Rolls, the Lord President of the Court of Session, the Lady Chief Justice of Northern Ireland, and the Judicial Appointments Commission for England and Wales. We have received written evidence from the Judicial Appointments Board for Scotland, the Northern Ireland Judicial Appointments Commission, and the judicial associations. We thank all those who participated for their valuable contributions. We have also used the latest Judicial Attitudes Survey results.[38] [39] [40] The survey has a high response rate (particularly in England and Wales, and Scotland) and provides useful insights into judicial morale and the factors which affect it.

5.27 The Lord Chancellor sets the rate of remuneration for judges in England and Wales, Scotland, and Northern Ireland, with the exception of judges working in devolved tribunals. The SSRB's remit is to recommend pay awards for salaried judges, though in practice, because of interpretations of the O'Brien judgment, fee-paid judges receive a pro rata equivalent daily rate.

5.28 Having the right number of judges of the correct calibre matters. They make decisions that affect individuals, families, businesses and society, and the UK's international reputation. 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. As the MoJ said in written evidence, a strong, independent judiciary is fundamental to maintain the rule of law, the bedrock of our democracy, and has a key constitutional role as one of the three branches of state. In addition, a stable and well-developed system of law, where laws are generally perceived as fair in their application and predictable in their outcomes, provides an environment where commerce can thrive. The legal system also makes a substantial contribution to the economy of the UK.

5.29 There are around 2,200 salaried judges across all jurisdictions, with the vast majority based in England and Wales. Pay ranged from £275,534 in salary group 1 to £118,237 in salary group 7 in 2022-23. The total paybill for salaried judges was £472 million in 2021-22.

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38 https://www.judiciary.uk/guidance-and-resources/judicial-attitude-survey-2022/

39 https://www.judiciary.scot/docs/librariesprovider3/judiciarydocuments/judicial-attitudes-survey/2022-jas-scotland-report-for-publication.pdf

40 https://www.judiciaryni.uk/judicial-attitude-survey

5.30 These are, of course, relatively high salaries. Unlike all our other remit groups, however, the judiciary is the only one that is entirely recruited from an external labour market. This labour market is made up largely of barristers, advocates, solicitors, and some others, who are already well-established in their careers, and also relatively well-paid. They must actively choose to apply. While we know that the idea of public service and the intellectual interest of the work form a significant part of the motivation for those applying, the financial offer needs to be sufficiently attractive, even if it does not match private sector earnings.

5.31 Although there is some movement between different levels of the judiciary, this is small in relation to the total number of judges recruited.

5.32 Court backlogs remain a real issue, although the extent and implications vary by jurisdiction. This is compounded by judicial recruitment difficulties. The recruitment situation varies by jurisdiction and by role. For some key roles in England and Wales, we continue to note significant recruitment shortfalls, as we have done for many years. In addition, data from the JAC, which are one indicator of the quality of applicants, albeit with important caveats, show that the number of strong and outstanding selections for judicial appointments at levels below the High Court is noticeably lower than in 2013-14.

5.33 On 1 April 2022, a new judicial pension scheme was implemented. The change was first announced in 2019, consulted on in 2020, and widely trailed when the legislation was introduced in 2021. We covered this change extensively in last year's Report. In summary, the change made the judicial pension scheme significantly more generous than the 2015 scheme, though somewhat less so than the earlier judicial pension scheme which it replaced. A key feature is that it is unregistered for tax purposes, which means it is not subject to tax rules about annual and lifetime allowances. The MoJ said at the time that it was a significant investment which was expected to largely solve judicial recruitment issues. We were aware of this when completing last year's Report. Recruitment shortfalls remain, however, and an important issue is how much the pension changes had already been taken into account by applicants for judicial posts before 2022-23. We discuss this further below.

5.34 In the same legislation as the pension changes, the MoJ increased the mandatory retirement age for judges from 70 to 75 (reverting to 1993 retirement ages). In its impact assessment for Parliament, the MoJ estimated that this change could retain an extra 400 judicial office holders a year, but this would include only around 16 salaried court judges.

5.35 Fee-paid judicial posts have not, in the main, been subject to the same shortfalls as salaried (mainly full-time) judicial posts. Since the Major Review in 2018, the SSRB has expressed concern that fee-paid roles have been increasingly seen as relatively more attractive than salaried posts, and that this affects judicial recruitment. The Lord Chief Justice, the Senior President of Tribunals, and the Master of the Rolls said in both written and oral evidence that there were aspects of salaried office that were perceived to make the job less attractive and more onerous. Fee-paid judges do not have to undertake management responsibilities and they have a high degree of choice in when they sit and in what jurisdictions. In addition, they are able to claim for travel and subsistence.

5.36 Perhaps most importantly, with the shortage of salaried judges, fee-paid judges can sit for many more days than their minimum commitment, creating what is, in essence, a sellers' market. The Lord Chief Justice, the Senior President of Tribunals, and the Master of the Rolls believe the minimum time a salaried part-time judge can sit should significantly exceed the maximum a fee-paid judge can.

5.37 This would reduce the dependence on fee-paid judges and change the incentives to move to salaried office. However, it may be difficult to achieve until backlogs are reduced.

Meanwhile, the MoJ said in its evidence this year that it had lifted the number of days that fee-paid judges could sit.

Government response to our 2022 recommendations

5.38 Last year, we recommended a pay increase of 3.5 per cent from 1 April 2022 for all members of the judiciary. The Government rejected our recommendation. It awarded a 3 per cent pay increase to all judicial office-holders within our remit group.

5.39 We are disappointed that the Government rejected our recommendation, which followed a careful process of weighing the relevant considerations, including the persistent recruitment challenges for various judicial roles in England and Wales. The statement that this was because of the pay increases for court staff and civil servants does not address our specific concerns about judicial recruitment and the difficulty in filling vacancies in England and Wales.

5.40 Because judges in England and Wales constitute by far the largest group within the UK, and because it is here that we see virtually all the recruitment problems, we will first present that evidence in the round, before turning to other UK jurisdictions.

England and Wales

5.41 The Lord Chancellor, the Lord Chief Justice, and the Senior President of Tribunals issued a joint statement in July 2022 to reaffirm their commitment to bring courts and tribunals closer together and make better use of resources. This involves creating a unified leadership structure under the Lord Chief Justice. The Senior President of Tribunals would continue with the standing of head of division. Formalising this change will require primary legislation and was due to be consulted on soon.

5.42 In order to bring greater consistency to the fee arrangements across courts and tribunals, in July 2022 the Lord Chancellor decided to begin a review of additional fees. On 24 November 2022, the MoJ launched a consultation titled: *Additional Fees – the case for reform* to seek the views of the judiciary. The consultation closed on 24 January. The MoJ is not yet able to confirm when the Government response will be published. Subject to the results of the consultation and with the Lord Chancellor's agreement, implementation will commence in 2023. We will continue to monitor this, as it may change the balance of attractiveness of different roles.

Recruitment

5.43 England and Wales has seen significant recruitment shortfalls for some roles, recently in particular at the Circuit Bench and District (Civil) Bench. Before 2015-16, shortfalls were unusual. They are now persistent.

5.44 The JAC also provides data on the quality of judicial applicants.[41] While these data have limitations, they are valuable as an indication of where the applicant pool is weakening even when all roles are being filled. The JAC assesses candidates as outstanding, strong, selectable or not presently selectable. The quality of applications has dropped in several areas, with noticeably fewer outstanding and strong grades among those selected for appointment.

5.45 It had been hoped that the judicial pension change would solve these recruitment challenges. The MoJ maintains that, as the new pension scheme has not yet been in place a year, it is too soon to say what its full impact will be. We are not convinced by this, as the change had been trailed extensively. We discussed this issue at length in our 2022

[41] 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.

Report, where we assembled evidence to show that applicants for judicial posts were likely to be aware of the future pension legislation well before it was enacted.

5.46 At the Circuit Bench, there has been a recruitment shortfall every year since 2016-17 (see table 5.1). For six years, the judicial offer has not been attractive enough to fill all vacancies. In 2021-22 a fifth of vacancies went unfilled. The MoJ said in its written evidence that judicial capacity was the key constraint in the Crown Court (though the Lord Chancellor said in oral evidence that the availability of counsel was also a significant problem). This makes these recruitment issues particularly damaging. In oral evidence the Lord Chancellor said there had been an increase in numbers applying for judicial roles and suggested that more time was needed before concluding recruitment shortfalls would continue. He also said he was optimistic that the Circuit Judge recruitment campaign currently underway would not result in a shortfall. We note, however, the long-term decline in the JAC quality ratings that has been seen at the Circuit Bench; a decade ago, virtually all appointees were rated as 'outstanding' or 'strong', whereas now only about 60 per cent are. We think it unlikely that will change without further intervention.

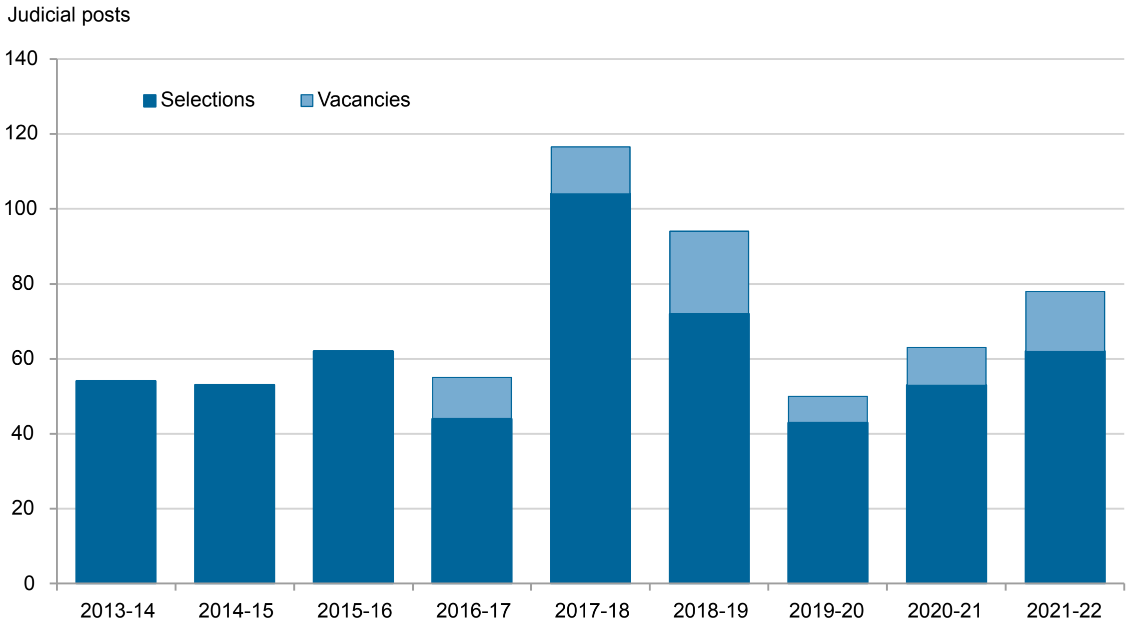
Table 5.1: **Circuit Judge recruitment, 2013-14 to January 2023**

Year	Vacancies	Percentage shortfall	Good and outstanding candidates as a percentage of total selections
2013-14	54	0%	119%
2014-15	53	0%	102%
2015-16	62	0%	77%
2016-17	55	20%	57%
2017-18	116.5	11%	86%
2018-19	94	23%	74%
2019-20	50	14%	67%
2020-21	63	16%	77%
2021-22	78	21%	63%
Apr-22 to Jan-23	–	–	–

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.

Figure 5.1: **Circuit Judge recruitment, 2013-14 to 2021-22**



Source: Judicial Appointments Commission.

5.47 At the District (Civil) Bench, the issues are even greater. Again, there has not been a judicial recruitment campaign that has filled all vacancies since 2015-16 (see table 5.2). Since 2019-20, on average only half of vacancies have been filled each year. The shortfall has been gradually falling, though this year a third of vacancies have still gone unfilled. While judicial capacity is not having as much impact on the civil and family courts as the Crown court, it is still affecting their ability to process cases. In the latest campaign we have data for, 39 per cent of selections were graded as good or outstanding.

Table 5.2: **District Judge (Civil) recruitment, 2013-14 to January 2023**

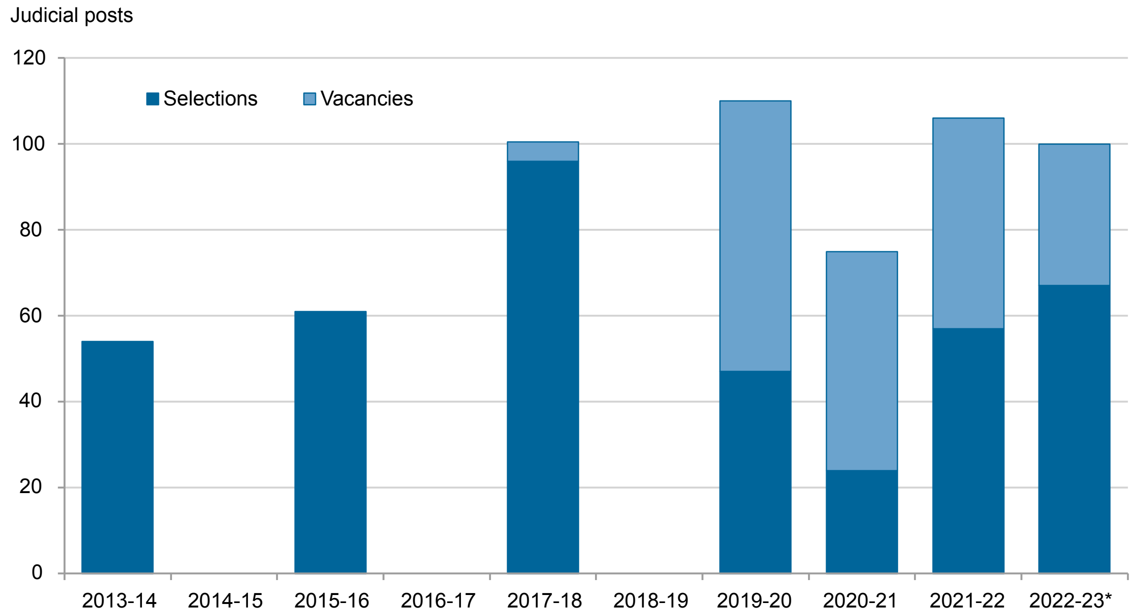
Year	Vacancies	Percentage shortfall	Good and outstanding candidates as a percentage of total selections
2013-14	54	0%	83%
2014-15	–	–	–
2015-16	61	0%	107%
2016-17	–	-	–
2017-18	100.5	4%	55%
2018-19	–	–	–
2019-20	110	57%	57%
2020-21	75	68%	42%
2021-22	106	46%	39%
Apr 22 to Jan 23	100	33%	–

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.

5.48 Shortfalls at the District and Circuit Bench are likely to be connected, as many new Circuit Judges come from other salaried judicial roles. In 2021-22, 43 per cent of Circuit Judge appointees were already salaried judges, many of them from the District Bench.

Figure 5.2: **District Judge (Civil) recruitment 2013-14 to January 2023**



* Data to January 2023.

Source: Judicial Appointments Commission.

Note: No recruitment in 2014-15, 2016-17 or 2018-19.

Table 5.3: **District Judge (Magistrates) recruitment, 2013-14 to January 2023**

Year	Vacancies	Percentage shortfall	Good and outstanding candidates as a percentage of total selections
2013-14	No data	No data	No data
2014-15	–	–	–
2015-16	18	0%	94%
2016-17	–	–	–
2017-18	17	0%	71%
2018-19	–	–	–
2019-20	25	32%	53%
2020-21	–	–	–
2021-22	32	0%	59%
Apr 22 to Jan 23	25	24%	–

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.

5.49 Moreover, the shortfall at the District Bench has spread from the Civil Bench to the Magistrates' Court (which handles crime). For District Judges in the Magistrates' Court, there have generally not been shortfalls since 2015-16. However, so far this year, 24 per cent of vacancies have gone unfilled.

5.50 We have considered various ways of interpreting these figures. In the first place, whereas the High Court has a statutory numerical complement, the number of vacancies in lower courts is in part dependent on what the MoJ can afford. We know that the MoJ focuses on the absolute number of posts unfilled – and it is important to remember that there are not hundreds of vacancies – but a shortfall of scores of judges can have a serious impact on court availability. We also believe the shortfall percentage is more relevant to comparisons over time.

5.51 In the latest years for which we have recruitment data, 40 per cent of those selected to become District (Civil) Judges were rated as outstanding or strong, along with 60 per cent of Circuit Judge selections, and 50 per cent of First-tier Tribunal Judge selections. Trends vary across these groups, however for Circuit and District (Civil) Judges the percentage of strong and outstanding selections is noticeably lower than in 2013-14. To us, this is as much a concern as the shortfall in numbers being recruited.

5.52 For other areas of the England and Wales judiciary the picture is more positive. For example, since 2014-15 there have been essentially no recruitment shortfalls for First-tier Tribunal Judges in the unified Tribunal system.

5.53 The High Court saw persistent recruitment shortfalls between 2016-17 and 2021-22. This year all vacancies have been filled. We suspect this is due to the pension change, as High Court Judges have gained the most from it.

5.54 So far this year, a third of Employment Tribunal Judge vacancies have gone unfilled. However, changes in Employment Tribunal fees makes this figure difficult to interpret. Fees were introduced in 2013, causing case volumes to drop, and there was therefore no recruitment of Employment Judges, either salaried or fee-paid, for some years. Since these fees were abolished in 2017, there have been three recruitment campaigns, as the number of employment claims has risen significantly. In the first recruitment round there was no shortfall, in the second there was a smaller shortfall, and in the third (this year) there was a larger shortfall. We will continue to monitor the situation.

5.55 Fee-paid roles have not seen the same recruitment shortfalls as salaried roles, which suggests they are relatively more attractive than salaried posts. We have discussed this in each report since the Major Review, but we consider it further in our recommendations below.

5.56 The MoJ in particular had hoped that the introduction last year of the new judicial pension scheme (JPS22) would make an important difference to recruitment shortfalls. We had evidence on this both last year and this year. First, the pension change affected different levels of the judiciary, and individuals, differently. It was most beneficial for High Court Judges and, at least until rules about lifetime tax allowances were changed for everyone in the March 2023 Budget, for those who already had pension savings above the lifetime allowance. So it may not be entirely surprising that the most recent High Court Judge recruitment campaign filled all vacancies. It made some difference to the take-home pay of Circuit Judges, but District Judges did not see an increase in take-home pay, though they did benefit from an increased retirement income.

5.57 As noted, one of the key features of JPS22 is that it is tax-unregistered, so pension accrued does not count towards either annual or lifetime allowances. In the March Budget, the lifetime allowance was removed for everyone, and the annual allowance was increased from £40,000 to £60,000. This removes some of the relative advantage of the judicial pension scheme, and so may reduce its attractiveness to prospective applicants to the judiciary. It remains, however, a generous pension scheme.

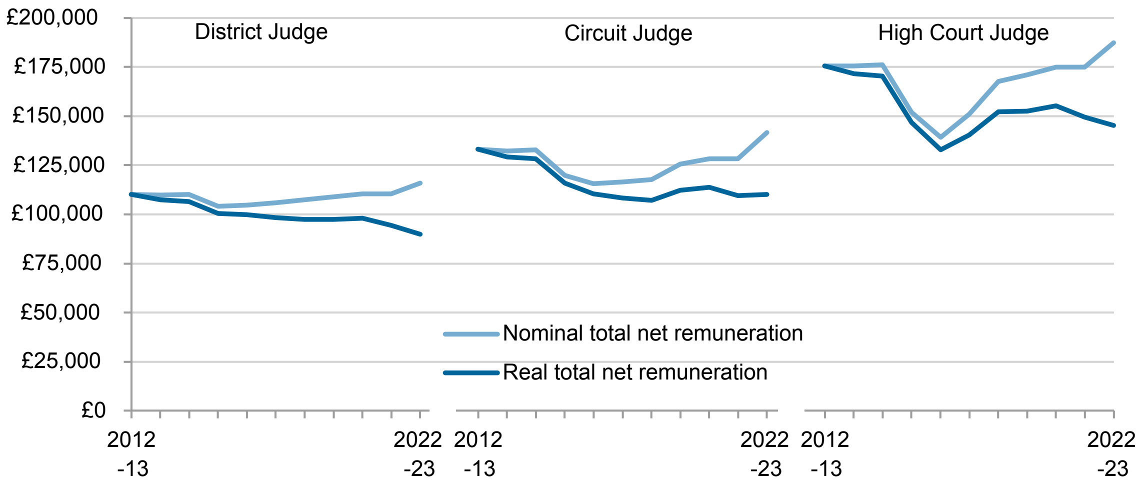
5.58 While it is clear that the new pension scheme addresses some of the fall in real judicial remuneration since 2015, it has by no means restored remuneration levels. This is common in the public sector, but we have seen some evidence that private sector legal incomes have, since a fall in 2008-10, resumed their upward climb.[42] So differentials are

42 https://www.pwc.co.uk/industries/legal-professional-business-support-services/law-firms-survey.html

undoubtedly growing. Again, this matters when judges have to be positively attracted to apply from external posts.

5.59 Figure 5.3 shows the changes in total net remuneration since 2012-13. Total net remuneration includes the value of pension benefits accrued in the year. Full details have been given in previous SSRB reports. Since 2012-13, District Judges have seen a real-terms fall in total net remuneration of 18.4 per cent, Circuit Judges have seen a fall of 17.3 per cent, and High Court Judges have seen a fall of 17.2 per cent. This means that, even taking account of the new pension scheme, judges' real total net remuneration is about one-fifth lower than in 2012-13, though this modelling does not take account of changes in the lifetime allowance. As Figure 2.15 in Chapter 2 shows, the change in real total net remuneration over the decade is larger for the judiciary than any of our other remit groups.

Figure 5.3: **Nominal and real total net remuneration, 2012-13 to 2022-23**



Source: OME analysis.

Notes: Assumes switch from JUPRA to NJPS15 in 2015 and to JPS22 in 2022. Only looks at in-year earnings and does not include the impact of the lifetime allowance, income tax on pensions in payment or changes in the retirement age. Real total net remuneration based on the 2012-13 CPI.

5.60 Though we do not have detailed data, we have been told that District and Circuit Bench shortfalls are concentrated in particular areas of the country. For example, the Lord Chief Justice, the Senior President of Tribunals and the Master of the Rolls said in written evidence that District Bench recruitment is a particular problem in London and the South East, where some courts have been in a state of near crisis. They said the resultant delays and uncertainty for litigants risked undermining the rule of law in a way which was of serious concern.

5.61 There are various possible options for dealing with regional recruitment issues, including location-specific recruitment, increased London weighting, or more cases in those areas being dealt with virtually.

5.62 Another issue that the MoJ and judiciary are grappling with is finding the right balance between salaried and fee-paid judges. The MoJ said in written evidence that salaried judges were the backbone of the judiciary, while fee-paid judges provided vital flexibility, specialist expertise, and a talent pipeline for the future. Fee-paid roles have traditionally served as a feeder-pool for salaried office. They should be attractive roles in their own right but there also needs to be an incentive to move into salaried office.

5.63 Our view is that pay is part of the reason for recruitment shortfalls, but not the whole reason. We know from the Major Review and evidence since then that other factors also affect the attractiveness of judicial posts. One important factor that particularly affects those working in District and Circuit Courts in England and Wales is the condition of the courts and offices in which judges work.

5.64 The MoJ said in written evidence that in recent years HM Courts and Tribunals Service (HMCTS) had substantially increased the amount it was spending on the maintenance of the courts and tribunals estate. Over £250 million was spent in aggregate over 2020-21 and 2021-22. However, the Lord Chief Justice, the Senior President of Tribunals and the Master of the Rolls pointed out that this included funding to meet additional COVID-19-related needs and said the much lower capital maintenance budget allocation for 2022-23 was inadequate, enabling HMCTS only to meet statutory duties and address the most urgent problems.

5.65 In his oral evidence, the Lord Chancellor confirmed that further funding was needed for court maintenance, and that improvements would affect the attractiveness of judicial roles.

5.66 In addition, HMCTS is partway through an ambitious programme of reform, aimed at modernising the justice system through new technology and working practices.

5.67 The MoJ said in written evidence that for the judiciary, reform meant operating in a modernised court system, using updated and upgraded IT systems, and with revised procedures to ensure judges had 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.

5.68 Digital services are already in place for Immigration and Asylum, Divorce, Probate, Civil Money Claims, Single Justice Procedure, Common Platform, Social Security, and Family Public Law. The remainder of the services are expected to go live in 2023.

5.69 The National Audit Office recently reported on the progress of the Court Reform Programme.[43] The report concluded that: "following repeated delays, HMCTS's priority has been on delivering its reforms at pace rather than embedding sustainable change. Some services it has delivered are not working as efficiently as expected…. Of most concern is the case management system for criminal courts, common platform.... While the system has undoubtedly improved since its initial rollout, remaining technical issues are creating inefficiencies and introducing risk to courts and the wider system. HMCTS must ensure that it works with users to address these issues."

5.70 In January this year, PCS announced that 300 legal advisers and court associates would strike for several days, after HMCTS "refused to stop and review the many serious issues with the new Common Platform system". This followed strike action that took place late last year. We understand these issues are now being addressed, with a more measured timetable and greater training.

5.71 Another factor which both affects the attractiveness of judicial posts, and in turn reflects the impact of shortfalls in judicial recruitment is the issue of court backlogs. These remain a serious issue in England and Wales. Already high before the pandemic, the outstanding caseload in the Crown Court reached a high of around 60,400 cases in June 2021. This reduced to around 57,200 by the end of March 2022. It has since increased again, partly due to industrial action by the Criminal Bar Association, but partly for other reasons, including judicial shortfalls. It stood at 61,000 in March 2023.[44] These backlogs mean that citizens and businesses wait longer for the resolution of their court cases.

43 https://www.nao.org.uk/reports/progress-on-the-courts-and-tribunals-reform-programme/

44 https://www.gov.uk/government/statistical-data-sets/hmcts-management-information-march-2023

5.72 The MoJ has put in place a number of initiatives to reduce court backlogs, including:

- Removal of the limit on Crown Court sitting days.
- Nightingale courts remaining open longer.
- Opening two 'super courtrooms' in Manchester and Loughborough.
- Increased magistrates' sentencing powers.
- A virtual region pilot scheme.
- Increasing the number of days fee-paid judges can sit.
- Launching a Family Mediation Voucher Scheme.

5.73 The MoJ also said in oral evidence that it was using measures such as sitting in retirement and holiday buyouts for the judiciary, and it reiterated last year's change in the mandatory retirement age.

5.74 However, the MoJ said in written evidence that judicial capacity was now the key constraint in the Crown Court and was also affecting the civil and family courts. This suggests recruitment and retention of adequate judges must be a priority if backlogs are to be reduced.

5.75 In oral evidence the Lord Chancellor was hopeful that when there was progress in reducing backlogs this could accelerate, if shorter waits for cases to come to trial changed behaviours, including defendants' decisions on how to plead and witness availability, which could shorten trial durations.

5.76 In terms of diversity, much work is being progressed through the Judicial Diversity Forum. This forum is chaired by the Chair of the Judicial Appointments Commission and its members include the Lord Chancellor and the Lord Chief Justice. Its latest action plan was published in December 2022.[45] Stakeholders have committed to a long list of actions, including training, mentoring, outreach, and research.

5.77 The MoJ also recently laid a Statutory Instrument opening up more judicial roles to lawyers in the Chartered Institute of Legal Executives. These lawyers are not required to hold a university degree; they gain their legal qualifications while working. This SI adds Upper Tribunal Judge, Deputy Upper Tribunal Judge, and Recorder to the list of roles they may apply for. The impact of this change on recruitment shortfalls is likely to be limited. However, it may be beneficial for diversity. Women make up 77 per cent of Chartered Institute of Legal Executive lawyers while 41 per cent of judges are female. In addition, just 6 per cent attended a fee-paying school, compared to a third of barristers and 45 per cent of Recorders.

5.78 At April 2022, 35 per cent of court judges were women, and 9 per cent were from an ethnic minority. In tribunals, 52 per cent of judges were women and 12 per cent were from an ethnic minority.

Retention and retirement

5.79 Retention has not generally been a problem for the judiciary. There is a convention that prohibits salaried judges returning to private practice after leaving the judiciary. This may decrease the number of applicants to salaried roles, but also makes them less likely to leave once appointed. Most judges leave by retirement.

45 https://judicialappointments.gov.uk/equality-and-diversity/diversity-and-equality-measures/judicial-diversity-forum/

5.80 In 2021-22, the average age at retirement for salaried judges was 66. This has been relatively stable since 2016-17. We have some breakdown of this for different areas of the judiciary, however, the data are patchy:

- Between 2016-17 and 2021-22, 85 per cent of salary group 7 court judges retired before they were 70.
- Between 2020-21 and 2021-22, 72 per cent of salary group 5.2 court judges retired before they were 70.
- Between 2016-17 and 2021-22, 66 per cent of salary group 5 court judges retired before they were 70.

5.81 In the same legislation as the pension changes, the MoJ increased the mandatory retirement age for judges from 70 to 75 (reverting to 1993 retirement ages). In its impact assessment for Parliament, the MoJ estimated that this change could retain an extra 400 judicial office holders a year, but would result in the retention of only around 16 salaried court judges. This is partly because judges in the District and Crown Courts tend to retire earlier than higher court judges, and most were retiring before the previous retirement age of 70. The new retirement age may attract older applicants to apply from legal practice, as they may be able to work longer than in private practice. So while it is likely to be helpful, we do not think it will make a major contribution to the judicial shortfalls seen at the District and Circuit Benches.

5.82 Sitting in retirement is a policy that permits judicial office-holders – where there is a business need – to retire from judicial office, draw their judicial pension, and be appointed to a fee-paid office without a JAC competition.

5.83 This option was previously only available to salaried judges but was successfully challenged as being unjustified discrimination under the Part-Time Workers Regulations 2000. Since October 2022, it has been available to fee-paid judges. In addition, a new non-statutory policy covers assessment of business need, the time limit for returning to sit in retirement, and terms of appointment which provide for a two-year term with no automatic renewal, no guarantee of sitting days, nor an expectation on a judge for minimum sitting days. The MoJ said it was too soon to say what impact this would have on judicial retention or capacity deficits.

5.84 At 1 April 2022, there were 191 court judges sitting in retirement, including 28 High Court Judges. Their average age was 70. There were 69 tribunal judges sitting in retirement, with an average age of 68.

Morale

5.85 The Judicial Attitudes Survey is a continuous survey of the working lives of judges, conducted by the UCL Judicial Institute on behalf of the Lord Chief Justice of England and Wales, the Lord President of Scotland, the Lady Chief Justice of Northern Ireland and the Senior President of Tribunals.

5.86 The latest England and Wales Judicial Attitudes Survey results were published in April.[46] Overall, 99 per cent of salaried court judges and 91 per cent of salaried tribunal judges answered the survey.[47] Among these judges:

- 86 per cent felt a strong personal attachment to being a member of the judiciary.
- While 65 per cent felt valued by the public, 81 per cent did not feel valued by the Government.

[46] https://www.judiciary.uk/guidance-and-resources/judicial-attitude-survey-2022/

[47] Note that the Survey uses District (County) for District (Civil) Judges.

- 45 per cent felt that their case workload over the last 12 months had been too high, ranging from 59 per cent of District (Civil) Judges to 2 per cent of Court of Appeal Judges.
- Views were very mixed on the amount and quality of administrative support. District (Civil) Judges were most negative about both.
- 56 per cent of salaried judges felt that court maintenance was poor or unacceptable and only 16 per cent thought it was good or excellent.
- Nearly all salaried judges felt respected by judicial colleagues at court and their immediate leadership judge.
- 49 per cent felt valued by the judiciary's senior leadership while 21 per cent did not.
- 41 per cent of judges agreed that they were paid a reasonable salary while 45 per cent disagreed. The most dissatisfied were District and Circuit Judges.
- On digital and remote working, 42 per cent of judges had found the switch to working on screens challenging, while 46 per cent had not. District (Civil) Judges were the most negative across each measure.

5.87 As noted above, HMCTS is partway through an ambitious reform programme. The Lord Chief Justice, the Senior President of Tribunals, and the Master of the Rolls said in oral evidence that some aspects of the digital rollout had been difficult, in particular the Common Platform in criminal courts. This negatively affected some judges. They said that while they welcomed digital working, the timetables had proved to be unrealistic, especially when combined with the challenge of tackling backlogs. We note that in response to the National Audit Office report, the Government has revisited the timelines for this programme, and slowed down some elements. We hope this will be sufficient to ease the pressure on judges and court staff. The senior judiciary also said in evidence that they were working to improve the training available to judges, which we welcome.

5.88 Since the Major Review, the MoJ has increased resources for the Judicial Office to provide greater HR support to the senior judiciary, leadership judges and judicial office holders on a regional basis. This includes strengthened strategy and policy capability, increased welfare support and diversity and inclusion resources, and planning of resources to reshape the size, skills, and capabilities of the judiciary. This is a positive development, and we hope it will improve judicial morale and help judges use their time efficiently.

5.89 The Lord Chief Justice, the Senior President of Tribunals, and the Master of the Rolls raised a more specific issue in oral evidence. They said that in recent years rising volumes of family cases had led to the workloads of salaried District Judges being weighted heavily towards family work over civil cases. This was affecting morale among some judges, as it was not the balance of work they were expecting when they applied, and there were different views about how to address this issue.

Scotland

5.90 Scotland is also dealing with backlogs. The Lord President was confident in oral evidence that it would be possible to get the backlog of non-jury cases down fairly quickly. He thought, however, that while the backlog of jury cases in the High Court and Sheriff Courts was stabilising, it would take some time to reduce it significantly.

5.91 In addition, he said there had been an increase in the number of indictments for sexual offences. He was dealing with this by having Sheriffs step up to the High Court to deal with sexual offence cases, and backfilling Sheriff posts with either part-time Sheriffs or Summary Sheriffs. Six additional permanent Sheriffs were being recruited to help with this.

5.92 There is the prospect of a specialist sexual offences court being created, which would likely be filled with a specialist cohort of judges at the Shrieval and High Court level. Some of the proposals (for instance, judge-only trials) are more contentious, so it is likely to be some time before matters are clear.

Recruitment

5.93 Unlike in England and Wales, there are no widespread shortfalls in the recruitment of judicial posts in Scotland. There is, however, one post where recruitment has been difficult for some time: the role of Sheriff Principal. There are six Sheriffs Principal in Scotland. Each sits as the administrative head of a different court area called a sheriffdom. Although Sheriffs Principal can preside over any sheriff court business, they mainly deal with appeals in summary criminal cases and sheriff court civil cases heard in the Sheriff Appeal Court. In 2021-22 there was one Sheriff Principal post that could not be filled and had to be readvertised. The Lord President said in oral evidence that in a recent recruitment round for Sheriffs Principal in Edinburgh and North Strathclyde there was only one suitable candidate, and there were no applications from senior practising barristers.

5.94 The Judicial Appointments Board for Scotland does not publish quality ratings. However, the Lord President said that he believed, on average, the quality of applicants was falling. We will return to this issue in our recommendations.

5.95 The Scottish judiciary is still not as diverse as it could be, with men making up 73 per cent of salaried judges.

Retention and retirement

5.96 As in England and Wales, retention is not generally a problem for the judiciary in Scotland, especially given the prohibition against salaried judges returning to private practice after leaving the judiciary. Most judges leave by retirement.

5.97 The average age of judges varies by post, from 54 for Summary Sheriffs to 66 for Members of the Scottish Lands Tribunal. Nearly half of post-holders were between 50 and 59 at December 2022.

5.98 The average age at retirement in 2022 was 64. The youngest retiree was 60 and the oldest was 70. Between 2010 and 2022 the average retirement age was 66.

5.99 The mandatory retirement age was increased from 70 to 75 in April 2022. Between 2016 and 2021, 84 per cent of judges retired when they were younger than 70, so the impact on retention, and therefore judicial vacancies, may be limited.

Morale

5.100 The latest Scotland Judicial Attitudes Survey results were published in March.[48] Overall, 83 per cent of salaried judges answered the survey. Among these judges:

- 89 per cent felt a strong personal attachment to being a member of the judiciary.
- 60 per cent felt valued by the public, while 67 per cent did not feel valued by the UK Government.
- 29 per cent thought that their case workload over the last 12 months had been too high and 17 per cent thought that their non-case workload had been too high.

48 https://www.judiciary.scot/docs/librariesprovider3/judiciarydocuments/judicial-attitudes-survey/2022-jas-scotland-report-for-publication.pdf

- Views were very mixed on the amount and quality of administrative support.
- Most felt that the physical quality and maintenance of court buildings was good or adequate.
- Nearly all felt respected by judicial colleagues at court and 77 per cent felt respected by their immediate leadership judge.
- 55 per cent felt they were treated with respect by the senior leadership in the judiciary while 21 per cent did not.
- 41 per cent of judges agreed that they were paid a reasonable salary, while 39 per cent disagreed.
- Views on digital working were generally negative: 26 per cent agreed that the increase in remote hearings had been beneficial, while 54 per cent disagreed; 53 per cent were finding the switch to working on screens challenging.
- Views were mixed on whether digital working was more efficient for chambers work, but 56 per cent disagreed that it was more efficient for hearings.

Northern Ireland

5.101 Northern Ireland's history affects its judiciary. It affects the kind of cases that come before the judiciary and, in addition, the lack of a functioning executive poses challenges for the courts. Courts are sometimes called upon to adjudicate on social issues that would traditionally sit with the legislature. Moreover, the lack of a Northern Ireland Executive also makes running the court system more challenging, as it adds uncertainty to the position on funding and the appointment of new judges and King's Counsel (KCs).

5.102 Historic cases add to the volume and complexity of the caseload. The number of Diplock trials that are heard without a jury has decreased, but some are still taking place. The Secretary of State announced in April that non-jury trials are to continue for another two years. The volume and complexity of historic sex cases is also an issue.

5.103 The Lady Chief Justice said in oral evidence that judicial security remained a concern. There have been recent threats to some judges, and the latest Northern Ireland Judicial Attitudes Survey shows many judges have had concerns for their safety in and out of court.

5.104 Northern Ireland also has backlogs in the criminal courts, which the Lady Chief Justice predicted would be cleared by February 2026. She expected the backlog in the Magistrates' Court to clear by July this year. Currently there is funding to operate two additional Crown Courts to address court backlogs, but it is unclear whether this funding will continue.

Recruitment

5.105 There are no widespread shortfalls in judicial recruitment in Northern Ireland, although there have been some issues with County Court recruitment. In the last recruitment campaign, there were five vacancies and only two appointable candidates. The Lady Chief Justice believed these roles were not seen as attractive, and the perception was of a high workload, security issues, and constant historic sex cases.

5.106 The Lady Chief Justice said in oral evidence that they were no longer getting as many people of the highest quality applying for judicial roles. She said the Bar had changed and was now more flexible about time off during term time and working from home, making it relatively more attractive than the judiciary. Judicial roles were more stressful, as judges were expected to be in court all the time, the workload was higher, and the press could be critical of the judgments they made.

5.107 Diversity remains an issue for the Northern Ireland judiciary, with 64 per cent of salaried roles filled by men. Recent recruitment statistics show a similar pattern, though it can be difficult to draw conclusions as the Northern Ireland judiciary is small. The Lady Chief Justice acknowledged that the figures were not good enough and said a legal diversity project had been set up in September and a mentoring programme was being developed.

Retention and retirement

5.108 As elsewhere in the UK, judicial retention is not a particular concern in Northern Ireland. Most judges leave by retirement.

5.109 The average age varies by post, from 53 in salary group 7 to 67 in salary group 3.

Morale

5.110 The latest Northern Ireland JAS results were published in March.[49] Overall, 46 per cent of salaried judges answered the survey. Among these judges:

- 76 per cent felt a strong personal attachment to being a member of the judiciary.
- 69 per cent felt valued by the public, while 65 per cent did not feel valued by the Government.
- 46 per cent thought that their case workload over the last 12 months had been too high, and 30 per cent thought that their non-case workload had been too high.
- Views were mixed on the amount of administrative support, but 69 per cent felt the quality was good or excellent.
- Most felt that the physical quality and maintenance of court buildings was good or adequate.
- Nearly all felt respected by judicial colleagues at court and by their immediate leadership judge. 80 per cent felt they were treated with respect by the senior leadership in the judiciary.
- 43 per cent agreed that they were paid a reasonable salary, while 51 per cent disagreed.
- Views on digital working were mixed. 41 per cent agreed that the increase in remote hearings had been beneficial to their work while 32 per cent disagreed. 51 per cent were finding the switch to working on screens challenging while 49 per cent were not.
- 42 per cent had felt concerned about their personal safety in court, and 42 per cent had felt concerned about their safety out of court.

5.111 The Lady Chief Justice said in oral evidence that the judiciary could not function without good court staff who were properly trained. However, there was a problem with recruiting and retaining sufficient numbers. On devolution, the Court Service became an agency of the Department of Justice in Northern Ireland, and court staff became part of the Northern Ireland civil service. This meant they could apply for posts in the civil service that were not previously open to them and this offered more opportunities to move out of the courts.

5.112 She also noted that online working brought significant benefits, but also placed different demands on the judiciary. They needed the skills, and it required a sensible approach to procedures online and offline.

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49 https://www.judiciaryni.uk/sites/judiciary/files/media-files/2022%20Judicial%20Attitude%20Survey%20-%20Northern%20Ireland%20-%2028%20Mar%2023_0.pdf

5.113 The Lady Chief Justice said in oral evidence that a key area of focus for her was judicial welfare. She had set up a welfare group consisting of welfare judges who were trained in resilience and how to support their colleagues who were experiencing stress and burn-out.

Conclusions and recommendations

5.114 The judiciary is the only one of the SSRB's remit groups that depends almost entirely on the recruitment of senior and experienced practitioners from an external labour market. It is also the only one of our remit groups to have shown persistent recruitment problems over the past few years. We believe these two issues are linked.

5.115 These shortfalls do not affect all posts or all parts of the court system, but they are widespread and persistent enough to be a concern. Shortfalls affect the speed of justice, through their effects on court backlogs. The sustained long-term decline in the JAC quality ratings for both District and Circuit Benches is also a source of unease.

5.116 In the SSRB's last Major Review of the Judicial Salary Structure, we consulted widely about the key principles that would underpin our judgements on job placement and judicial salary structure. These were agreed with and supported by the judiciary and governments across the UK. The agreed principles were:

- There should be no inherent distinction between the work of court-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 in which they work.
- Judges should continue to be paid at a spot rate, with no progression up a pay range.
- Geographical location within the UK 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.

5.117 We continue to follow these principles. However, as noted in last year's Report, each of them has costs, particularly when they are at odds with labour-market facing evidence that varies for different groups. Evidence from the Major Review showed that generally District Judges had taken a pay cut when joining the judiciary while generally First-tier Tribunal Judges had not. On average judicial appointees in Scotland and Northern Ireland were paid less before their appointment than judicial appointees in England. If pay rates do not attract those in the more competitive labour markets, there will be recruitment shortfalls. However, if they are attractive across the piece it brings larger gains to some than others, and the Government pays more than it would if affordability were the only issue at stake.

5.118 The reason for accepting the financial costs of the principles is that they were deemed 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 such as cross-ticketing between the courts and the tribunal judiciary. We have continued to adhere to these principles in making our recommendations this year. We believe that the appropriate place to query them and adapt them, if warranted, is during Major Reviews, when widespread consultation of all stakeholders can be undertaken. The MoJ took the same view, acknowledging in oral evidence that these principles can increase costs, but saying that if they were to be re-examined it should be under a Major Review.

Pay award

5.119 The MoJ said in written evidence that it had funding available for a 2023-24 pay award of 3.5 per cent. In his oral evidence, the Lord Chancellor confirmed that an increase much above that would not be affordable. He said an award above this level would require further trade-offs in the MoJ's budgets, efficiencies in delivery, wider trade-offs for public service delivery or risk the fight against inflation through further Government borrowing. The Lord Chancellor also said that the MoJ had made a significant investment in pension reform, and that taken together with judicial salaries provided a competitive remuneration package.

5.120 The MoJ also said its priority remained to balance the need to have a remuneration package which helped 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 increasing demands on the justice system. We have tried to find a sensible balance between these in our recommendations.

5.121 We know that the MoJ made a significant investment in changing the judicial pension scheme. The new scheme, which is unregistered for tax purposes, is certainly more attractive than the 2015 scheme it replaced. This means it is not subject to tax rules about annual and lifetime allowances. The MoJ said at the time that it was a significant investment which was expected to make an important contribution to solving judicial recruitment issues. We were aware of this when completing last year's Report.

5.122 As our Report last year argued, the extent to which the pension reforms enacted in April 2022 have already made a difference is a matter of judgement. We believe it has made a difference but it may not be the whole solution. Recruitment shortfalls remain. An important question is how much the pension changes had already been taken into account by applicants for judicial posts before 2022-23.

5.123 The MoJ argues that the full effect of the pension change has yet to occur, and that it will take another year or two to assess whether it is sufficient. On balance, we are not convinced by this argument. We have heard that applicants are made aware of the pension by judges and other sources to whom they speak, and that application materials give information about pension benefits. We are also aware that the most persistent shortfall is at the District (Civil) Bench, where the benefit to current remuneration is the lowest, though the increase to retirement income is real. Because the new pension scheme was announced in 2019, consulted on in 2020, and has been extensively discussed by serving judges, we think much of the effect of the pension has already been 'priced in'.

5.124 Moreover, since the changes in the Budget to the pension annual allowance and, especially with the lifting entirely of lifetime allowance charges for everyone, the judicial pension scheme has lost some of its relative attractiveness.

5.125 The MoJ said in written evidence that the recruitment pool for the judiciary was made up of expert and often highly-paid individuals, and that to attract these individuals to take up salaried office it was essential to offer an attractive remuneration package, good working conditions, attractive terms and conditions, and a manageable workload.

5.126 We agree with this and think both a reasonable pay award and more investment into non-pay factors will be needed to solve the recruitment problems. While we understand concerns about affordability, our judgement, also taking account of the factors that we set out in Chapter 1, is that a pay award larger than 3.5 per cent is needed. We are mindful of the decline of nearly a fifth in the real total net remuneration of UK judges over the past decade, the current level of annual pay settlements generally, and the rate of inflation over the past year. While we know the legal labour market is very heterogenous, we have seen some evidence that the median incomes of private legal practitioners has not seen such a decline.

5.127 Moreover, regular private sector annual average earnings growth of 7.0 per cent in the first quarter of 2023 has some bearing as a labour market comparator. Since judges are on a 'spot rate' – a salary that stays fixed throughout their service, unless they move to a higher court or leadership position – the only increase they see over a long period is the annual uplift. We believe that something has to be done to begin to address the problems with recruitment, both in numbers and quality.

5.128 We are therefore recommending an across-the-board increase of 7.0 per cent. By our calculations this will cost £33 million, £17 million more than the MoJ's proposed 3.5 per cent award. We consider this a reasonable cost to attempt to fill more judicial vacancies with high-quality judges, and tackle the court backlog.

Recommendation 5
We recommend a pay increase of 7.0 per cent from 1 April 2023 for all members of the salaried judiciary.

District Judges (Civil)

5.129 The MoJ said in written evidence that it "would again be helpful for the SSRB to provide any observations on the extent to which particular recruitment and retention problems apply solely to the salaried District Bench. It would also be helpful to understand what is driving these recruitment issues."

5.130 To some extent the recruitment figures and Judicial Attitudes Survey results speak for themselves. The District (Civil) Bench has seen significant and persistent recruitment shortfalls since 2019-20. It is the role where these difficulties have been most significant in recent years, though there have also been problems at the Circuit Bench. This year we have also seen recruitment problems for District Judges in Magistrates' courts.

5.131 We believe there are various reasons for this. As we have argued above, while last year's pension change increased District Judges' total net remuneration, it did not increase their take-home pay as it did for more highly paid judges. The Association of District Judges said in evidence that the major key concern for District Judge recruitment was that judicial pay had not kept up with inflation.

5.132 The Judicial Attitudes Survey also highlights areas of unhappiness. The survey breaks responses from salaried judges down into nine categories: District Judges (Civil), Circuit Judges, District Judges (Magistrates), Upper Tribunal Judges, First-tier Tribunal Judges, Employment Judges, Senior Circuit Judges, High Court Judges, and Court of Appeal Judges. District Judges (Civil) have the most negative responses to many questions, including on their salary, workload, administrative support, move to digital working and remote hearings, experience of bullying and harassment, and whether they are treated with respect by the senior judiciary.

5.133 Probably as a result of these factors, District (Civil) Judges are the least likely to encourage others to join the judiciary.

5.134 We considered the possibility of a differentiated pay award, as well as various proposals from stakeholders for re-gradings or allowances. The Lord Chief Justice, the Senior President of Tribunals, and the Master of the Rolls said in oral evidence that a differentiated award would be deeply divisive. They were not, however, opposed to changes in allowances. The MoJ also favoured an across-the-board increase. Since some of the difficulty was located in London, there was a proposal for an increase in the London weighting allowance for group 7 judges.

5.135 We discussed some of these issues at length in last year's Report. We certainly do not see the current differentials as unchangeable. We believe though that it would be far better to consider changing differentials at the time of a Major Review, when we can collect more detailed, differentiated, and specific evidence, including on the legal labour markets for different tiers of the judiciary.

5.136 We also discussed the idea of a larger London allowance for those judges in already receipt of it (salary group 7). There were, however, many arguments against it. First, not all the shortfall is in London. We are wary of putting in place a 'quick fix' that would add to the complexity of the judicial pay system, when the longer-term aim has been to simplify it. We also know from our experience with the judiciary over the years that a sense of relative fairness means perhaps more to them than to other groups. Finally, the problem does lie specifically with the District Bench, not First-tier Tribunal judges in salary group 7.

5.137 So we have decided to continue to recommend an across-the-board pay increase, albeit one at a level that we hope might begin to address some of the judicial shortfall. We certainly think the level of pay for District Judges will need to be considered very thoroughly, with better information about pay in the legal labour market, at the time of the next Major Review.

5.138 We note that the MoJ decided last year not to accept our recommendation that the JAC might collect some information about pre-application earnings (as the appointments body in Northern Ireland does), but that it undertook to make serious efforts to collect the wider pay information for the next Major Review. We look forward to discussing this with them.

5.139 It is worth noting that while differentiated pay rises are seen as very divisive, it might be possible for the MoJ and senior judiciary to focus resources in other ways towards posts with recruitment difficulties, for example improved administrative support, IT training, or further and faster court maintenance. All these, however, will also cost money.

Other observations

5.140 As we noted above, the condition of the court estate is an important factor in the attractiveness of judicial posts. The condition of many courts we have visited certainly needs improving. While the £250 million spent in aggregate in 2020-21 and 2021-22 was helpful, the senior judiciary believes it is only the beginning of what is needed. We know the Lord Chancellor is aware of this.

5.141 We welcome the HMCTS reform programme. It is important for the judiciary to unlock the benefits of digital working as other sectors have. However, changes should be rolled out in a sustainable way, and with sufficient training for judges, and we are glad that steps towards this are being taken. It is also important that court administrative staff remain to provide support. We know from the Judicial Attitudes Survey that the lack of administrative support is felt particularly at the District Bench.

5.142 We also welcome the improved HR support in England and Wales, and the Lady Chief Justice's focus on welfare in Northern Ireland. The fact that the senior judiciary throughout the UK has been increasingly committed to both leading and managing the judicial workforce has been noticeable.

5.143 It is positive that judicial recruitment now follows predictable annual cycles that allow potential candidates to plan. We are glad to see some attempts to provide information about the geographical location of the courts where there are vacancies at the start of recruitment. We heard again and again at the Major Review that with changes to family life, and with the need to attract more women judges, court locations were increasingly important in decisions to apply. We would encourage further consideration of running a recruitment campaign specific to London and the South East, as that is where we hear there are most significant recruitment difficulties, though we have not been given data about this. We acknowledge the JAC's concerns about this and its already high workload. However, for jobseekers in many other sectors, a natural first step is filtering potential jobs within commuting distance of where they live.

5.144 We welcome the judicial appointment bodies in England and Wales, Scotland, and Northern Ireland working together to share best practice. We understand that assessment criteria need to vary to account for differences in jurisdictions. However, we encourage all appointment bodies to collect and publish some data on application quality, as the JAC in England and Wales does. We know the exact quality measures might well differ by jurisdiction, but we have been impressed by the work the JAC has done to document their robustness and reliability. These data have their limitations and require careful interpretation, but they are still very useful in moving discussions about judicial quality over time beyond the realm of anecdote.

5.145 We also welcome the Lady Chief Justice's proactive approach to solving County Court Judge recruitment issues in Northern Ireland. We are glad to hear that the Deputy County Court Judge recruitment scheme has gone well, and hope that any risks around conflict of interest can be successfully mitigated.

5.146 We are aware of the importance of judicial diversity for the long-term legitimacy of the court and tribunal system. While there has been much progress, we are glad to see that all parties accept there is still more to do, and that there is a growing recognition that tackling different aspects of diversity requires specific approaches.

5.147 We welcome the significant amount of work done by all England and Wales stakeholders through the Judicial Diversity Forum, and hope this continues. We also welcome the Lady Chief Justice's proactive approach to diversity, and hope to see improvement in the statistics over the next few years.

5.148 We agree with the Lord Chief Justice, the Senior President of Tribunals, and the Master of the Rolls concerns that the incentives for holding fee-paid and salaried posts have become unbalanced, and this is affecting recruitment. We have had concerns about this since the Major Review, and they have only grown. For various reasons, we keep hearing that fee-paid roles are relatively more attractive for many: the pay is the same as for salaried roles, there is more autonomy about when to sit, and with the current shortfall in salaried judges, fee-paid judges can sit for many more days than the set minimum. Fee-paid roles should be attractive but should not be seen as a replacement for salaried roles, much less reduce their attractiveness.

5.149 It is good that the MoJ and the senior judiciary are working to address this. It may also be an issue that the next Major Review could consider.

5.150 We also encourage further consideration of salaried part-time posts. We understand this needs careful implementation given the practicalities of courts and court scheduling. However, if the only way of working part time is to be a fee-paid judge then the relative attractiveness of salaried and fee-paid posts is likely to remain an issue.

5.151 Once again, we sympathise with the Lady Chief Justice's views on coroner pay. Coroners in Northern Ireland are paid less than in England and Wales despite their roles being complicated by Northern Ireland's history. Coroners are not within our remit group so we cannot make formal recommendations.

5.152 We understand that there is a limit on the number of judges in the Court of Session, and that this is done on a headcount rather than FTE basis. We would encourage the relevant parties to look at this, as it causes an avoidable barrier to part-time working and may affect diversity. We understand that primary legislation may be needed to address this.

Major Review

5.153 The SSRB is keen to begin the next Major Review, and we believe that stakeholders are too. However, the terms of our interim Chair and three other members, including the judicial lead member, end this summer. Until the Cabinet Office is able to progress recruitment, we will not be able to take on the Major Review.

5.154 The then Lord Chancellor wrote in this year's annual pay remit letter that he expected the next Major Review would focus on Circuit and District Judges, and on the level of fee-paid judges applying for salaried office.

5.155 Since then there has also been correspondence between the Lord Chancellor and the Lord President around the difficulties recruiting Sheriffs Principal. The Lord Chancellor said that he would also ask the SSRB to look at this area in the Major Review, and again we agree that this should be a priority.

5.156 In addition, the Lady Chief Justice wrote in evidence that she hoped that Northern Ireland coroners would be covered.

Annex: Data and evidence

5.157 We received written and oral evidence from the Lord Chancellor and Secretary of State for Justice, the Lord Chief Justice, the Senior President of Tribunals, the Master of the Rolls, the Lord President of the Court of Session, the Lady Chief Justice of Northern Ireland, and the Judicial Appointments Commission. We received written evidence from the Judicial Appointments Board for Scotland, the Northern Ireland Judicial Appointments Commission, and various judicial associations. 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 datasets.

5.158 Judges are paid a spot rate, and do not receive pay progression. No aspect of their pay is linked to performance. Under statute, a judicial office-holder cannot have their salary reduced. They are unable to return to private practice after becoming a salaried judge.

5.159 The MoJ said in written evidence that salaried judges are the backbone of the judiciary, while fee-paid judges provide vital flexibility, specialist expertise, and a talent pipeline for the future.

Allowances

5.160 In addition to their salaries, some judges receive allowances. The MoJ legislated through the Public Sector Pensions and Judicial Office Act 2022, to provide the Lord Chancellor with the power to determine allowances for all judicial office-holders for whom he has the power to determine salary or fees.

5.161 Given the statutory protection of judicial salaries, the MoJ said allowances enable a more flexible way to reward judicial office-holders. It is not possible to pay an allowance for core judicial work, but allowances can be used to recognise additional leadership responsibilities or address recruitment and retention issues. The allowances currently paid are listed below.

5.162 The London Weighting Allowance is £4,000, made up of a £2,000 salary lead and an additional London allowance of £2,000, and is paid to judges in salary group 7 whose principal court or hearing centre is based in London.

5.163 The Circuit Judge Leadership Allowance is paid to Circuit Judges who take on an extra leadership role, such as Designated Family Judge, Designated Civil Judge, Resident Judge, or Senior Judge in the Court of Protection. The allowance is set at 4 per cent of salary and is non-pensionable. Where the roles are filled by a Senior Circuit Judge, the judge does not receive an allowance, as they are receiving a higher salary.

5.164 The Temporary Responsibility Allowance is given to judges covering leadership roles in a higher salary group on a temporary basis. It is available for three to 12 months and was designed to cover circumstances such as long-term sickness and parental leave, as well as while a recruitment exercise is ongoing. It is paid at 90 per cent of the difference between the judge’s current salary and the salary of the leadership post they are undertaking. The allowance is non-pensionable. It was introduced in October 2022.

Pensions

5.165 Pensions form a significant part of the remuneration package for the judiciary. The MoJ responded to the issues raised in the last Major Review by announcing that it would reform the judicial pension. The reforms were implemented in April 2022 and have made the pension scheme significantly more generous.

5.166 A key difference is that the new scheme is unregistered for tax purposes, meaning benefits do not count towards an individual's annual or lifetime allowance. The amount this benefits individual judges will vary, because it depends on how large a pension they have already accrued when they join the judiciary.

5.167 The Judicial Pension Scheme 2022 (JPS22) is now the only judicial pension scheme that is open. Legacy schemes have been closed for future accrual but when judges retire they may have a combination of judicial pensions from two, three, or four different schemes.

5.168 JPS22 has a uniform contribution rate of 4.26 per cent. There is an optional three-year transitional arrangement of having a 3 per cent contribution rate in return for a 2.42 rather than 2.5 per cent accrual rate.

5.169 The MoJ highlighted that the new scheme costs an estimated £35 million a year more than if judges had remained in the previous scheme (NJPS). It said this was a sizeable investment in the judiciary and the cost would be borne by the MoJ. It estimated that the cost of JPS22 was 37 per cent of the judicial paybill in terms of employer contributions.

Other expenses and benefits

5.170 Judges are entitled to travel and subsistence costs. The hotel rates were increased in November 2022 due to judges reporting difficulties in securing suitable accommodation. Judicial lodgings are provided for use by the senior judiciary when sitting on circuit.

5.171 Salaried judges are entitled to reimbursement of relocation costs where they have relocated beyond reasonable travelling distance due to business need or transfer to another circuit. Judges whose new location is within daily travelling distance may be entitled to an excess fares allowance.

5.172 Judicial office-holders are entitled to maternity, paternity, and shared parental or adoption leave, compassionate leave, sick leave, and free eyecare vouchers. Judges have access to a cycle to work scheme, salary-sacrifice childcare vouchers, official stationery, and are entitled to receive court dress on appointment.

5.173 Additional fees are currently paid to fee-paid judicial office-holders – judges and tribunal non-legal members – for activities undertaken beyond sitting and hearing a case.

Retirement policy

5.174 The judiciary is unusual in having a mandatory retirement age. In April 2022, this was increased from 70 to 75. The MoJ estimated that the change could retain an extra 400 judges and tribunal members a year, including 16 salaried court judges.

5.175 Sitting in retirement is a policy that permits judicial office-holders to retire from judicial office, draw their judicial pension, and – where there is a business need – be appointed to a fee-paid office without a JAC competition.

Recruitment

5.176 Judicial recruitment is done by the judicial appointment bodies: the JAC, the Judicial Appointments Board for Scotland, and the Northern Ireland Judicial Appointments Commission. These bodies run selection exercises in response to vacancy requests from the Lord Chancellor setting out the number of posts and the jurisdiction and/or circuit or region.

England and Wales

Remit group

5.177 At 1 April 2022, there were 1,923 members of the salaried judiciary, including 1,403 in the court judiciary and 520 in the tribunal judiciary. The majority were based in England and Wales, however, as some tribunals have a UK-wide jurisdiction there are a few based in Scotland and Northern Ireland. Their pay ranged from £275,534 in salary group 1 to £118,237 in salary group 7 in 2022-23.

5.178 For the courts judiciary, the largest groups by some way were the 598 Circuit Judges and 413 District Judges.

Table 5.4: **Salaried courts judiciary, 1 April 2022**

Office held	Salary group	Salary	Number in post
Lord Chief Justice	1	£275,534	1
Master of the Rolls	1.1	£246,034	1
President of the King's Bench Division	2	£237,639	1
President of the Family Division	2	£237,639	1
Chancellor of the High Court	2	£237,639	1
Senior President of Tribunals	2	£237,639	1
Court of Appeal Judge	3	£225,978	36
High Court Judge	4	£198,459	108
Judge Advocate General (Senior Circuit Judge)	5	£159,163	1
Specialist Circuit Judge	5	£159,163	22
Senior Circuit Judge	5	£159,163	38
Circuit Judge, Central Criminal Court	5	£159,163	11
Common Serjeant	5	£159,163	1
Recorder of London	5	£159,163	1
Senior District Judge (Chief Magistrate)	5	£159,163	1
Chief Master	5.1	£153,285	1
Senior Master	5.1	£153,285	1
Chief Insolvency and Companies Court Judge	5.1	£153,285	1
Senior Cost Judge	5.1	£153,285	1
Registrar	5.2	£147,388	1
Master	5.2	£147,388	12
Insolvency and Companies Court Judge	5.2	£147,388	5
Costs Judge	5.2	£147,388	6
Circuit Judge	5.2	£147,388	598
Senior Judge of The Court of Protection	5.2	£147,388	1
Deputy Senior District Judge (Chief Magistrate)	5.2	£147,388	1
Assistant Judge Advocate General	7	£118,237	6
District Judge	7	£118,237	413
District Judge (Magistrates' Court)	7	£118,237	131

Source: Ministry of Justice.

Notes: This excludes the small number of Circuit Judges appointed to Tribunals. Additionally, a small number of roles are remunerated by the City of London or MoD rather than HMCTS.

5.179 In the tribunals, the biggest groups were the 118 First-tier Social Entitlement Chamber Judges and the 133 England and Wales Employment Tribunal Judges.

Table 5.5: **Salaried tribunals judiciary, 1 April 2022**

Office held	Salary group	Salary	Number in post
Employment Appeal Tribunal Chamber President	5	£159,163	2
Employment Appeal Tribunal Judge	5.1	£153,285	1
Employment Tribunal – England and Wales Chamber President	5	£159,163	1
Employment Tribunal – England and Wales Regional Judge	5.2	£147,388	10
Employment Tribunal – England and Wales Tribunal Judge	7	£118,237	133
Employment Tribunal – Scotland Chamber President	5	£159,163	1
Employment Tribunal – Scotland Regional Judge	5.2	£147,388	1
Employment Tribunal – Scotland Judge	7	£118,237	14
First-tier General Regulatory Chamber Judge	7	£118,237	2
First-tier Health Education and Social Care Chamber President	5	£159,163	1
First-tier Health Education and Social Care Chamber Regional Judge	5.1	£153,285	2
First-tier Health Education and Social Care Chamber Judge	7	£118,237	42
First-tier Immigration and Asylum Chamber President	5	£159,163	1
First-tier Immigration and Asylum Chamber Judge	5.2	£147,388	88
First-tier Property Chamber President	5	£159,163	1
First-tier Property Chamber Regional Judge	5.2	£147,388	1
First-tier Property Chamber Judge	6	£138,759	5
First-tier Property Chamber Judge	7	£118,237	18
First-tier Social Entitlement Chamber President	5+	£168,493	1
First-tier Social Entitlement Chamber President	5	£159,163	1
First-tier Social Entitlement Chamber Judge	5.2	£147,388	6
First-tier Social Entitlement Chamber Judge	7	£118,237	118
First-tier Tax Chamber President	5	£159,163	1
First-tier Tax Chamber Judge	7	£118,237	10
First-tier War Pensions and Armed Forces Compensation Chamber Judge	5.2	£147,388	1
First-tier War Pensions and Armed Forces Compensation Chamber Judge	7	£118,237	2
Upper Tribunal Administrative Appeals Chamber Judge	5.1	£153,285	15
Upper Tribunal Immigration and Asylum Chamber President	5	£159,163	1
Upper Tribunal Immigration and Asylum Chamber Judge	5.1	£153,285	34
Upper Tribunal Lands Chamber President	5	£159,163	1
Upper Tribunal Lands Chamber Judge	5.1	£153,285	1
Upper Tribunal Tax and Chancery Chamber Judge	5.1	£153,285	4

Source: Ministry of Justice.

5.180 132 judges were in officially recognised leadership positions, including 110 court judges and 22 tribunal judges.

Age

5.181 At 1 April 2022, across all salaried and fee-paid court judges, around a third were aged over 60, around a third were 50-59, and the rest were below 50. The average age on appointment was 51.

5.182 For tribunal judges the figures were similar. Again, around a third were aged over 60, a third 50-59, and the rest below 50. The average age on appointment was 52.

Diversity

5.183 As background, the 2021 Census reported that 82 per cent of residents in England and Wales were white,[50] 51 per cent were female,[51] and 18 per cent were disabled.[52]

5.184 At 1 April 2022, 35 per cent of court judges were women. Representation varied across roles from 23 per cent for Deputy High Court Judges to 44 per cent for District Judges in the County Courts.

5.185 9 per cent of court judges were from an ethnic minority. Representation varied from 3 per cent of Court of Appeal Judges to 13 per cent of District Judges in the Magistrates' Court.[53] The largest group of ethnic minority court judges was Asian or Asian British, followed by people of mixed ethnicity.

5.186 At 1 April 2022, 52 per cent of tribunal judges were women. Representation varied from 33 per cent for First-tier Property Chamber Judges to 62 per cent for First-tier Health Education and Social Care Chamber Judges.

5.187 12 per cent of tribunal judges were from an ethnic minority. Representation varied from 0 per cent of First-tier General Regulatory Chamber Judges to 24 per cent of First-tier Immigration and Asylum Chamber Judges. Again, the largest ethnic minority group was Asian or Asian British, and the second largest was mixed ethnicity.

5.188 At 1 April 2022, 10 per cent of salaried court judges worked part time, with the highest proportion among District Judges (Civil) at 21 per cent. At 1 April 2022, 34 per cent of tribunal judges worked part time.

5.189 Across all legal recruitment exercises completed in 2021-22:

- Women made up 49 per cent of applications and 48 per cent of recommendations.
- People from an ethnic minority background made up 23 per cent of applications and 11 per cent of recommendations.
- People with a disability made up 7 per cent of applications and 6 per cent of recommendations.

Paybill

5.190 The paybill was £603 million in 2021-22, £308 million for salaried judges and £195 million for fee-paid judges. £380 million of this was salary costs, with the rest made up of social security costs and employer pension contributions.

Workload

5.191 There were 330,000 days sat in 2021. Figure 5.4 below shows the number of sitting days, over time.

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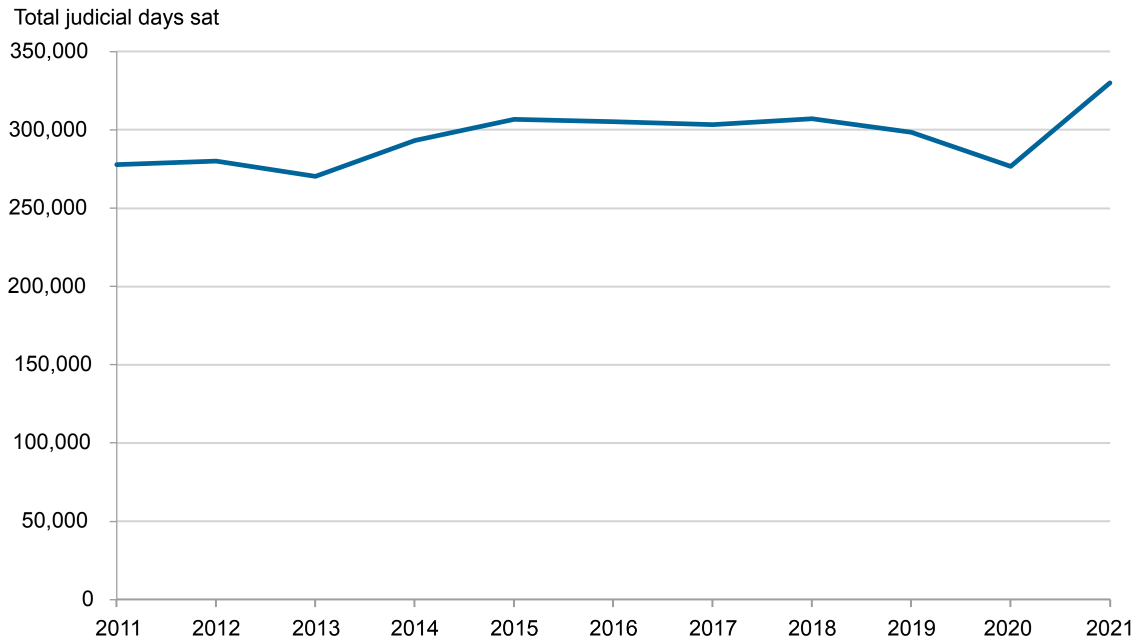
50 https://www.ons.gov.uk/peoplepopulationandcommunity/culturalidentity/ethnicity/bulletins/ethnicgroupenglandandwales/census2021

51 https://www.ons.gov.uk/peoplepopulationandcommunity/populationandmigration/populationestimates/bulletins/populationandhouseholdestimatesenglandandwales/census2021unroundeddata

52 https://www.ons.gov.uk/peoplepopulationandcommunity/healthandsocialcare/healthandwellbeing/bulletins/disabilityenglandandwales/census2021

53 Some figures are suppressed due to small numbers.

Figure 5.4: **Sitting days, 2011 to 2021**



Source: HM Courts and Tribunals Service.

5.192 The number of days sat by District Judges has fallen since 2014, from 79,000 to 67,000 in 2021. This has been offset by an increase in days sat by Deputy District Judges.

5.193 The number of days sat by High Court Judges has also fallen but has not been offset by Deputy High Court Judge sitting days. Over the same period, the number of days sat by Circuit Judges has increased slightly.

5.194 During the pandemic, the outstanding caseload in the Crown Court reached a high of around 60,400 cases in June 2021. This reduced to around 57,200 by the end of March 2022. It has since increased again, partly due to industrial action by the Criminal Bar Association, but partly for other reasons, including judicial shortfalls. It stood at 61,000 at March 2022.[54]

Recruitment

5.195 The JAC is responsible for selecting candidates for judicial office in courts and tribunals in England and Wales, and for some tribunals with a UK-wide jurisdiction. Each year it agrees what selection exercises to programme with the MoJ, HM Courts and Tribunals Service and the Judicial Office. Large exercises for more than 50 vacancies may take up to a year, while small exercises for one or two roles might take about four months.[55]

5.196 The JAC has been able to provide some data for 2022-23. As it reviews all data for exercises at the end of the reporting year, application numbers may be revised slightly when reported next year (candidates can be removed from the count for various reasons, but it is usually one or two at most). Grading data are only compiled and reviewed at the end of the year so are not provided for 2022-23.

5.197 The JAC recruitment figures are anchored on the date when recommendations were made (i.e., at the end of the JAC's role in the selection process). For example, if an exercise launched in June 2021 and had recommendations made in June 2022, it would be included in the 2022-23 figures.

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54 https://www.gov.uk/government/statistical-data-sets/hmcts-management-information-march-2023

55 https://judicialappointments.gov.uk/average-timelines-for-different-exercises/

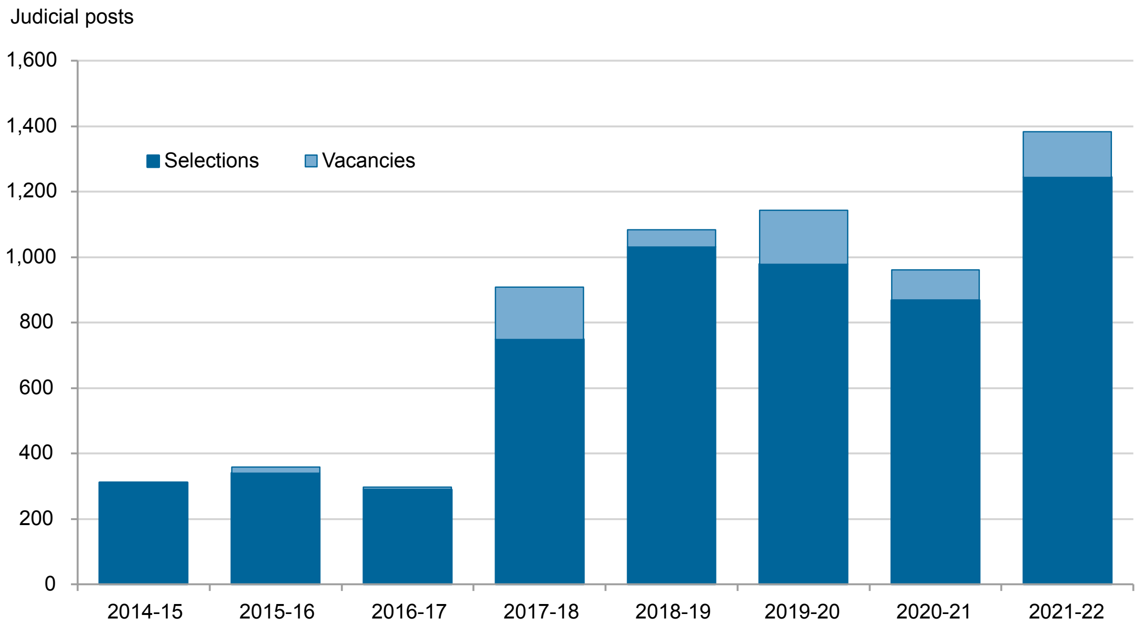
5.198 The JAC assesses candidates at selection days as outstanding (A), strong (B), selectable (C) or not presently selectable (D). The JAC said in evidence: "It is important to note that gradings are an internal assessment measure of a candidate's performance in a particular selection exercise and against the specific criteria for that role at that time. They do not indicate performance upon appointment. Caution should be exercised when comparing gradings awarded across a period of years."

5.199 It is possible to have more outstanding and strong candidates than selections and also have a shortfall. This occurs when outstanding or strong candidates cannot be placed in one or more specific legal jurisdictions or geographical locations.

5.200 Figures presented for the years 2011-12 to 2013-14 are taken from the JAC's Annual Report for the relevant year, while figures for 2014-15 onwards are taken from the JAC's Official Statistics and data from the JAC Programme Office. While the JAC Annual Report presents the number of applications for financial accounting reasons, the Official Statistics bulletin counts the number of applicants within selection exercises for diversity purposes. As a result, the number of applicants and selections within selection exercises may differ slightly.

5.201 The number of vacancies the JAC was asked to fill increased significantly in 2017-18 and has remained high (see figure 5.5). At the same time the total shortfall increased significantly and has also remained at a higher level. Between 2016-17 and 2018-19, although the absolute number of A and B grade selections increased, the percentage of selections that were of A and B grade dropped substantially and has not recovered.

Figure 5.5: **Total recruitment, 2014-15 to 2021-22**

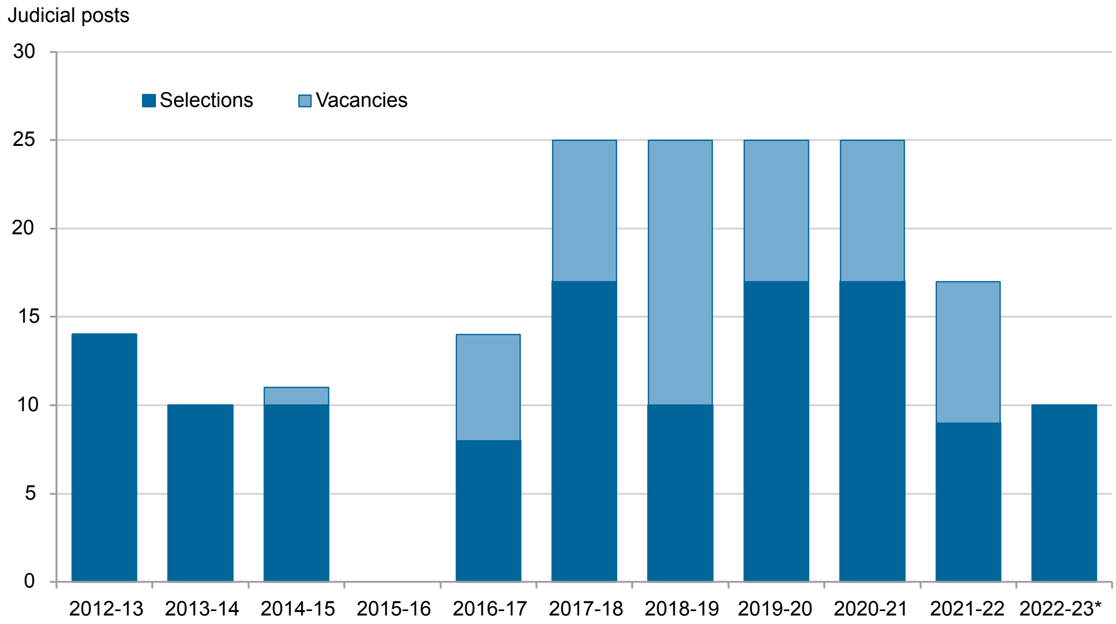


Source: Judicial Appointments Commission.

5.202 Between 2016-17 and 2021-22, there was a shortfall in High Court Judge recruitment every year (see figure 5.6). However, the data available so far for 2022-23 show that all vacancies have been filled.

5.203 Applicants must achieve a 'strong' or 'outstanding' grade in order to be appointed as a High Court Judge, therefore the proportion of strong/outstanding candidates never falls below 100 per cent (see figure 5.7).

Figure 5.6: **High Court Judge recruitment, 2012-13 to January 2023**

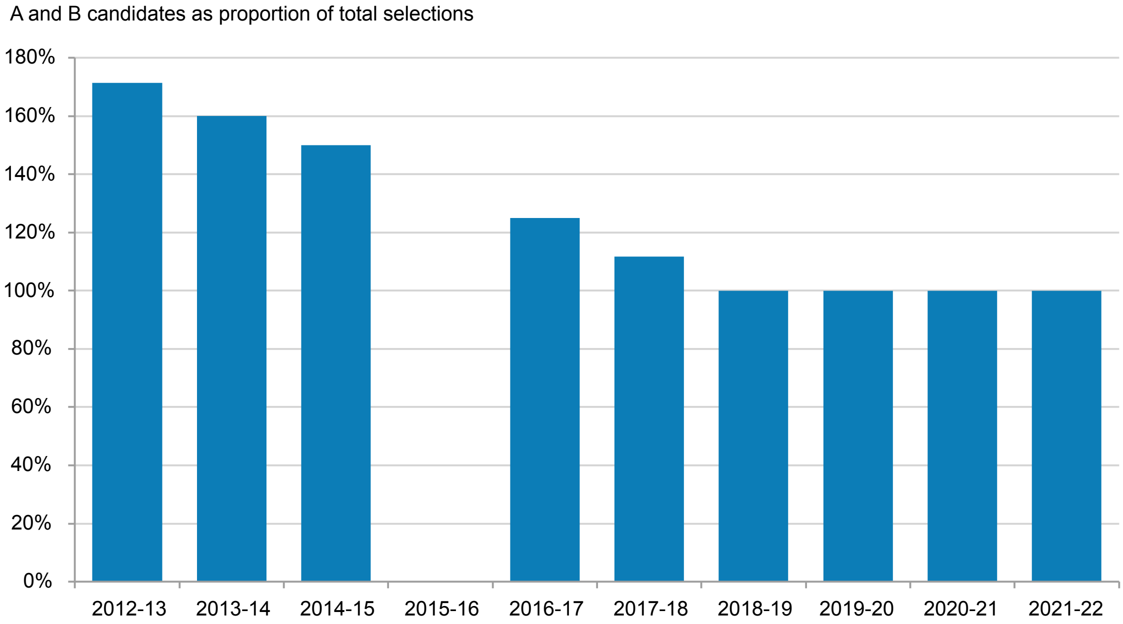


* Data to January 2023.

Source: Judicial Appointments Commission.

Note: No recruitment in 2015-16.

Figure 5.7: **Quality ratings for High Court Judge recruitment, 2012-13 to 2021-22**



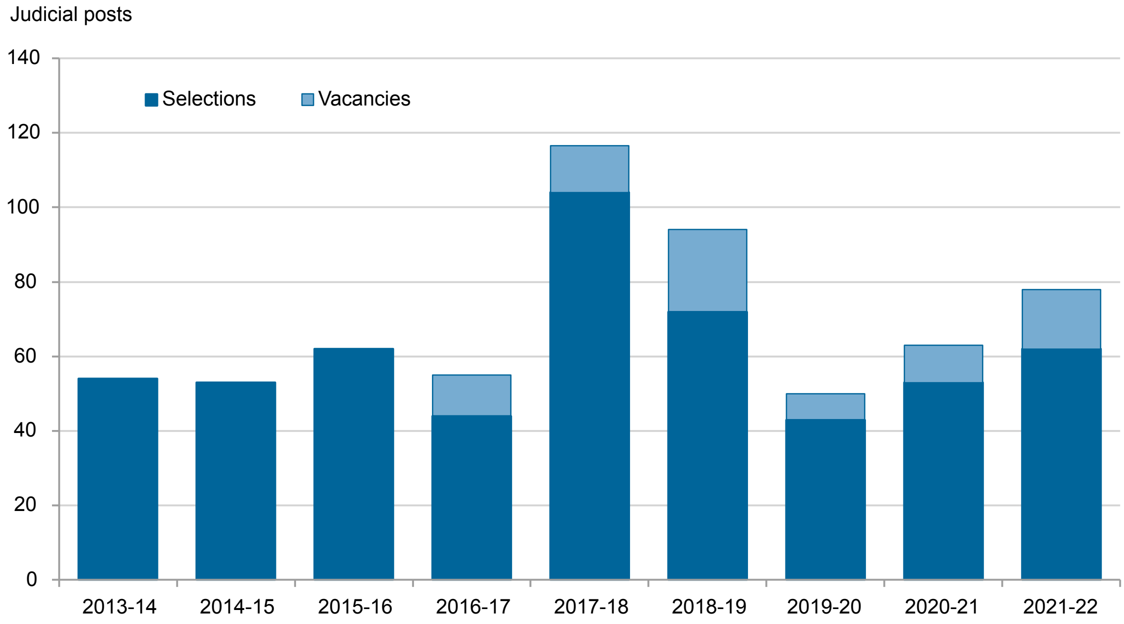
Source: Judicial Appointments Commission.

Note: No recruitment in 2015-16.

5.204 There has been a shortfall in Circuit Judge recruitment every year since 2016-17 (see figure 5.8). The shortfall fell in 2019-20, but has risen again since. This matched the trend in vacancy volumes. In 2021-22 a fifth of vacancies went unfilled. There is currently a recruitment campaign ongoing. At the time of writing it had not been finalised, however, the Lord Chancellor said in oral evidence that he was optimistic there would not be a shortfall.

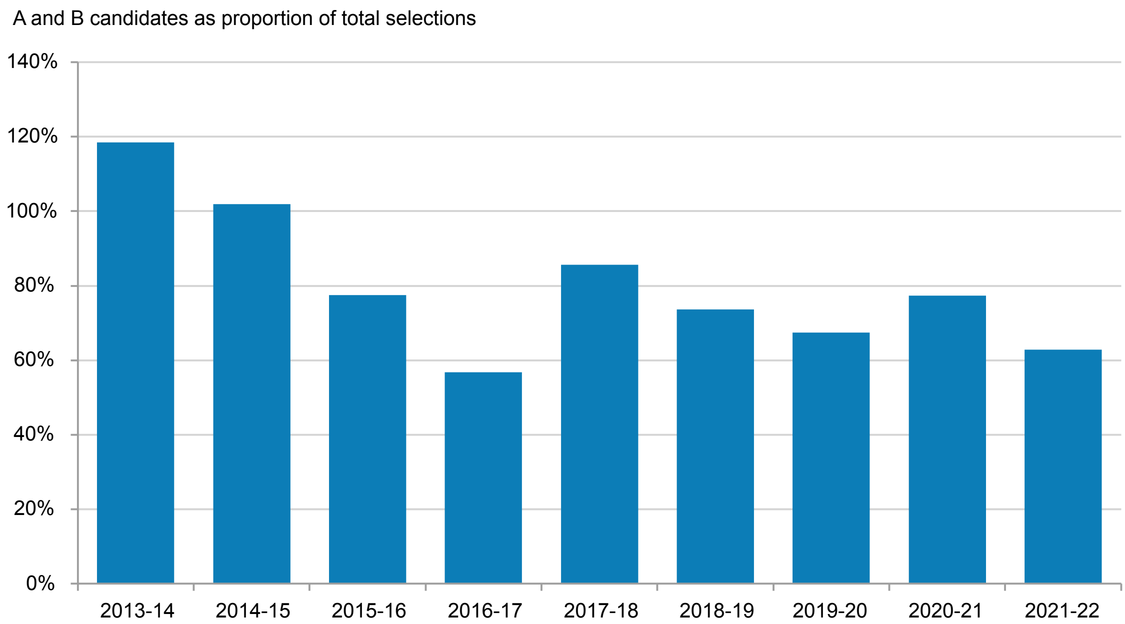
5.205 Quality ratings for Circuit Judges have been relatively stable since 2018-19. In 2021-22, 63 per cent of selections were A and B candidates (see figure 5.9).

Figure 5.8: **Circuit Judge recruitment, 2013-14 to 2021-22**



Source: Judicial Appointments Commission.

Figure 5.9: **Quality ratings for Circuit Judge recruitment, 2013-14 to 2021-22**

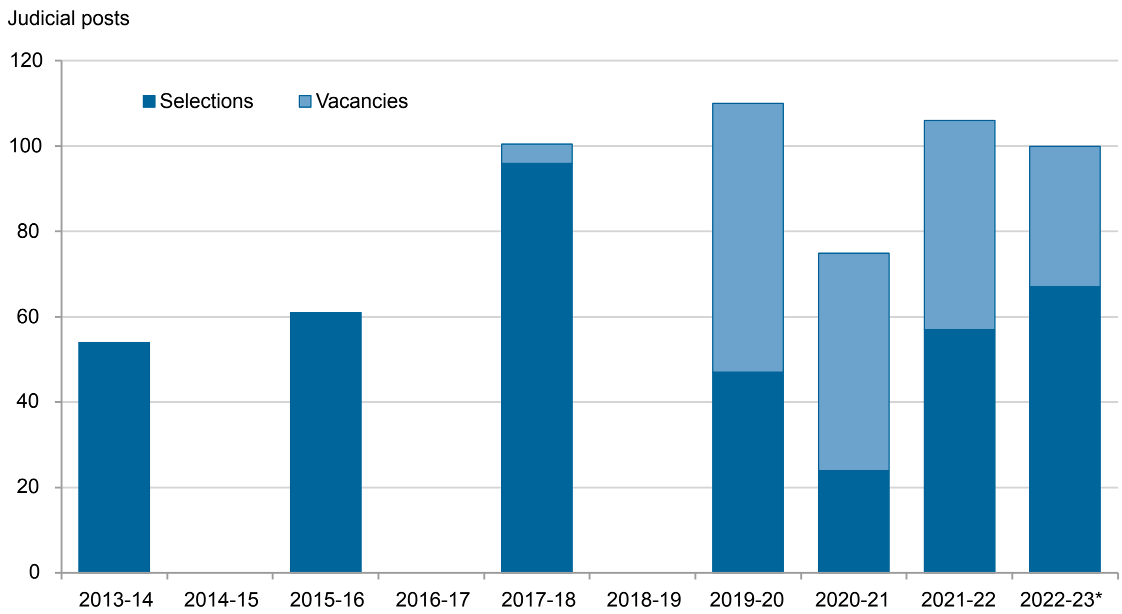


Source: Judicial Appointments Commission.

5.206 District Judge (Civil) recruitment shortfall rose sharply in 2019-20 (see figure 5.10). It has gradually fallen since then, but so far in 2022-23 a third of vacancies have still gone unfilled. However, total selections were the highest for five years.

5.207 Quality ratings for District Judges have trended down since 2015-16. In 2021-22, A and B candidates made up 39 per cent of selections (see figure 5.11).

Figure 5.10: **District Judge (Civil) recruitment, 2013-14 to January 2023**

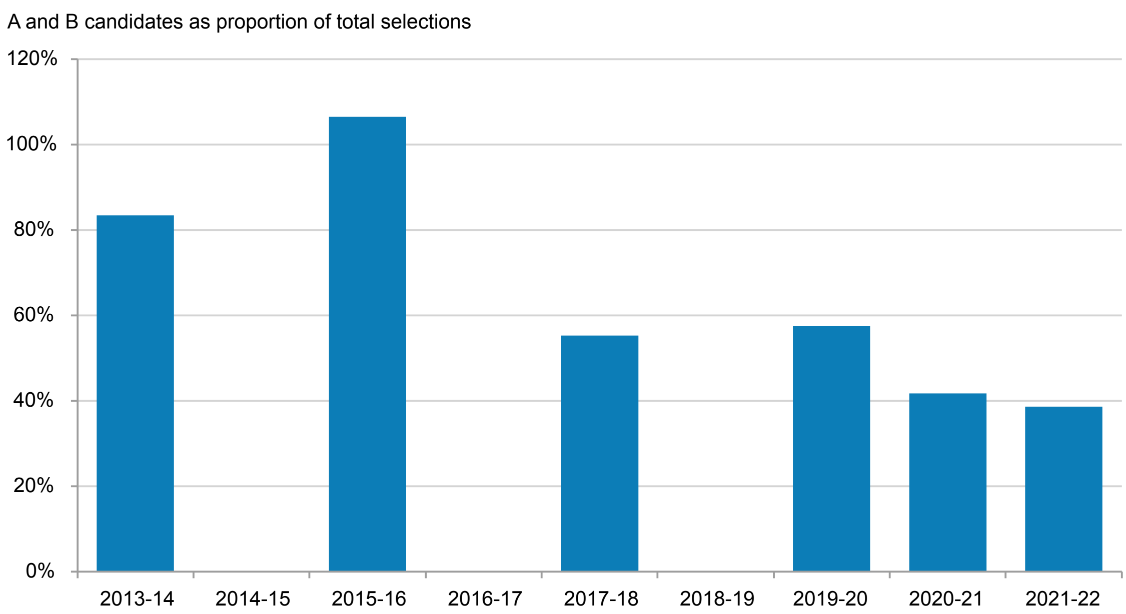


* Data to January 2023.

Source: Judicial Appointments Commission.

Note: No recruitment in 2014-15, 2016-17 or 2018-19.

Figure 5.11: **Quality ratings for District Judge (Civil) recruitment, 2013-14 to 2021-22**



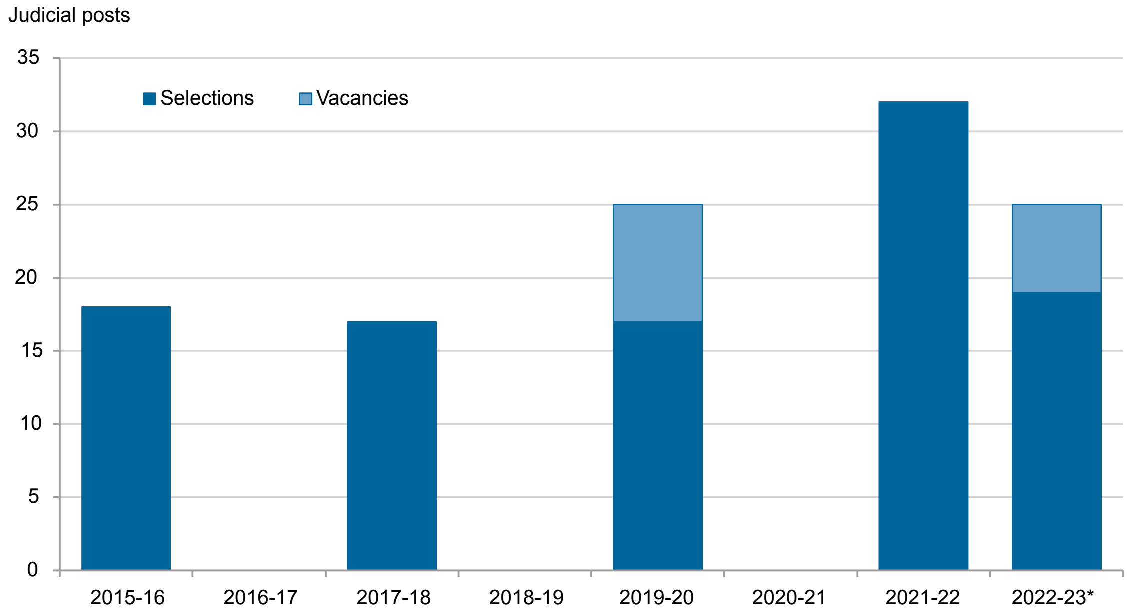
Source: Judicial Appointments Commission.

Note: No recruitment in 2014-15, 2016-17 or 2018-19.

5.208 There is a different pattern for District Judges who work in the Magistrates' Court (see figure 5.12). Since 2015-16, there have generally not been shortfalls in recruitment. However in 2022-23, 24 per cent of posts have gone unfilled.

5.209 Quality ratings for this group fell between 2015-16 and 2019-20 and only improved slightly in 2021-22. In 2021-22, 59 per cent of selections were A and B candidates (see figure 5.13).

Figure 5.12: **District Judge (Magistrates) recruitment, 2015-16 to January 2023**

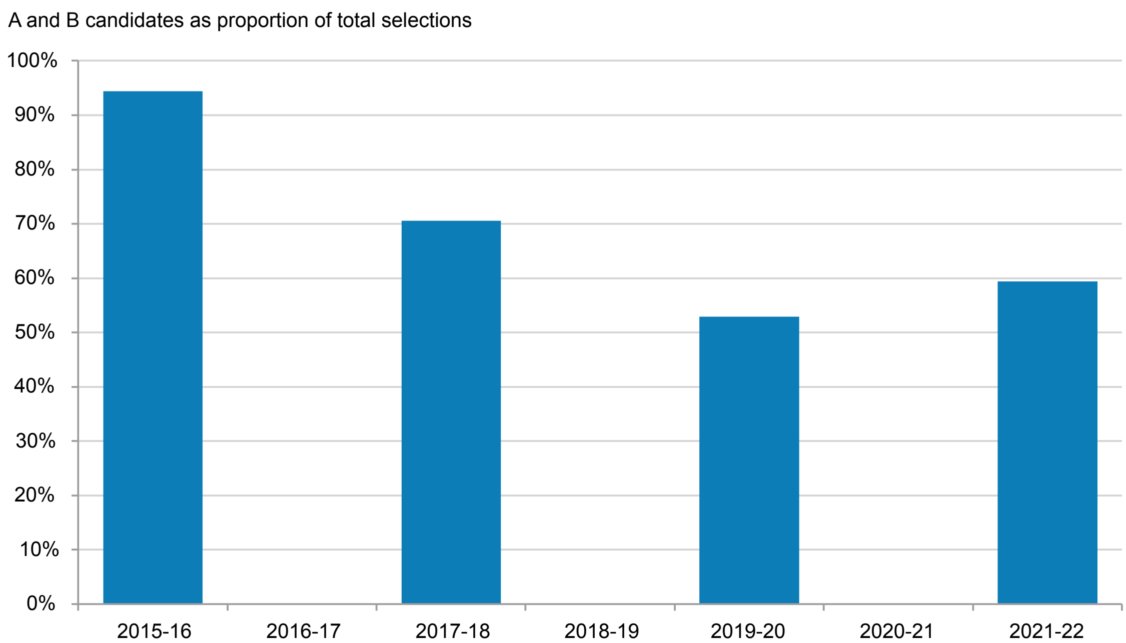


* Data to January 2023.

Source: Judicial Appointments Commission.

Note: No recruitment in 2016-17, 2018-19 or 2020-21.

Figure 5.13: **Quality ratings for District Judge (Magistrates) recruitment, 2015-16 to 2021-22**



Source: Judicial Appointments Commission.

Note: No recruitment in 2016-17, 2018-19 or 2020-21.

5.210 Some First-tier Tribunals have a UK-wide jurisdiction, so recruitment figures include some posts in Scotland and Northern Ireland.

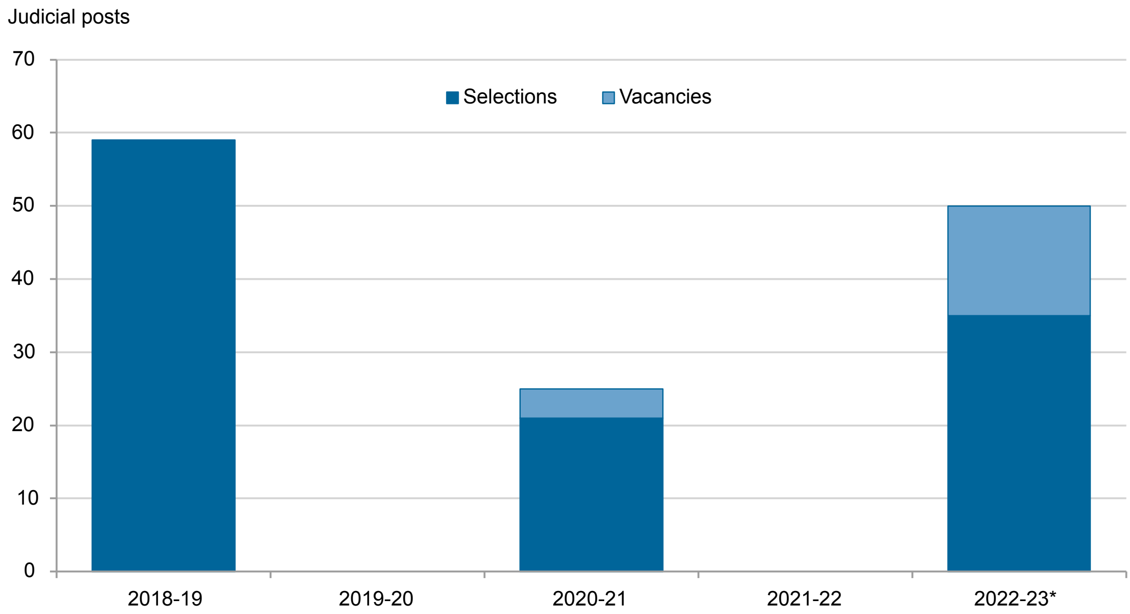
5.211 Since 2014-15, there has only ever been a shortfall of one. There have only been five recruitment campaigns over the period. Generally, A and B candidates have made up around 60 per cent of selections.

5.212 The number of cases dropped following the introduction of Employment Tribunal fees in 2013. Recruitment of Employment Tribunal Judges stopped as fewer judges were needed until the abolition of fees in 2017.

5.213 Since then, there have been three recruitment campaigns. In the first there was no shortfall, in the second there was a small shortfall, and so far in 2022-23 there has been a larger shortfall, with a third of vacancies unfilled (see figure 5.14).

5.214 In both 2018-19 and 2020-21, A and B candidates made up around 40 per cent of selections.

Figure 5.14: **Employment Tribunal Judge recruitment, 2018-19 to January 2023**



* Data to January 2023.

Source: Judicial Appointments Commission.

Note: No recruitment in 2019-20 or 2021-22.

Retention and retirement

5.215 Among court judges, there were 45 retirements in 2021-22. The average age of those who retired was 66. There was also one resignation and two deaths in office.

5.216 Among tribunal judges, there were 14 retirements in 2021-22 and the average age at retirement was 66. There were no resignations or deaths in office.

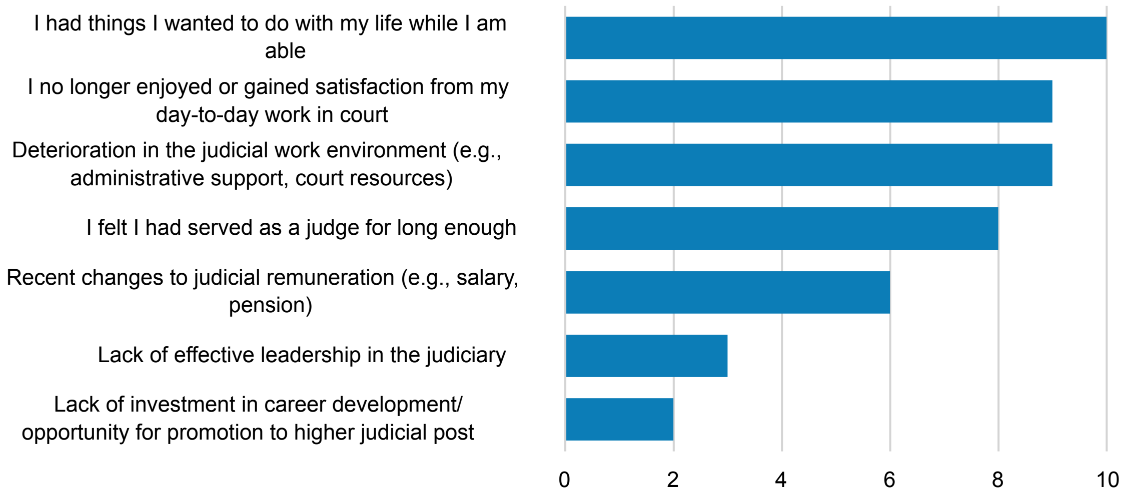
5.217 The Early Leavers Survey is regularly conducted to understand the reasons why judges take early retirement (defined as retiring before 69). The latest survey was conducted among judges who took early retirement between the start of January and end of March

2022. 30 judges took early retirement over this period, and 13 responded to the survey.[56] Of the 13 who responded, four went on to sit in retirement.

5.218 The median amount of time respondents had been in the salaried judiciary was 18 years, with answers ranging from 10 to 22 years. At the time of retirement, six were working full-time and seven were working part-time. Two were holding a formal leadership post.

5.219 Their reasons for leaving before full retirement age and things that would have prompted them to reconsider leaving the judiciary are shown in the charts below.

Figure 5.15: **Reasons for leaving the judiciary before full retirement age, January to March 2022**



Source: The Judicial Office.

Figure 5.16: **Factors which would have prompted judges retiring early to reconsider, January to March 2022**

Source: The Judicial Office.

56 The survey was not sent to judges retiring due to ill-health, so these figures do not include them.

Training and support

5.220 In 2021-22, HM Courts and Tribunals Service employed 14,900 people on a permanent basis and had 2,400 agency and contract staff. This had increased since 2016-17 when there were 14,300 permanent staff and 1,500 agency and contract staff.

5.221 In 2021-22, court judges completed a total of 10,600 training days and tribunal judges completed a total of 6,100.

Morale

5.222 The latest England and Wales Judicial Attitudes Survey results were published in April 2023.[57] Overall, 99 per cent of salaried court judges and 91 per cent of salaried tribunal judges answered the survey.[58] Among these judges:

- 86 per cent felt a strong personal attachment to being a member of the judiciary.
- 65 per cent felt valued by the public, while 81 per cent did not feel valued by the Government.
- 45 per cent felt that their case workload over the last 12 months had been too high, ranging from 59 per cent of District (Civil) Judges to 2 per cent of Court of Appeal Judges.
- Views were very mixed on the amount and quality of administrative support. District (Civil) Judges were most negative about both.
- 56 per cent of salaried judges felt that court maintenance was poor or unacceptable and only 16 per cent thought it was good or excellent.
- Nearly all salaried judges felt respected by judicial colleagues at court and their immediate leadership judge.
- 57 per cent felt valued by the judiciary's senior leadership, while 22 per cent did not.
- 41 per cent of judges agreed that they were paid a reasonable salary, while 45 per cent disagreed. District and Circuit Judges were least likely to agree.
- On digital and remote working, 42 per cent of judges had found the switch to working on screens challenging, while 46 per cent had not. District (Civil) Judges were the most negative across each measure.

Total net remuneration

5.223 We have updated our analysis of take-home pay and total net remuneration, which tracks reward for specific roles over the last decade. It only looks at in-year earnings, so does not model the impact of the lifetime allowance, income tax on pensions in payment or the changing retirement age. It also assumes annual allowance tax charges are paid in the year, rather than through a pension reduction by using Scheme Pays.

5.224 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. The role is assumed to be enrolled in the open pension scheme, so JUPRA prior to 2015, NJPS15 from 2015 to 2022, and JPS22 from 2022. Full details have been given in previous SSRB reports.

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[57] https://www.judiciary.uk/guidance-and-resources/judicial-attitude-survey-2022/

[58] Note that the Survey uses District (County) for District (Civil) Judges.

5.225 District Judges saw an increase in nominal take-home pay of 0.9 per cent over the last year, as the 3.0 per cent pay uplift was offset by higher national insurance payments and income tax on pension contributions. With a salary of £118,237, this role is subject to the tapered personal tax allowance for those earning between £100,000 and £125,140, giving a marginal income tax rate of 60 per cent. On the move to the new pension scheme, this group benefitted from the loss of a small annual allowance charge, which would have been around £1,500. Those moving from JUPRA to JPS22 would have seen a 1.9 per cent increase in nominal take-home pay over the year (see figure 5.17).

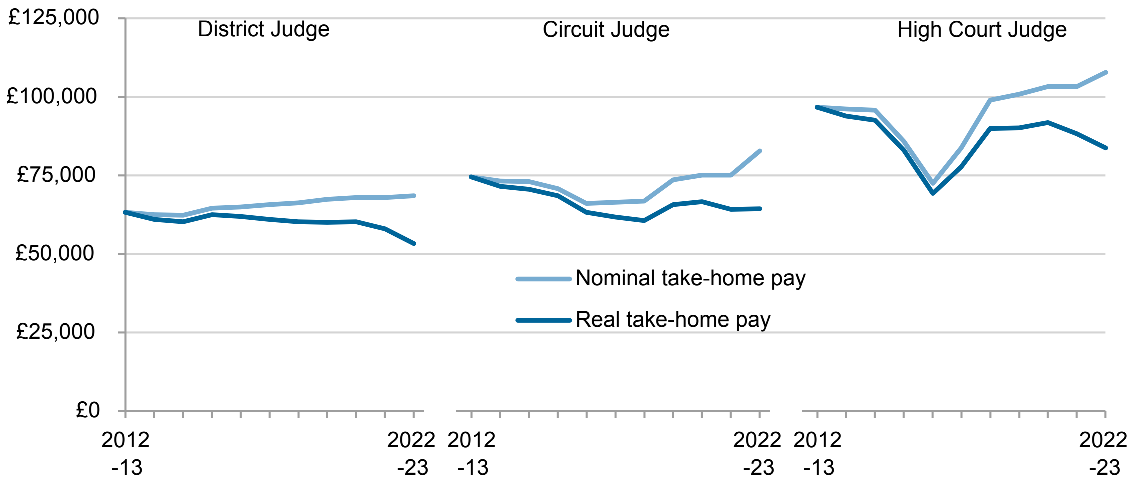
5.226 Circuit Judges saw an increase in nominal take-home pay of 10.3 per cent over the year, as the move to the new pension scheme meant that they were no longer liable to the annual allowance charge, which would have been around £5,900. Those moving from JUPRA to JPS22 would have seen a 3.1 per cent increase in nominal take-home pay due to the pay award and a small fall in the pension contribution rate.

5.227 High Court Judges saw an increase in nominal take-home pay of 4.4 per cent, as the loss of the annual allowance tax charge (which would have been around £15,000) was offset by the removal of the 25 per cent recruitment and retention allowance paid to those in NJPS15. Those moving from JUPRA to JPS22 would have seen a nominal increase of 3.0 per cent in take-home pay.

5.228 Nominal total net remuneration grew by 4.8 per cent over the year for a District Judge, 10.6 per cent for a Circuit Judge and 7.1 per cent for a High Court Judge over the year as all roles moving from NJPS15 to JPS22 benefitted from the higher accrual rate in the new pension scheme.

5.229 Inflation over the year was 10.1 per cent. This meant that for a District Judge, there was an 8.3 per cent fall in take-home pay and a 4.8 per cent fall in total net remuneration over the year, in real terms. For a Circuit Judge, there was a 0.2 per cent increase in take-home pay and a 0.5 per cent increase in total net remuneration over the year in real terms. For a High Court Judge, there was a 5.2 per cent fall in take-home pay and a 2.7 per cent fall in total net remuneration in real terms.

Figure 5.17: **Nominal and real take-home pay, 2012-13 to 2022-23**



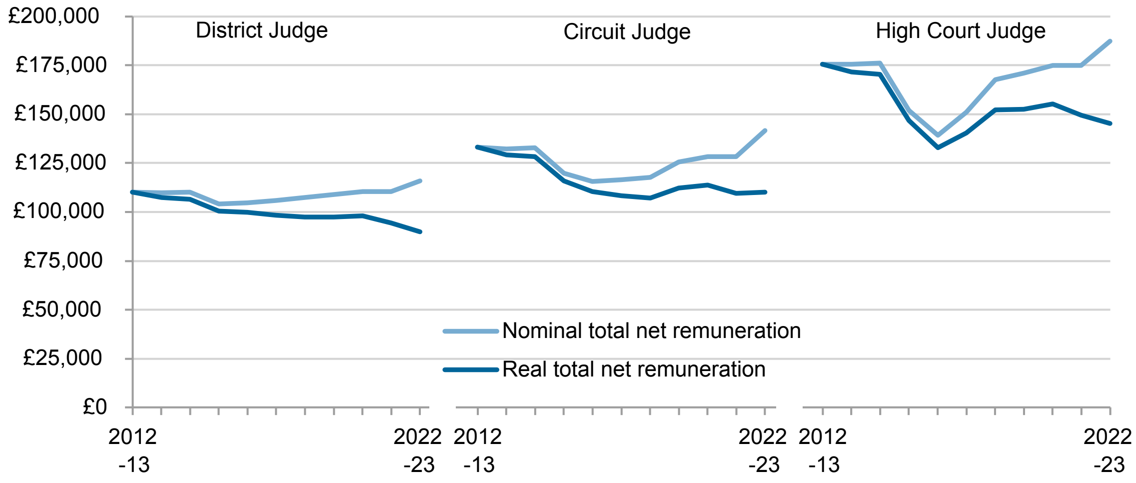
Source: OME analysis.

Notes: Assumes switch from JUPRA to NJPS15 in 2015 and to JPS22 in 2022. Real take-home pay based on the 2012-13 CPI.

5.230 Since 2012-13, a District Judge has seen a nominal increase of 8.4 per cent in take-home pay and 5.1 per cent in total net remuneration. In real terms, take-home pay for a District

Judge has fallen by 15.9 per cent, while total net remuneration has fallen by 18.4 per cent since 2012-13. Total net remuneration since 2012-13 is shown in figure 5.18.

Figure 5.18: **Nominal and real total net remuneration, 2012-13 to 2022-23**



Source: OME analysis.

Notes: Assumes switch from JUPRA to NJPS15 in 2015 and to JPS22 in 2022. Only looks at in-year earnings and does not include the impact of the lifetime allowance, income tax on pensions in payment or changes in the retirement age. Real total net remuneration based on the 2012-13 CPI.

5.231 Since 2012-13, a Circuit Judge has seen a nominal increase of 11.2 per cent in take-home pay and a 6.6 per cent increase in total net remuneration. In real terms, take-home pay for a Circuit Judge has fallen by 13.7 per cent while total net remuneration has fallen by 17.3 per cent since 2012-13.

5.232 Since 2012-13, a High Court Judge has seen a nominal increase of 11.6 per cent in take-home pay and an increase of 6.7 per cent in total net remuneration. In real terms, take-home pay for a High Court Judge has fallen by 13.4 per cent while total net remuneration has fallen by 17.2 per cent since 2012-13.

Scotland

Remit group

5.233 There were 203 members of the Scottish salaried judiciary at December 2022. Their pay ranged from £246,034 in salary group 1.1 to £93,954 in salary group 8 in 2022-23. The largest group is Sheriffs, who make up over half of the total. The judges in salary groups 1 to 4 are known as Senators.

5.234 Fourteen of the Sheriffs also sit as Appeal Sheriffs, while 23 of them were filling the role of Temporary Judge in the Court of Session. There were also 35 fee-paid part-time Sheriffs and 19 fee-paid part-time Summary Sheriffs.

5.235 The number of Sheriffs has fallen over time, from 139 in February 2014 to 118 in December 2022. This was offset by the increase in Summary Sheriffs, from none to 37. The number of part-time Sheriffs and part-time Summary Sheriffs increased noticeably between December 2021 to December 2022, from 24 to 35 and 2 to 19 respectively. This was done to assist with clearing the criminal case backlog.

Table 5.6: **Scottish salaried judiciary, December 2022**

Office held	Salary group	Salary	Number in post
Lord President	1.1	£246,034	1
Lord Justice Clerk	2	£237,639	1
President of the Scottish Tribunals (Inner House Senator)	3	£225,978	1
Inner House	3	£225,978	9
Outer House	4	£198,459	24
Chairman of the Land Court	5	£159,163	1
Sheriff Principal	5	£159,163	5
Sheriff	5.2	£147,388	118
Deputy Chairman of the Scottish Land Court	5.2	£147,388	1
Legal Member of the Lands Tribunal for Scotland	5.2	£147,388	1
Member of the Lands Tribunal for Scotland	6	£138,759	2
Summary Sheriff	7	£118,237	37
Member of the Scottish Land Court	8	£93,954	2
Total			**203**

Source: Judicial Office for Scotland.

Paybill

5.236 The estimated total paybill for the salaried judiciary in 2022-23 was £49 million. £30 million of this was pay, with the rest made up of employer pension contributions, national insurance and the apprenticeship levy. The paybill has increased by around £2 million since 2021-22 and by around £6 million since 2018-19. This is proportionally larger than the increase in pay, because of a large increase in employer pension contributions in 2019-20 and an increase in national insurance in 2022-23.

5.237 At November 2022, 98 per cent of judges were in the new pension scheme NJPS22. One judge had opted out, and the three members of the Scottish Land Court were part of the civil service pension scheme,[59] which accounts for the remaining 2 per cent.

5.238 Since the judicial pension change, no judges are in receipt of recruitment and retention allowances.

Fee-paid judges

5.239 Fee-paid part-time Sheriffs and part-time Summary Sheriffs can work up to 215 days a year. In 2020-21, the total number of days they sat was 1,400, and between April and November 2022 they sat 2,100 days.

Support staff

5.240 The Scottish Courts and Tribunals Service is responsible for the administration of the courts and tribunals. It includes the Judicial Office for Scotland which provides support to the Lord President and other senior judiciary and has responsibility for the training, welfare, deployment, guidance and conduct of judicial office holders. In 2022, there were 1,800 Scottish Courts and Tribunals staff. 95 per cent of staff were at senior executive officer level or below. 50 per cent were at administrative officer level or below.

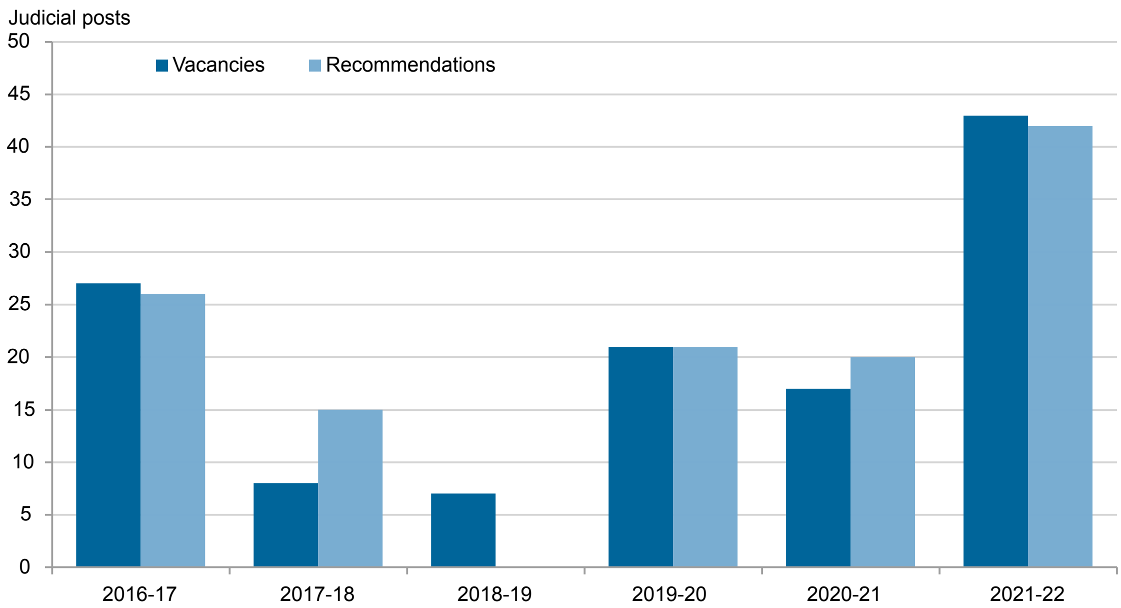
[59] Under the Scottish Land Court Act 1993.

Recruitment

5.241 Between 2011-12 and 2014-15, the number of vacancies for Sheriff and Senator was not identified, rather recruitment was focused on creating a pool of eligible candidates that could be called on as required to fill posts as they arose. The same was true of the Summary Sheriff recruitment campaign in 2015-16.

5.242 The Judicial Appointments Board for Scotland (JABS) has compiled historical data from annual reports. Recruitment campaigns are often delivered over more than one financial year and in reports before 2018-19, application and recommendation figures were recorded for the years in which they occurred rather than being linked to the campaign's start date. Our secretariat has used the JABS' notes on the data to amend the back series and allow comparison.

Figure 5.19: **Total salaried judiciary recruitment, 2016-17 to 2021-22**



Source: Judicial Appointments Board for Scotland, OME calculations.

5.243 Recruitment activity has been on an upward trend since 2018-19. Last year, the number of vacancies offered was more than double that in any of the previous four years, including campaigns for Sheriffs, Summary Sheriffs, Sheriffs Principal and Senators. Forty-two recommendations were made.

5.244 Since 2015-16, all Senator vacancies have been filled. There are only six Sheriff Principal roles so recruitment is less frequent. We understand from the Sheriffs Principal that there was one role in 2021-22 that could not be filled and had to be re-advertised. Sheriff recruitment activity has increased in recent years, from eight vacancies in 2019-20 to 22 vacancies in 2021-22. It appears that there have never been any shortfalls.

5.245 Summary Sheriff recruitment has also increased, from three vacancies in 2020-21 to 14 in 2021-22.

Diversity

5.246 At December 2022, 73 per cent of the Scottish salaried judiciary were men. Men made up 72 per cent of Senators and 79 per cent of Sheriffs. The most balanced areas were Sheriffs Principal and Summary Sheriffs, where men made up 60 per cent and 49 per cent respectively.

5.247 In the 2021-22 Sheriff recruitment campaign, 67 per cent of applicants and 74 per cent of those recommended were men. 92 per cent of applicants and 95 per cent of those recommended were white.

5.248 In the 2021-22 Summary Sheriff recruitment campaign, 47 per cent of applicants and 43 per cent of those recommended were men. 91 per cent of applicants and 93 per cent of those recommended were white.

Retention and retirement

5.249 At December 2022, 110 members of the salaried judiciary had been in post less than five years. 54 had been in post between five and 10 years, and 39 had been in post over 10 years.

5.250 Nearly half of all post-holders were aged between 50 and 59. The average age varied by post, from 54 to 66. For Summary Sheriffs it was 54 and for Sheriffs it was 57.

5.251 The average age at retirement in 2022 was 64. The youngest retiree was 60 and the oldest was 70. Between 2010 and 2022 the average retirement age was 66.

5.252 Since 2017, 60 Sheriffs have retired. Of these, 44 Sheriffs returned as a retired Sheriff.

5.253 The mandatory retirement age was increased from 70 to 75 in April 2022. Between 2016 and 2021, 84 per cent of judges retired when they were younger than 70, so the impact on retention may be limited.

Morale

5.254 The latest Scotland Judicial Attitudes Survey results were published in March 2023.[60] 83 per cent of salaried judges answered the survey. Among these judges:

- 89 per cent felt a strong personal attachment to being a member of the judiciary.
- 60 per cent felt valued by the public. 67 per cent did not feel valued by the UK Government.
- 29 per cent thought that their case workload over the last 12 months had been too high and 17 per cent that their non-case workload had been too high.
- Views were very mixed on the amount and quality of administrative support.
- Most felt that the physical quality and maintenance of court buildings was good or adequate.
- Nearly all felt respected by judicial colleagues at court and 77 per cent felt respected by their immediate leadership judge.
- 55 per cent felt they were treated with respect by the senior leadership in the judiciary while 21 per cent did not.
- 41 per cent of judges agreed that they were paid a reasonable salary, while 39 per cent disagreed.
- Views on digital working were generally negative. 26 per cent agreed that the increase in remote hearings had been beneficial, while 54 per cent disagreed. 53 per cent were finding the switch to working on screens challenging.
- Views were mixed on whether digital working was more efficient for chambers work, but 56 per cent disagreed that it was more efficient for hearings.

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60 https://www.judiciary.scot/docs/librariesprovider3/judiciarydocuments/judicial-attitudes-survey/2022-jas-scotlandreport-for-publication.pdf

Northern Ireland

Remit group

5.255 There were 80 members of the salaried judiciary in Northern Ireland at 31 March 2022. The biggest categories were the Puisne Judges of the High Court (10), County Court Judges (20) and District Judges in the Magistrates' Court (17). Salaries ranged from £246,034 in salary group 1.1 to £118,237 in salary group 7 in 2022-23.

5.256 County Court Judges are in salary group 5.2 but paid group 5 salaries.

Table 5.7: **Northern Ireland judiciary numbers and salaries, 1 April 2022**

Office held	Salary group	Salary	Number in post
Lady Chief Justice	1.1	£246,034	1
Lord/Lady Justices of Appeal	3	£225,978	3
Puisne Judge of the High Court	4	£198,459	10
Recorder of Belfast**	5	£171,896	1
Child Support Commissioner	5	£159,163	1
Social Security and Child Support Commissioner	5.1	£153,285	1
Member, Lands Tribunal	5.1	£153,285	1
County Court Judge***	5.2	£159,163	20
President Appeals Tribunal	5.2	£147,388	1
President, Industrial Tribunals and Fair Employment Tribunal	5.2	£147,388	1
President, Lands Tribunal*	5.2	£147,388	1
Master of the Court of Judicature	5.2	£147,388	7
Presiding Master of the Court of Judicature*	5.2	£147,388	1
Vice-President, Industrial Tribunals and Fair Employment Tribunal*	6	£138,759	1
Presiding District Judge (Magistrates' Courts)*	6	£138,759	1
Presiding District Judge*	7	£118,237	1
District Judge	7	£118,237	4
District Judge (Magistrates' Courts)	7	£118,237	17
Presiding Coroner*	7	£118,237	1
Coroner	7	£118,237	4
Full-time Salaried Legal Member of the Appeal Tribunals (Chair)	7	£118,237	1
Employment Judge	7	£118,237	7

* These judges hold multiple posts.

** The current post-holder receives a salary of 108 per cent of group 5.

*** Post-holders are paid the salary for group 5 so long as they are required to carry out significantly different work from their counterparts elsewhere in the UK.

Source: Ministry of Justice.

5.257 Six judges were in officially recognised leadership roles:

- High Court Presiding Master.
- Presiding Coroner.
- Recorder of Londonderry.
- Recorder of Belfast/Presiding County Court Judge.
- Presiding District Judge.
- Presiding District Judge (Magistrates' Court).

5.258 There were also 132 fee-paid judges, mostly legal members of tribunals, Deputy County Court Judges or Deputy District Judges (Magistrates' Court).

Part-time working

5.259 As of 31 March 2022, there was only one part-time salaried judge in Northern Ireland. They worked as a District Judge in the Magistrates' Court.

Diversity

5.260 Women made up a third of the salaried judiciary in Northern Ireland, at 31 March 2022. It is more difficult to draw strong conclusions given the small numbers, but representation was worst amongst Puisne Judges of the High Court, where only one out of ten was a woman.

5.261 The picture was similar for fee-paid judges, where 39 per cent were women.

Average age

5.262 At 31 March 2022, the average age varied by post, from 53 in salary group 7 to 67 in salary group 3.

Paybill

5.263 In 2021-22, the paybill for the Northern Ireland salaried judiciary was £17 million. £11 million of this was salary costs, and the rest was national insurance and employer pension contributions. The paybill has increased by £4 million since 2011-12.

5.264 All the judges eligible for a judicial pension were in the JPS22 pension scheme. Since the pension scheme change, no judges were receiving recruitment and retention allowances.

Recruitment

5.265 As the Northern Ireland judiciary is small, recruitment campaigns are smaller and less frequent than in other jurisdictions. This makes it more difficult to assess the attractiveness of posts. There were three recruitment campaigns in 2021-22. One campaign had a shortfall of one.

5.266 The Lady Chief Justice raised in her submission that concern had been expressed in previous years about the availability of high-quality KCs to fill future High Court Judge and County Court Judge vacancies.

5.267 The Northern Ireland Judicial Appointments Commission recruited for one High Court Judge in 2021-22, and subsequently used the reserve list to make one further appointment. There were seven applications.

5.268 The Northern Ireland Judicial Appointments Commission recruited for five County Court Judges in 2021-22 and appointed four. There were 45 applications.

5.269 The Northern Ireland Judicial Appointments Commission submission noted that it was disappointing that the requisite number of County Court appointments was not made, and the Commission was working with the County Court Presider and legal professional bodies to increase awareness of the challenges and rewards of serving in this judicial office.

5.270 The Commission recruited for and appointed two District Judges in 2021-22. There were 50 applications.

5.271 There have been three recruitment campaigns for District Judges in the Magistrates' Court. since 2012-13 and none have seen a shortfall. There have been two recruitment campaigns for Masters since 2012-13 and neither saw a shortfall. There have been three recruitment campaigns for Industrial Tribunals and Fair Employment Tribunal Judges since 2012-13 and none have seen a shortfall.

Retention and retirement

5.272 The Lady Chief Justice said in her submission that retention and attrition were not problems in Northern Ireland, and most judges left at retirement. She noted that the ability for judges to retire and then be reappointed to a sitting in retirement office meant some would be able to serve longer.

5.273 Six salaried judges left office during 2021-22. Their average age on departure was 60.

Morale

5.274 The latest Northern Ireland Judicial Attitudes Survey results were published in March 2023.[61] In total, 46 per cent of salaried judges answered the survey. Among these judges:

- 76 per cent felt a strong personal attachment to being a member of the judiciary.
- 69 per cent felt valued by the public. 65 per cent did not feel valued by the Government.
- 46 per cent thought that their case workload over the last 12 months had been too high, and 30 per cent thought that their non-case workload had been too high.
- Views were mixed on the amount of administrative support, but 69 per cent felt the quality was good or excellent.
- Most felt that the physical quality and maintenance of court buildings was good or adequate.
- Nearly all felt respected by judicial colleagues at court and by their immediate leadership judge. 80 per cent felt they were treated with respect by the senior leadership in the judiciary.
- 43 per cent agreed that they were paid a reasonable salary, while 51 per cent disagreed.
- Views on digital working were mixed. 41 per cent agreed that the increase in remote hearings had been beneficial to their work while 32 per cent disagreed. 51 per cent were finding the switch to working on screens challenging while 46 per cent were not.
- 42 per cent had felt concerned for their safety in court and 42 per cent had felt concerned for their safety out of court.

61 https://www.judiciaryni.uk/sites/judiciary/files/media-files/2022%20Judicial%20Attitude%20Survey%20-%20Northern%20Ireland%20-%2028%20Mar%2023_0.pdf

Chapter 6

Senior Leaders in the NHS in England

Summary of main themes and recommendations

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 in England. He did not ask us to review any specific aspects of reward for NHS leaders this year.

Summary

6.2 Senior leaders in the NHS are working under intense pressure. They are dealing with the post-pandemic backlog in healthcare, high levels of staff vacancies and widespread industrial action. The capacity for strategic leadership, in particular to support service development, is constrained by the pressures of these day-to-day crises.

6.3 The strained leadership environment has affected recruitment, retention and morale. The turnover of trust leaders (including moves between trusts) has increased to around 17 per cent. While most leadership roles can be filled, fields where there are one or no appointable applicants are more common, vacancy durations are lengthening and the number of applicants for senior posts are falling.

6.4 Our remit group cannot be identified within the NHS Staff Survey. However, it is likely that the overall deterioration in morale seen across the workforce over the last two years includes senior leaders. Other indicators including surveys by representative organisations and our discussion groups also suggest worsening morale.

6.5 Pension taxation remains a particular source of discontent among senior leaders in the NHS. Large and unexpected tax bills damage morale and the current system has acted to incentivise retirement and disincentivise promotion. We therefore welcome the changes announced in the March Budget which we expect to alleviate these issues.

6.6 The length of time it is taking to confirm salaries for some appointments is a further hindrance to NHS leadership. Senior posts remain vacant for an unnecessarily long time which is having a direct operational impact. We think the current system needs urgent reform.

6.7 The delay in replacing the outdated VSM pay framework is regrettable. In November 2021, the then Secretary of State asked us to review proposals for the forthcoming VSM pay framework. We commented extensively on this last year. At the time of this Report, the framework remains unpublished. This is frustrating as its purpose is to address long-standing pay issues and to support the attraction and retention of senior staff.

6.8 Most stakeholders have agreed that pay levels for VSMs and ESMs are broadly at the right level. We are concerned, however, that recruitment and retention pressures are increasing and that feeder roles for chief executives such as functional leadership are subject to competitive pressures. Overall, our judgement is that level of pay for chief executives is not a leading source of discontent or a major inhibiting factor. It is very important, however, that a pay increase should be high enough to signal that these leaders are valued and to keep pace with changes to pay for executives in the wider market, particularly as service reform plans may benefit from increased recruitment to the leadership of the NHS from beyond the sector. Our recommendation also takes account of the wider considerations outlined in Chapter 1.

6.9 We recommend a pay increase of 5.0 per cent for VSMs and ESMs from 1 April 2023. We also recommend that a further 0.5 per cent of the ESM and VSM paybill in each employing organisation is used to address specific pay anomalies.

Government response to our 2022 recommendations

6.10 Last year we recommended an across-the-board pay increase of 3.0 per cent for all VSMs and ESMs from 1 April 2022. We also recommended a further 0.5 per cent to ameliorate the erosion of differentials and facilitate the introduction of the new VSM pay framework. The Government accepted this recommendation.

6.11 When this was implemented, VSMs and ESMs received a pay increase of 3 per cent, effective from 1 April 2022. Local remuneration committees had the discretion to apply an additional 0.5 per cent to an individual's base pay to help address differentials.

6.12 This was not the intention of our recommendation, which was that 0.5 per cent of the overall paybill for senior health leaders would be applied flexibly across the group by each employer, rather than a discretionary 0.5 per cent to be applied or not on an individual basis.

6.13 We are also concerned about the unnecessary delay to the implementation of the pay award for NHS leaders, which was announced by the Secretary of State in July 2022, but not implemented until close to the end of the year. NHS Providers (NHSP) said that the 2022-23 pay uplift being announced seven months into 2022 was deeply unhelpful for trust boards and remuneration committees as they sought to retain talent at VSM level and ensure sound financial planning.

6.14 We have previously observed that paying senior leaders, like others, on time is a prerequisite for valuing them properly. As we said last year, it should be a priority to communicate and implement any pay rise as quickly as possible.

6.15 We also recommended last year that further detailed work be undertaken to bring greater coherence to medical directors' pay with the full involvement of those in these roles. We understand that NHS England (NHSE) intends to address this important issue after work on the VSM framework has been completed.

Context

6.16 Senior leaders in the NHS continue to be under great pressure. They are at the forefront of managing service delivery under intense system-wide stresses. These include a huge post-pandemic care backlog, and very high levels of demand for physical and mental health and care services in both hospital and community settings.

6.17 These demand pressures are exacerbated by record numbers of vacancies across the NHS (124,000 at the end of 2022, representing 1 in 11 jobs, and up from 110,000 a year earlier), widespread industrial action and high levels of staff sickness. Managing colleagues who are experiencing pressures outside work adds a further impact on leaders.

6.18 Following on from the transition to Integrated Care Boards (ICBs) last year, members of our remit groups are continuing to both experience and lead the implementation of significant structural change across their organisations. ICBs are subject to a 30 per cent real-terms reduction in their running costs, which includes staffing, by 2025-26, with at least 20 per cent to be delivered in 2024-25.[62] The absorption of Health Education

[62] https://www.england.nhs.uk/long-read/integrated-care-board-running-cost-allowances-efficiency-requirements/

England and NHS Digital into NHSE has taken place and is being accompanied by a headcount reduction of over 30 per cent.

6.19 Following the statutory establishment of Integrated Care Systems (ICSs) under the Health and Care Act 2022, VSMs and ESMs are increasingly being asked to provide system leadership across organisations to support population health improvement and reduce health inequity. This is the case whether they are in ICBs and leading system partners or in trusts seeking to work in a more connected way with other organisations.

6.20 At oral evidence, we were not able to form as clear a picture as we would have liked of the impact and effectiveness to date of the new ICBs and their leaders. Nonetheless, it is clear that system leadership places different demands on individuals, requiring collaborative and inclusive leadership in a complex environment.

6.21 Overall, this represents a strained operating and leadership environment. NHS leaders are required to solve the challenges of both the post-pandemic backlog and the new delivery methods but are inhibited from doing so by the overwhelming demands of day-to-day delivery and the need to focus on short-term resourcing issues.

Recruitment, retention and morale

6.22 Overall staff turnover (leavers plus moves between trusts) within the VSM cohort increased to 17 per cent in 2021-22. There was a similarly high level of turnover among ESMs.

6.23 In our last two reports, we have noted the age profile of senior leaders in the NHS. Over 45 per cent of chief executives are over 55 and may be eligible for retirement. In view of the pressures on them, we remain concerned about the risk that large numbers may go. There has been a notable increase in the number of leaders that are taking retirement. Retirement accounted for 45 per cent of leavers among the VSM cohort in 2021-22, compared to 33 per cent in 2020-21.

6.24 We heard in oral evidence that, while most leadership roles can be filled, fields where there are one or no appointable applicants are more common, vacancy durations are lengthening and numbers of applicants for senior posts are tending to fall. Half of vacancies were taking longer than six months to fill and nearly a quarter were taking longer than 12 months. The rising proportion of posts that are vacant and/or being recruited to at any given time is symptomatic of the strained environment outlined above.

6.25 There appear to be specific retention issues among chief executives. The Health Service Journal reported that 31 (out of 108) acute trusts had three or more chief executives in the five years to April 2022, and just 23 trusts had one chief executive. It found a correlation between leadership stability and better trust performance. The national average was more than two chief executives at each trust over the period.[63]

6.26 NHS Providers said that retaining senior leaders remained an urgent issue for the NHS and that it was vital to maintain continuity of leadership within a pressurised operational environment. Its remuneration survey showed that 36 per cent of chief executives had been in post for a year or less (up from 19 per cent the year before), and 54 per cent had been appointed in the last three years. It also found that just over half of the chief executives (53 per cent) were in the role for the first time.

6.27 This level of internal churn, where leadership talent is primarily drawn from within the sector, is leaving key roles unfilled for long periods and impacting overall outcomes.

[63] 'Revealed: CEO and exec turnover at each acute trust' *Health Service Journal*, 22.8.22

The shift to system-working, relying on collaboration across organisations, increases expectations of chief executives who need to influence other trusts and reinforces the critical importance of effective leadership.

6.28 We have heard from leaders and stakeholders that the operational pressures in the NHS, following an immensely challenging period of leading the sector through the pandemic, have affected morale. The impact of negative media coverage of NHS leaders and a perceived absence of support, or even disparagement, by ministers have also been highlighted. The results of the annual NHS staff survey are not currently in a form which can provide a data set covering only our remit group. We welcome plans to correct that.

6.29 Evidence for all staff in trusts showed a distinct fall in motivation and morale measures in 2021 which was not reversed in 2022. Levels of satisfaction with pay among all staff have fallen sharply since 2020. A survey by Managers in Partnership found 74 per cent of members said their morale had worsened in the last 12 months. Not only are our remit group likely to be seeing falling levels of motivation and morale themselves, but they are also managing sharp declines across their workforces.

Pay recommendations for 2023

6.30 In making our recommendations on pay for this year, the Department of Health and Social Care (DHSC) asked us to consider:

- The state of recruitment, retention, motivation and affordability for the NHS.
- The pay and reward of other staff within the NHS, including those employed on Agenda for Change (AfC) terms, medical contracts, and senior civil service roles for ESMs.
- The overall financial challenges facing the NHS.

6.31 The DHSC said that the prolonged impact of the COVID-19 pandemic and higher than forecast inflation had increased the costs of delivering services and the financial pressures systems were facing. It said that due to these changes, and last year's pay awards being significantly above the Government's affordability envelope, NHSE was undergoing significant reprioritisation. It confirmed that there was no funding set aside specifically for VSM or ESM pay, as these employees were funded out of local budgets, so that any pay recommendation would therefore need to be absorbed within existing budgets. It did not give any indication of an affordable pay increase for VSMs and ESMs.

6.32 The DHSC said it would welcome more flexibility to enable organisations to use any additional percentage to address a wider range of pay anomalies and allow organisations to target areas specific to their workforce.

6.33 NHSE noted in oral evidence the discomfort that some VSMs felt about taking a higher pay award than those immediately below them and said that it would be helpful if this year's award for senior leaders could be consistent with the rest of the NHS workforce. However, some welcomed the difference in the pay awards as it widened the gap between band 9 and VSM pay, restoring some of the differential which was narrowed the previous year, making promotion more attractive.

6.34 We note the pay award made to AfC staff of a 5.0 per cent increase from 1 April 2023, as well as the additional non-consolidated payments, worth 3.5 to 3.7 per cent to staff in band 9.

6.35 A pay increase for this important strategic group should be high enough to signal that these leaders are valued and to keep pace with changes to pay for executives in the wider market. We take account of the enormous demands that are being made of NHS leadership. It is also important for remuneration committees to be able to respond flexibly to specific local recruitment and retention challenges. We therefore recommend a basic pay award of 5.0 per cent for senior health leaders from 1 April 2023. In addition, we recommend that a further 0.5 per cent of the VSM/ESM paybill within each employing organisation is used to address specific pay anomalies within the leadership group. These recommendations include VSMs in ICBs.

Recommendation 6
We recommend a pay increase of 5.0 per cent for Very Senior Managers and Executive and Senior Managers in the NHS in England from 1 April 2023.

Recommendation 7
We recommend that an additional 0.5 per cent of the ESM and VSM paybill in each employing organisation is used to address specific pay anomalies.

The new VSM pay framework

6.36 In November 2021 the then Secretary of State asked us to review the new VSM pay framework for our 2022 Report. Our observations last year were based on a briefing note because the framework itself was not ready. At the time of submitting this Report, the new VSM pay framework has not been published or shared with us. We observe that it has taken much too long to introduce important and overdue adjustments to the pay framework for VSMs.

6.37 In our Report last year, we recommended 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.

6.38 We also recommended that NHSE keep under review data on when additional payments are used and their impact on retention, duration in post and rates of churn of leaders.

6.39 The DHSC said it welcomed these comments, which NHSE had incorporated. It said that the framework aimed to provide consistency to VSM pay in a non-inflationary manner.

6.40 We have consistently heard concerns about pay being determined by the size of the organisation, rather than the complexity of roles. In our 2021 Report, we advocated developing a more nuanced approach. We recognise the efforts that have been made to improve the basis for setting pay and that this has proved difficult. It is a further reason why the slow progress of the new VSM pay framework, which is to enable some adjustments to the approach, is regrettable. We have heard how this is particularly important to support recruitment to smaller organisations where the leadership task is unusually demanding.

6.41 A specific concern, which we have highlighted in previous reports, has been the need to incentivise senior health leaders to work in more challenged/underperforming trusts. These trusts have most need for leadership stability and for leaders with the abilities to improve performance.

Pay approvals

6.42 We have previously observed that the required central approval of salaries over £150,000 takes much too long. This arises because, although pay for executives in a trust is set by the trust's remuneration committee, all proposed VSM pay at or above £150,000 in NHS trusts is subject to ministerial approval (or ministerial comment in foundation trusts) before appointments are made. Under the current guidance, any VSM pay proposal at or above the £150,000 threshold that adheres to the pay framework can be cleared at senior official level.

6.43 There was an increase in the number of pay cases needing approval from the DHSC in 2021-22. Some of these were taking more than six months. At the time of writing this Report these delays appeared to be getting worse.

6.44 Nearly all chief executive roles required clearance, because of their higher salaries. There is strong evidence from many senior leaders and remuneration committee members that the protracted approvals process is a barrier to recruitment.

6.45 The present approach is too often detrimental to effective leadership of trusts and is not the right answer. We note the Minister's acknowledgement in oral evidence that the salary threshold for ICBs had been set at £170,000 to enable recruitment to take place quickly. Nonetheless, pay approval was required for 17 per cent of ICB director appointments, in some cases waiting over six months. At a time when consistency of leadership is vital, it is unacceptable for appointments to be delayed by many months.

6.46 If central approvals are to remain a requirement, decisions on cases should be made within a few weeks.

Recommendation 8
We recommend that central approval or rejection of proposed VSM or ESM pay is provided within four weeks of submission of the pay case to the Department of Health and Social Care.

6.47 The difficulties associated with central pay approvals are partly due to a lack of clarity over talent and reward strategy. We would like to see more thought being given to developing strategic talent and succession planning for the NHS leadership group to help ensure it has the right people in its senior posts. Currently, responsibilities for reward lie across trust remuneration committees, NHSE and the DHSC. Each has a part to play but there is a need clearly to define the distinctive role of each and to articulate where the primary responsibility for VSM reward lies.

ESM pay framework

6.48 We note the relative lack of attention to a strategy for ESM pay. ESMs are an important talent group within NHS leadership. The pay framework for this group has been in place since 2016. Salary ranges have not been uprated, although we observe that NHSE uses a minimum salary of £100,000, rather than the specified framework minimum of £90,900. This still leaves a significant overlap with AfC salaries. We are also concerned that a lack of coherence with the VSM framework is inhibiting the transition of talent within the sector. Moreover, this year a significant proportion of ESM roles have changed with the absorption into NHSE of Health Education England and NHS Digital. We hope that a more holistic approach can be taken in future.

6.49 We suggest that the ESM framework be reviewed in the light of market and organisational changes since 2016. This should draw lessons from the development of the VSM pay framework and seek to achieve greater coherence between the frameworks to facilitate the transfer of talent.

Pay levels

6.50 Most stakeholders have agreed that pay levels for VSMs and ESMs are broadly at the right level. Most senior health posts are occupied by individuals drawn from within the NHS and we note that, of the recent chief executive appointments to ICBs, the vast majority were also from within the NHS. Although levels of pay appear broadly appropriate, we have noted trends in recruitment and retention which are causes for concern. To ameliorate these, adjusting pay is not as important as establishing a less strained working environment and speeding up recruitment processes.

6.51 It is less clear that pay levels are appropriate for roles involving widely marketable skills such as finance and digital. We observe, however, that pay in the sector is not benchmarked against the private sector or even the broader public sector. This seems a particular issue for skills such as digital, finance or HR where there is strong private sector demand.

6.52 It was generally the view of stakeholders that chief executives would continue to be drawn from within the NHS and the wider public sector but that the leaders from finance, HR and IT would sometimes come from outside the public sector. These leaders may be future chief executive candidates and in this context it seems sensible to benchmark pay against both the private and the wider public sector for these roles to avoid limiting the field of potential candidates.

6.53 Last year, we said that remuneration of leadership roles should reflect the step-change in challenge, complexity and accountability on promotion. Around one-in-ten VSMs and one-in-eight ESMs are paid below the top of the national AfC scale for band 9s. We also heard in discussion groups that some individuals do not feel the pay increase on promotion to VSM or ESM is sufficient to compensate for the increased responsibility. We encourage NHSE to minimise the extent to which the overall system may give rise to this perception. At a local level, there is also an opportunity for remuneration committees to address this issue.

Pensions and flexible working

6.54 The issue of pension taxation has been a major concern to many remit group members for some time. It has provided a disincentive to remain in role and a major source of resentment. In discussion groups this year, senior leaders again identified the impact of pension taxation as the leading cause of discontent about their remuneration. We note that only around half of the most senior NHS leaders find it worthwhile to remain in the pension scheme.

6.55 NHSE said it remained concerned that the impact of pension issues on pay would continue to skew the NHS leadership labour market and, coupled with age demographics, presented a significant risk to ensuring there were experienced leaders in these critical roles.

6.56 Pension taxation was reformed substantially in the March 2023 Budget and we hope that this, along with the additional pension scheme flexibilities proposed by the DHSC, will have a significant positive benefit for the retention of experienced health leaders.

6.57 We also heard in discussion groups that flexible working options were rarely available to senior leaders. We understand the difficulties to be overcome but note that this may discourage some from seeking, or remaining in, VSM or ESM positions and may hinder diversity in this remit group.

Looking ahead

6.58 We would like to see greater transparency and clarity over where responsibility for reward strategy for our remit group lies. There is currently an unclear division between remuneration committees, NHSE and the DHSC.

6.59 We expect that the VSM framework will be implemented as soon as possible, and a clear monitoring strategy put in place to assess its impact. In the light of this, we would like to see a review of the pay framework and workforce strategy for ESMs. Its aims should include facilitating talent management across the broader NHS.

6.60 We hope that immediate attention is given as to how the process of pay approvals can be accelerated. This is causing avoidable and damaging delays to recruitment in key strategic roles across the sector.

6.61 We would expect the changes to pension taxation from April 2023 to have a positive impact on the retention of senior staff across the NHS. We might also expect to see the highest paid in our remit group re-joining the pension scheme. To achieve this, it will be important to communicate the financial benefits clearly to staff.

6.62 We expect the identification of senior health managers in workforce data to improve in the near future. This will enable better understanding of recruitment, retention and morale among the cohort and is a vital step in managing overall leadership talent.

Annex: Data and evidence

6.63 We received written and oral evidence from the DHSC and NHSE, NHSP, Managers in Partnership (MiP) and the BMA. We held five discussion groups – one with VSMs in trusts, one with VSMs in ICBs, one with ESMs, one with ICB chairs and one with remuneration committee chairs. In total, 20 members of the remit group and 28 ICB or remuneration committee chairs attended one of these discussion groups. We appreciate their contributions and insights.

6.64 To provide additional evidence for the 2022-23 pay round, NHSE undertook a data collection exercise of a representative sample of 24 trusts, together employing 232 senior managers (11 per cent of the cohort). The DHSC also issued a data template to its executive agencies and Arm's Length Bodies (ALBs) for to provide in-depth detail on the ESMs they employ. Data were received on 12 ALBs employing around 470 ESMs (including a few former Public Health England staff now employed in the DHSC on ESM terms). These additional data collection exercises were very valuable given the difficulty in identifying our remit group within the overall workforce, and we hope they can be continued.

6.65 We have also received useful information from a number of stakeholder surveys and focus groups. NHSP's remuneration survey was carried out in spring 2022 and received responses from 130 trusts (62 per cent of all trusts in England). MiP carried out a survey of its executive members in December 2022 and January 2023. Eighty-seven members in England responded, 56 per cent of whom were employed under the VSM pay framework and 44 per cent on the ESM pay framework. Just over half (53 per cent) worked for NHS trusts, 13 per cent worked for ICBs, and 34 per cent worked for an ALB. MiP also hosted a focus group of members. The BMA undertook a survey of medical directors across the NHS to inform its evidence. All of these provided valuable evidence on the motivation and morale of senior health leaders.

6.66 There are a number of areas where we would like to work with NHSE to improve the evidence base. The first is better identification of VSMs in the payroll data. NHSE intends to change this with the implementation of the new pay framework. 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 understand it will be possible to identify senior groups in the NHS staff survey in future. We also expect to see workforce data on VSMs in ICBs from next year.

Workforce

6.67 A VSM is someone who holds an executive position on the board of an NHS trust, NHS foundation trust or ICB, or someone who, although not a board member, holds a senior position typically reporting directly to the chief executive.

6.68 Many standard terms and conditions for VSMs, such as annual leave and redundancy, are linked to 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.

6.69 An ESM is someone who holds an executive position in one of the DHSC's Arm's Length Bodies or someone who, although not a board member, holds a senior position, typically reporting directly to the chief executive.

6.70 It is difficult to identify VSMs using national workforce data systems as staff are employed under local terms and conditions and are not separately identified in the payroll system.[64] As there is no single way to identify VSMs, NHS Digital has estimated the size of this workforce using other data fields in the Electronic Staff Record (ESR), such as job role and earnings, to identify the records most likely to relate to VSMs.

6.71 It is estimated that there were 2,183 VSMs at June 2022, with a full-time equivalent of 2,096. This represents just under 0.2 per cent of the 1.38 million staff working in NHS providers. Growth in the VSM headcount was 7.0 per cent over the year.[65] There were a further 691 VSMs in ICBs in June 2022. However, the data below do not include ICBs, as staff were transferring from Clinical Commissioning Groups at the time of data collection.

6.72 There were around 470 ESMs working in health executive agencies and ALBs at the end of 2022.

6.73 VSMs were employed across 212 provider trusts. The headcount number of VSMs in each trust ranged from 1 to 75. The median number of VSMs in a trust was eight.

6.74 ESMs were employed in 1 of 12 ALBs, with a small number of former Public Health England ESMs employed by the DHSC.[66] Around three-quarters of ESMs were in NHSE. The next largest employer of ESMs was the Care Quality Commission (CQC). NHSE merged with NHS Digital in February 2023 and with Health Education England in April 2023, after our evidence was collated, which will affect the numbers employed. It was estimated that there would be around 30 to 40 per cent fewer jobs when the change was complete.

6.75 Around half of senior health managers are women. In the VSM cohort, 49.9 per cent were women, a small increase from 49.1 per cent in 2021. In the ESM cohort, 53.6 per cent were women, an increase from 51.6 per cent in 2021.

6.76 Of those VSMs who had a recorded ethnicity, 9.6 per cent were from an ethnic minority background, up from 8.7 per cent in 2021. Of ESMs with a recorded ethnicity, 9.8 per cent were from an ethnic minority background, up from around 8 per cent in 2021.

6.77 Two-fifths (39.5 per cent) of the VSM group were aged 55 and over, similar to 2021 (39.2 per cent). A similar proportion of ESMs (41.5 per cent) were aged 55 or over (41.9 per cent in 2021).[67]

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64 Two definitions are used, which give different estimates of the size of the cohort. NHSE has indicated that both data series are likely to be an undercount.

The 'earnings measure' defines VSMs as: staff who are not on AfC, earn over £110,000 a year and have one of the following job roles; board level director, chief executive, clinical director, clinical director – dental, clinical director – medical, director of nursing, finance director, medical director or other executive director. Or non-medical staff who are not on AfC, earn over £110,000 a year and do not have one of the job roles listed above.

The 'job title measure' defines VSMs as: staff who are not on AfC and have one of the following job roles: board level director, chief executive, director of nursing, finance director, medical director or other executive director.

The number of staff in the VSM cohort may have changed over time due to improvements in the recording of job roles by trusts. Both measures show a steadily increasing trend in the size of the cohort since 2013, which is likely to be overstated in the earnings measure.

65 Using the earnings measure. The job title measure showed 1,734 in the VSM cohort at June 2022, up by 3.5 per cent over the year. Growth in the year may be due to taking in a wider range of job titles.

66 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 Counter Fraud Authority, NHS Digital, NHS England, NHS Resolution.

67 Using ESR data. Not all ESMs are covered by the ESR.

6.78 VSMs aged 55 and over accounted for nearly half of chief executives (46.4 per cent); 46.8 per cent of medical directors; 40.1 per cent of nursing directors; and 21.9 per cent of finance directors.

6.79 The vast majority of VSMs, 95 per cent, were on permanent contracts. Over nine in ten VSMs (92 per cent) were working full time and 8 per cent were working part time.

Pay frameworks and existing pay levels

6.80 Senior health managers within our remit are currently covered by one of four pay frameworks:

- The VSM pay framework, with pay benchmarks set in 2019, which applies to VSMs in provider trusts.
- The ESM pay framework, with pay ranges set in 2016, which applies to the most senior managers in the DHSC's ALBs.
- The interim pay framework for chief executives of ICBs.
- The interim pay framework for executive directors of ICBs.

6.81 There is overlap with AfC roles in band 9, and with the doctors and dentists pay bands for medical directors.

Pay framework for VSMs

6.82 The current VSM pay framework uses 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 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 £75,000 (lower quartile for a director of corporate affairs and governance at a small acute trust) to £265,000 (upper quartile for a chief executive in a supra-large acute trust).

Table 6.1: **Examples of VSM pay ranges**

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 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
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 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	214,500	233,000
Chief executive	236,000	250,000	265,000

Source: NHS England.

Note: Full details are given in appendix G.

Pay framework for ESMs

6.83 The pay framework for ESMs allocates roles to one of four pay ranges based on a job evaluation. There is an operational maximum at the midpoint of each pay band (see table 6.2). These ranges have not been revised since 2016.

6.84 DHSC remuneration committee approval is required for:

- The salaries of all new ESM roles.
- The salaries for ESM1 and ESM2 replacements above the operational maximum.
- All ESM3, ESM4 and chief executive roles.
- ESM pay awards.
- Any salary increase for employees in roles that are not part of the annual pay award.

6.85 All ESM roles with a remuneration package of £150,000 or more require approval from both the DHSC remuneration committee and Secretary of State prior to appointment. In addition, 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 the band.

Table 6.2: **Pay ranges for executive and senior managers**

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

*NHSE uses a minimum of £100,000.

6.86 NHSE said that there was insufficient evidence to support harmonising the ESM and VSM pay frameworks, as the SSRB had previously said should be considered. It believed the frameworks reflected different work across the two groups and that harmonisation would likely result in pay inflation for ESMs. However, in oral evidence NHSE said that it was keen to look at the movement between ESM and VSM roles as it was becoming increasingly difficult to move between organisations. This was because the ESM framework was not as broad as the VSM one, and it was a struggle to get approvals, with cases often taking six months.

Pay framework for ICBs

6.87 Pay ranges were agreed for ICB chief executives from September 2021 and for ICB executive directors from March 2022 in advance of ICB formation (see tables 6.3 and 6.4). ICB postholders have been recruited to these pay ranges. Target pay for newly appointed ICB chief executives is between the minimum and operational maximum. Population data weighted for age, deprivation and location were used to indicate the size of an ICS, with ICSs assigned to one of four bands.

Table 6.3: **Pay ranges for ICB chief executives**

Group (weighted population)	Minimum £pa	Operational maximum/ midpoint £pa	Exception zone £pa
A (<1 million)	175,000	197,500	220,000
B (1-1.5 million)	190,000	212,500	235,000
C (1.5-2 million)	220,000	240,000	260,000
D (> 2 million)	250,000	270,000	290,000

Table 6.4: **Pay ranges for ICB executives**

	Groups A and B (24 organisations)		Groups C and D (18 organisations)	
	Minimum value £pa	Operational maximum £pa	Minimum value £pa	Operational maximum £pa
Other board executives	114,500	138,750	121,000	158,000
Chief nursing officer	123,500	149,375	143,000	170,000
Chief medical officer	123,500	149,375	143,000	170,000
Chief finance officer	133,000	160,000	154,000	182,000

New VSM pay framework

6.88 A new pay framework to encompass all VSMs (in trusts and ICBs) has been in development for some time. NHSE said that this aims to:

- Place ICB chief executives and directors and provider trust VSMs on the same framework.

- Put all trusts on the same footing using budget size as a guide to size to improve talent mobility and fairness.
- Provide for dual role working, taking on increased responsibilities and for taking on very challenged organisations.
- Increase latitude for remuneration committees to make a final recommendation on pay.
- Address senior staff retention and churn by offering fair and transparent pay decisions.

6.89 The DHSC confirmed that the new framework sets provider VSM pay within a range based on trust type and size. For ICBs, pay ranges vary with population size weighted by socioeconomic criteria, with struggling areas allowed to pay higher salaries. For providers, the criteria for higher pay in struggling areas continues to be based on the single oversight framework rating and/or the CQC rating of 'requires improvement'. Payments may also be made for additional responsibilities.

6.90 The DHSC says that additional payments had become more focused in the proposed pay framework, such as with the new 'very challenged trust' premia, where payments would now be time limited.

6.91 NHSP said it remained encouraged by the overall direction of travel on the new VSM pay framework. It hoped that the new VSM framework would balance the coordination of VSM pay from the centre with local autonomy and the ability to recognise the particular complexities in a given trust, in a way which did not cause undue delays to appointments. NHSP said it remained a priority for trust leaders from all sectors to have a single VSM pay framework which did not separate different providers into classes based on the type of services they provided. Trusts reported that turnover should be de-emphasised in setting VSM pay, and the framework should instead take better account of the complexities involved in trust leadership and management.

6.92 NHSP said that trusts remained of the opinion that there was a need for a clear, transparent and equitable system for determining pay levels across the sector, rather than a need to increase the overall levels of VSM pay significantly. NHSP said that the framework should be reviewed at regular intervals and based on up-to-date data.

Overlap with Agenda for Change

6.93 The lack of reward incentive to move from band 9 to take a VSM role has been highlighted to us by many stakeholders. A similar issue exists for bands 7 and 8 in AfC. This means the overall minimum salary within the pay frameworks is important, to provide appropriate headroom over AfC.

6.94 In 2022-23, the top of the national band 9 was £109,475 and £116,852 in London. One in ten of the VSMs in the sample trust data had a basic salary at or below the national band 9 maximum. One in eight ESMs had a basic salary below the national band 9 maximum.

Pay awards

6.95 An across-the-board increase of 3.0 per cent was paid to all VSMs and ESMs, backdated to 1 April 2022. NHSE said that local remuneration committees had the discretion to apply an additional 0.5 per cent to an individual's base pay to help address differentials, and in particular to ameliorate the erosion of the differential with the top of AfC where necessary. We do not have evidence on whether or how the 0.5 per cent was used.

6.96 The DHSC informed ALBs that they could pay a further 0.5 per cent to ESMs at the lower end of the pay band where it was necessary to ameliorate the erosion of differentials with the grade below. Funding for pay uplifts came from existing budgets. Top performers could also receive a non-consolidated award of up to 5 per cent.

6.97 NHSP noted that VSMs had received a pay award of 3.0 per cent whereas the £1,400 uplift given to AfC staff was equivalent to 1.3 per cent at the top of band 9. NHSP said that this had caused difficulties among staff working at the top of AfC, given that they worked alongside other senior leaders and, in some cases, were board members themselves. NHSE also commented in oral evidence that some VSMs felt uncomfortable about taking a higher pay award than those immediately below them. However, some welcomed the difference in the pay awards as it widened the gap between the pay at the top of the AfC pay band 9 and VSM pay making it more worthwhile to take promotion. We note that in 2021, staff on AfC received a 3 per cent pay uplift, while senior managers were subject to a pay pause.

6.98 The BMA highlighted the difference between the pay uplift to medical directors on VSM contracts and the 4.5 per cent uplift to those on consultant contracts. It said that the gap between the two was difficult to defend, as it represented neither a difference in responsibilities nor merit. It said that medical directors should not be punished for being on the wrong contract.

Pay cases and pay thresholds

6.99 Under the existing VSM framework, there is a requirement that all proposed VSM pay at or above £150,000 in NHS trusts is subject to ministerial approval (or ministerial comment in foundation trusts) before appointments are made. 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.

6.100 This process also applies where an employer proposes to pay an annual uplift which takes an individual above the recommended amount. The DHSC said that any pay awards to those paid above the thresholds should be non-consolidated.

6.101 ICBs are required to submit pay cases for proposed salaries for executive directors (other than for chief executives) above the agreed thresholds or £170,000, whichever is the lower (see table 6.4). For ICB chief executives, the threshold is the operational maximum of the relevant sized ICB – £197,500 for the smallest ICBs to £270,000 for the largest.

6.102 In 2021-22 there were 160 requests to approve salaries, uplifts or additional payments over £150,000 for VSMs, up from 118 in 2020-21 (see table 6.5). Of these, 113 related to appointment salaries above £150,000, out of 325 VSM appointments. Nearly half of the pay cases (75 cases, 47 per cent) related to chief executives.

Table 6.5: **Number of VSM pay cases submitted to the DHSC for approval/opinion**

	Salaries at or above £150,000	**Other pay cases***	**Retire and return**
2019-20	81	40	7
2020-21	64	54	7
2021-22	113	47	6

Source: NHSE.

*uplifts and additional payments so that salaries then either breached or were already above £150,000.

6.103 In addition, there were 37 pay cases for ICB executive directors (out of 223 appointments) put to the DHSC. NHSE reported in January that of these 12 had been approved, 3 rejected, 6 withdrawn and 16 were outstanding. ICB chief executive pay cases had all been resolved.

6.104 NHSE noted that some of the outstanding cases dated back seven or eight months and met the exception criteria for paying between the operational maximum and the exception zone. It said that it would be prudent to clarify the use of the operational maximum/exception zone to ease the passage of future pay cases. It said it would also be helpful to identify a rule that matching or reducing from existing salaries would be expected to be acceptable when taking on a role of at least the same complexity, particularly for medical directors.

6.105 NHSE said that the DHSC had indicated that it might not be possible to raise the current £150,000 approval threshold for provider trusts to the same levels as ICBs (£170,000 or the operational maximum) prior to the new framework being introduced, due to the time required to secure sign-off from HM Treasury. NHSE said it would seek to level up thresholds (to £170,000) at the earliest opportunity to avoid the differential treatment of the larger ICBs and providers in the new framework.

6.106 The DHSC said it was right that senior manager pay was properly scrutinised at a national level to ensure value for money, transparency and consistency. It said that the oversight of senior manager pay helped reduce excessive pay competition between providers while still ensuring that exceptions could be made if there was sufficient justification. It said that the new framework could enable ministerial scrutiny to be focused where it was most beneficial.

6.107 NHSP said it remained opposed to the salary approval threshold in principle. It said that the £150,000 threshold for trusts was cited by members as a key factor in delaying appointments while sign-off from the centre was pending. It said that senior roles sitting vacant had a significant impact on operational management and service delivery. It said that, ideally, the new VSM framework would remove the need for approval thresholds. However, if this was not possible, it hoped that the VSM framework would raise the trusts' approval threshold to match that of ICBs (i.e., £170,000). This was not only to ease some of the issues around delayed appointments, but also to ensure equal support for senior leaders in trust roles and senior leaders in ICB roles.

6.108 We received extensive comments in all our discussion groups on the approval process. It was described as tortuous and an appalling way to conduct the appointment of senior health leaders. There were a number of examples of it resulting in good-quality candidates being lost. The need for the approvals process when salaries were within the framework ranges was questioned. We were told that it sent a message that remuneration committees and board members were not trusted, despite being well aware and mindful of the pressure on NHS budgets when dealing with remuneration.

6.109 Individuals involved described the need for 'workarounds', such as allowances and bonuses, to secure candidates for roles while waiting for approval. An example was given of a medical director being paid a daily fee (which was more expensive for the trust) while awaiting ministerial approval for their salary. Examples were also given of those who took on additional roles where, by the time the additional pay had been approved, the person had stopped performing the additional duties. Trusts gave examples of appointing individuals before the approvals process had been completed to avoid losing them and being prepared to take the consequences.

Pay levels

6.110 The overall estimated salary bill (excluding employer national insurance and pension) for the VSM group was £311 million in June 2022. Average VSM basic pay was £134,401 per person (£140,153 per FTE). This indicates a fall of 1.1 per cent in average pay per person over the year, and a fall of 0.3 per cent per FTE.

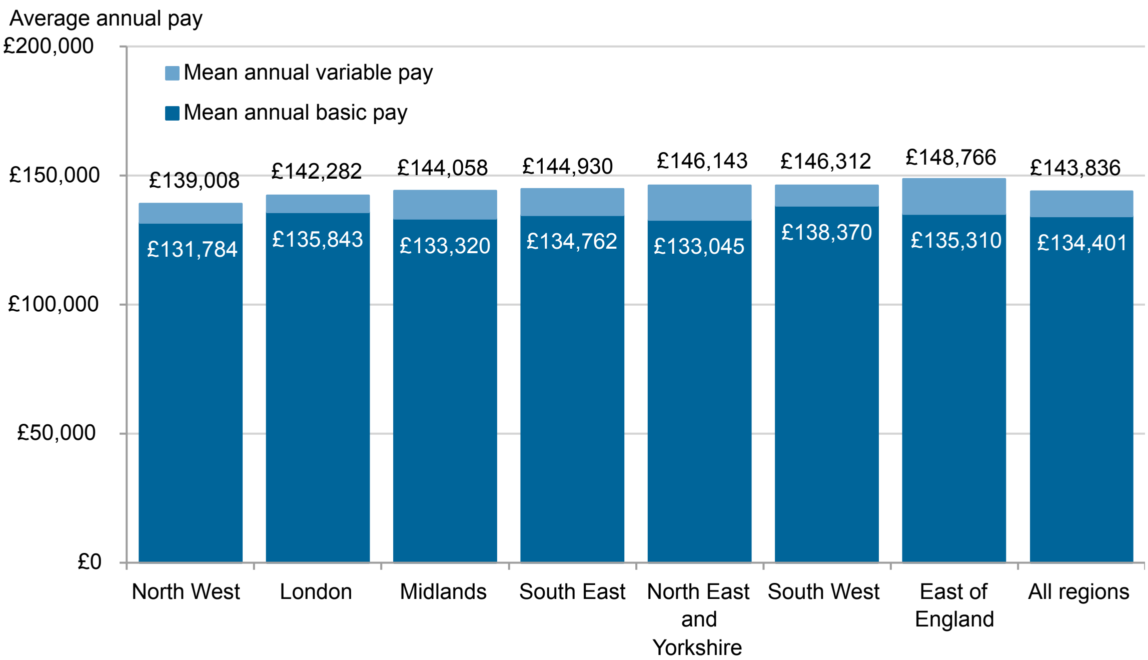
6.111 Variable pay added 7.0 per cent (£9,435) on average per person. Much of the variable pay is paid to medical directors – average payments included £2,339 for additional activities; £1,458 for medical awards and £4,721 for local payments. Only 58 VSMs were in receipt of a bonus (2.7 per cent of all VSMs) which was worth £4,860 on average.

6.112 The overall estimated salary bill for the ESM group was £61 million. Average basic pay was £128,172 at the end of 2022 and variable pay added 1.1 per cent (£1,466) on average.

6.113 For female VSMs, average basic pay was 4.6 per cent lower than male average pay, and average total pay 4.7 per cent lower (compared to 4.4 and 5.2 per cent in the previous year). For female ESMs, average basic pay was 2.3 per cent lower than the male average, and average total pay 1.8 per cent lower.

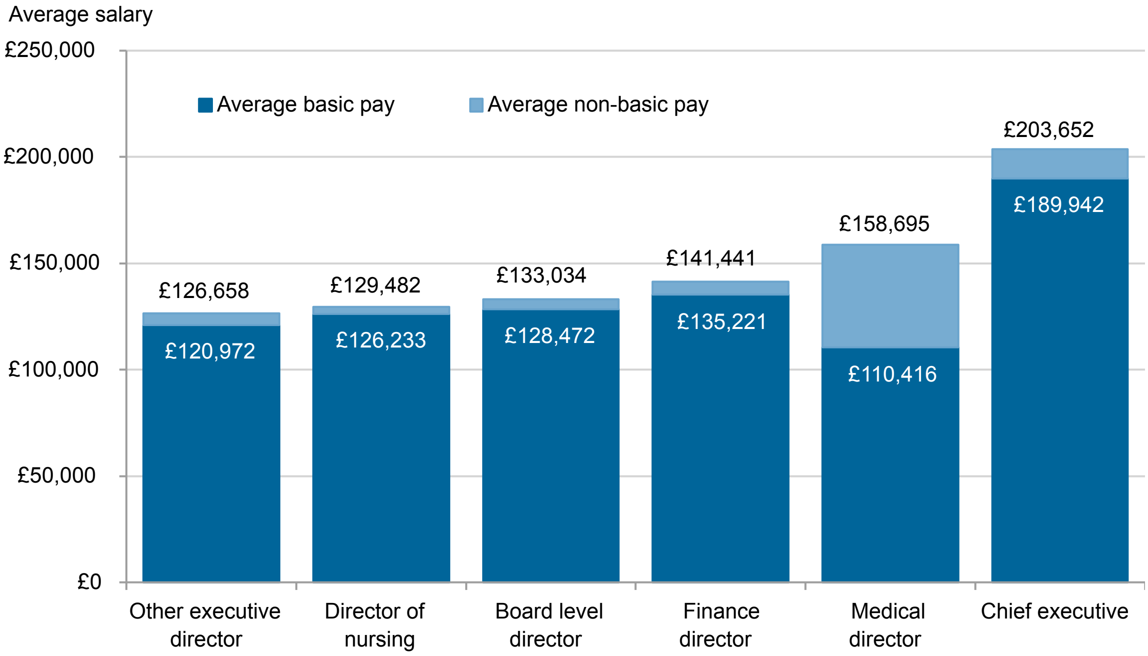
6.114 Regional variation in VSM salaries remains small (see figure 6.1). Average basic pay in the lowest-paying region (the North West) was just 1.9 per cent below the overall average, and average basic pay in the highest-paying region (the South West) was 3.0 per cent above the average. There are no explicit London or other location allowances for the VSM group, but these are paid to staff at the top of AfC.

Figure 6.1: **Average basic and total pay for VSMs by region, June 2022**



Source: NHS Digital.

Figure 6.2: **Average VSM salaries by role, June 2022**



Source: NHS Digital.

Note: Board-level roles only.

Views on pay

6.115 In NHS staff survey, there was a sharp fall in the proportion of all staff that were satisfied with their level of pay from 37 per cent in 2020, to 33 per cent in 2021 and 26 per cent in 2022.

6.116 MiP undertook a survey of its executive members in December 2022 and January 2023.[68] Around a third (31 per cent) of respondents were satisfied with the overall arrangements for their pay and 45 per cent were not satisfied – similar to the 30 per cent and 43 per cent in the previous year.

6.117 The DHSC said that there was no intention to increase the pay band maxima (the upper quartiles for VSMs and the exception zone maximum for ESMs) during 2023-2024. It said that only three chief executive pay cases (out of 42 positions) and 31 other executive director cases (out of hundreds) were submitted for salary amounts above the existing maxima, suggesting that the current levels were largely sufficient. It said that individuals paid at the existing pay band maxima should receive only non-consolidated pay increases.

6.118 The MiP focus group reported relatively low understanding and confidence in employer-level arrangements and in the pay frameworks, especially for ESMs. There was general support for pay frameworks for senior staff; many members expressed the view it was important for frameworks to offer the benefits of both national consistency and employer flexibility.

6.119 The BMA noted that pay caps relating to the size of an ICB could limit recruitment to the chief medical officer role. It highlighted one ICB where all the medical directors in trusts within the ICS were paid above the pay ceiling for the ICB.

[68] Eighty-seven members in England responded, 56 per cent of whom were employed under the VSM pay framework and 44 per cent on the ESM pay framework. Just over half (53 per cent) worked for an NHS trust, 13 per cent worked for an ICB, and 34 per cent worked for an ALB.

6.120 We have noted in the past that there is a strong sense in the NHS that individual performance pay is divisive and inappropriate, but that there may be scope to develop arrangements which incentivise team working. NHSE said that there were no plans for individual performance pay within the new VSM framework which it concluded, after an engagement exercise in 2021, was perceived as counter to public sector values. It said that individuals were rarely alone in improving organisational performance and that there remained widespread antipathy to 'earn-back'.

6.121 MiP highlighted the underuse by ALBs of the performance pay arrangements for ESMs. At the time of data collection, only four ALBs reported paying a performance bonus last year, which did not include NHS England. Others indicated their intention to use performance pay, but decisions had not yet been taken. Just 3 per cent of ESMs received a performance payment. MiP said that the performance arrangements offered one of the few routes for pay progression, and it would like to see these arrangements used or replaced with something more likely to be widely adopted.

6.122 In our discussion group of remuneration committee chairs, some felt that the inability to be able to reward and hold individuals to account through performance-related pay was disappointing. Others commented that there should be more flexibility to allow ICSs to drive their own reward strategy and incentivise performance through incentives. The earn-back scheme, however, was seen as a very negative performance management tool and there were concerns from those who had been forced to apply it.

Recruitment and retention

Recruitment

6.123 There were 325 appointments to the VSM cohort between June 2021 and June 2022 (up from 280 in 2020-21). Of these, two-thirds (68 per cent) were moves from other trusts and a further 15 per cent were from another NHS organisation.

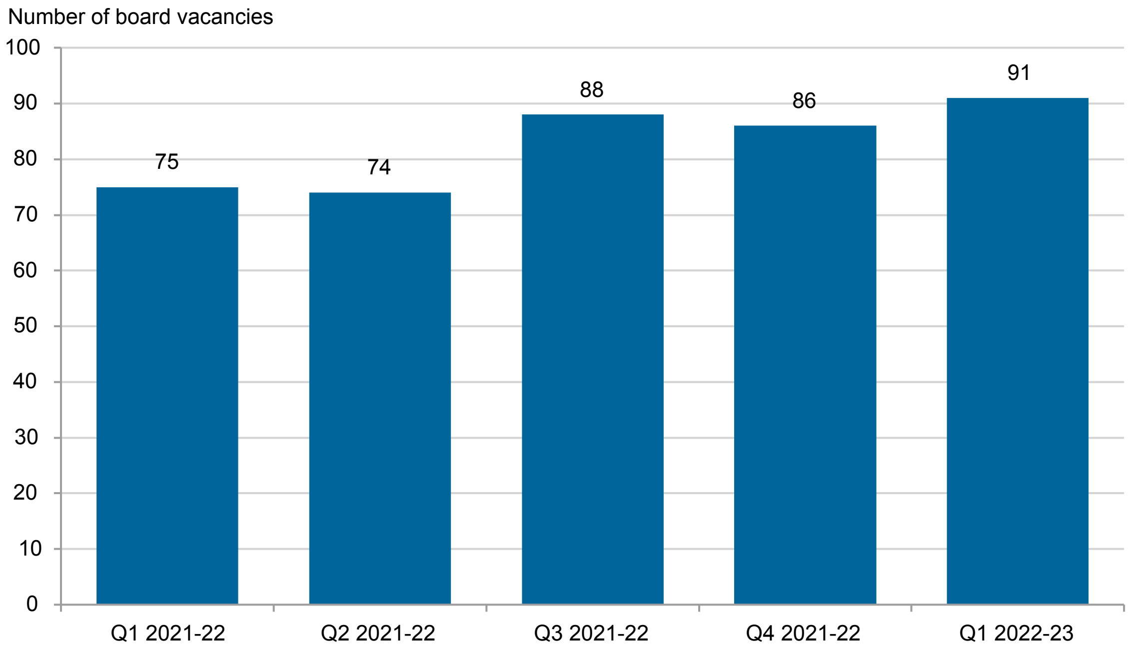
6.124 There were 51 appointments to the ESM cohort between June 2021 and June 2022, similar to 53 in the previous year. Only three of these were from one ALB to another.[69] The recent reorganisation of NHSE has led to a recruitment freeze.

6.125 Quarterly vacancy reports show that there were 91 board level vacancies in provider trusts in Q1 2022-23, up from 75 a year earlier (see figure 6.3). These were most likely to be for medical director (18); finance director (13); chief executive (12); HR director (12); or nursing director (10). Of the 91 vacancies, 45 (49 per cent) were actively being recruited to. Half of vacancies were taking longer than six months to fill and a quarter were taking longer than 12 months.

6.126 NHSE noted that the number of vacant chief executive roles hit a high of 20 during the third quarter of 2021-22, representing nearly one chief executive vacancy in every 10 trusts.

69 This section uses ESR data, which only covers nine ALBs, rather than the data collected directly from ALBs.

Figure 6.3: **Executive director vacancies in NHS providers, Q1 2021-22 to Q1 2022-23**



Source: NHSE.

Note: Excludes Clinical Commissioning Groups.

Retention

6.127 In total, 211 VSMs left the NHS between June 2021 and June 2022, up from 172 the previous year. This indicates turnover of 10.0 per cent (compared to an estimate for 2020-21 of 9.1 per cent). In addition, 151 VSMs left their organisation and moved to another trust. This gives an internal turnover rate of 7.2 per cent (compared to 6.6 per cent in 2020-21). Around half of these pointed to promotion as their reason for moving.

6.128 Retirement accounted for 45 per cent of leavers, compared to 33 per cent in 2020-21 (95 people in 2022 compared to 57 in 2021). This suggests a retirement rate of 4.5 per cent in the 12 months to June 2022, compared to 3.0 per cent in the previous 12 months.

6.129 Evidence from NHSP's remuneration survey showed that, at spring 2022, over a quarter (28 per cent) of executive directors had been in post for a year or less (up from one fifth the year before), and over half (57 per cent) had been appointed within the last two years. It also showed that 36 per cent of chief executives had been in post for a year or less (up from 19 per cent the year before), and 54 per cent had been appointed in the last three years. It also found that just over half of the chief executives (53 per cent) were in the role for the first time.

6.130 In NHSP's remuneration survey, most trusts (80 per cent) said there had been no discernible impact of ICBs on executive director recruitment or retention within trusts. NHSP felt, however, that the potential risks of competition for leaders between ICBs and trusts should be acknowledged and that the pay levels in the framework should take this into account.

6.131 The DHSC noted that the VSM turnover rate of 10 per cent in the year to June 2022 was a little higher than the previous year (9.1 per cent) but felt it was comparable with the wider NHS. It said that turnover may have been lower than usual during the pandemic.

6.132 The DHSC also said that the Government had made a number of changes over the past year which were likely to have a positive impact on the reward package of senior staff. These included reforms to pension contributions, new retirement flexibilities for late career staff and measures to support those impacted by pension tax. It said that NHSE and NHS Employers had also furthered their guidance to employers to develop packages that support the recruitment, retention and motivation of staff, including VSMs and ESMs.

6.133 Over the year to June 2022, 74 ESMs left NHS ALBs, indicating a turnover rate of 16.4 per cent. This compares to 12.8 per cent in the previous 12 months. A further 26 left one ALB and moved to another (nearly all transfers from Public Health England). Retirement accounted for 27 per cent of leavers, similar to 29 per cent in the previous year.[70]

6.134 Seven ESMs moved from an ALB to a trust over the period, while 12 VSMs moved from a trust to an ALB.

6.135 Staff turnover at bands 8d and 9 was at a similar rate. Overall, 10.1 per cent of staff in these bands in trusts left the NHS in the year to June 2022. Of these, 30 per cent gave retirement as their reason for leaving. There was a similar rate of band 8 and 9 leavers from ALBs – 11.4 per cent in the year to June 2022. Of these, 16 per cent gave retirement as their reason for leaving.

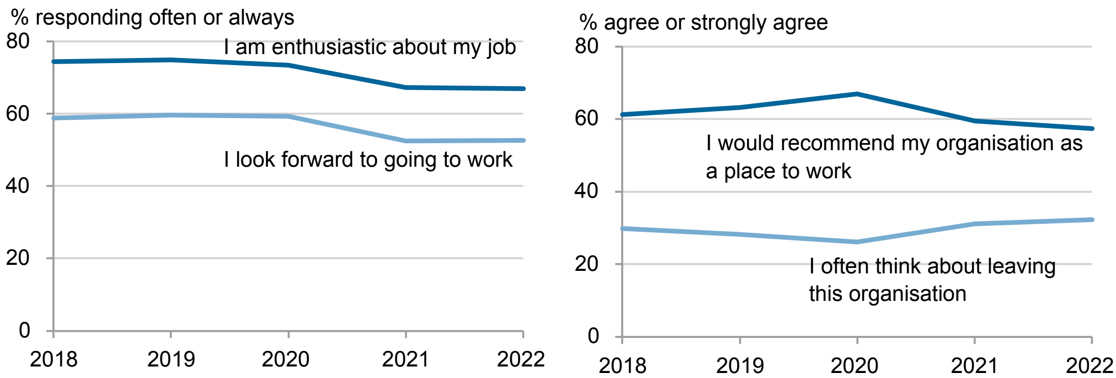
6.136 MiP's focus group saw the main issues around reward as being ones of retention and motivation rather than recruitment. In its survey, 68 per cent of respondents had seriously considered leaving the NHS within the last 12 months, similar to the 69 per cent seen in the previous survey. Two-thirds were also considering bringing forward their retirement.

6.137 The BMA described "political calls for pay suppression" and the "myth of a managerial dark side" as a retention risk for medical directors. It noted that the responsibility of the role left medical directors exposed to criticism from the media and public.

Motivation and morale

6.138 It is not currently possible to identify the ESM and VSM cohorts in the NHS staff survey. We hope that this will change in future. Evidence for all staff in trusts showed a distinct fall in motivation and morale in 2021 which was not reversed in 2022 (see figure 6.4). We might assume that senior health leaders show a similar trend.

Figure 6.4: **NHS staff survey, 2018 to 2022**



Source: NHS staff survey. Includes all respondents.

[70] This uses payroll data for those earning above £110,000 and only covers around 90 per cent of the ESM cohort, as not all ALBs are included.

6.139 NHSP said that enormous operational pressures in the NHS and negative media coverage of senior managers, following an immensely challenging period of leading healthcare organisations through a global pandemic, had damaged morale for the remit group. It reported that 85 per cent of trust leaders responding to its annual *State of the Provider Sector* survey, published in November 2022, stated they were more worried about the coming winter than any other in their careers.[71]

6.140 In the MiP membership survey, 74 per cent of respondents stated their morale had worsened in the previous 12 months, and 9 per cent said it had improved. This compares to 73 per cent and 3 per cent in the previous year. However, 88 per cent felt their work was valued by their employer, up from 60 per cent in the previous year. Specific reasons for low morale were:

- Pay levels failing to keep up with inflation or private sector pay.
- A lack of recognition, not feeling valued and, in particular, "endless vilification by ministers".
- Unrealistic expectations, constant pressure and a lack of resources and support.
- Pension taxation.

Pensions

6.141 Estimated pension scheme membership for the VSM group increased by 0.2 per cent over the year to June 2022 (reversing the 0.2 per cent fall seen in the year to June 2021). Overall, an estimated 80 per cent of VSMs are in the NHS pension scheme, but only 57 per cent of those earning over £200,000, with the latter group showing an increase over the year (see table 6.6).

6.142 NHS pension contribution rates were reduced by a percentage point for higher earners from 1 October 2022 (to 13.5 per cent for those earning over £72,031). This is intended to be further reduced to 12.5 per cent.

6.143 The DHSC said that it keeps the rules of the pension scheme under review to ensure it continues to help the NHS attract and retain staff. In the past year it had made a number of changes, including reforms to member contributions, new retirement flexibilities for late-career staff, and measures to support VSMs and ESMs impacted by pension tax.

Table 6.6: **Pension scheme membership for VSMs**

Salary range	2021 membership rate	2022 membership rate
£110,000 to £125,000	85%	84%
£125,000 to £150,000	84%	84%
£150,000 to £175,000	71%	73%
£175,000 to £200,000	61%	61%
> £200,000	44%	57%
All paid above £110,000	**79%**	**80%**

Source: DHSC.

Notes: Estimates cover non-medical staff who are not on AfC with FTE pay of at least £110,000 and medical staff who have a job role that indicates they are a member of the executive team e.g., medical director. Covers staff working in the hospital and community health sector. A positive employer pension contribution is used as the proxy of pension membership.

6.144 The DHSC has consulted on its intention to introduce new retirement flexibilities. This includes a new partial retirement option for staff to draw on their pension and continue building it while working more flexibly, as well as provisions to allow retired staff to build

71 https://nhsproviders.org/state-of-the-provider-sector-2022

more pension in the 2015 scheme, if they wish. It intends that this will provide incentives for staff to remain in service for longer on a more flexible basis.

6.145 NHSP welcomed the DHSC's consultation on changes to the pension scheme regulations to increase flexibility over taking retirement and returning to work in the NHS.[72] However, it said that it was not resolving the core issue of annual allowance taxation which disincentivised senior NHS staff to work and proposed that the Government increase the annual and lifetime allowance caps pending broader reform. NHSP noted in oral evidence that the recycling of employer pension contributions was aimed at increasing retention. However, it could be divisive between trusts if not all offered it and if it was not available to all staff. NHSP felt this was not a sustainable or equitable solution.

6.146 The BMA highlighted the issues with pension taxation and the incentives for senior doctors to limit working hours, leave the pension scheme, or leave the NHS. It suggested a number of possible reforms, including:

- The creation of a tax unregistered pension scheme for doctors.
- Lifting the freeze on the lifetime allowance.
- Fixing the scheme regulations to prevent issues arising from 'pseudo-growth' (due to an anomaly over inflation upratings).
- Enabling a nationally mandated pension recycling scheme.
- Allowing partial retirement.

Take-home pay and total net remuneration

6.147 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. The analysis only looks at in-year earnings, so does not model the impact of the lifetime allowance, income tax on pension payments or the changing retirement age. It also assumes annual allowance tax charges are paid in the year, rather than through a pension reduction by using Scheme Pays.

6.148 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.

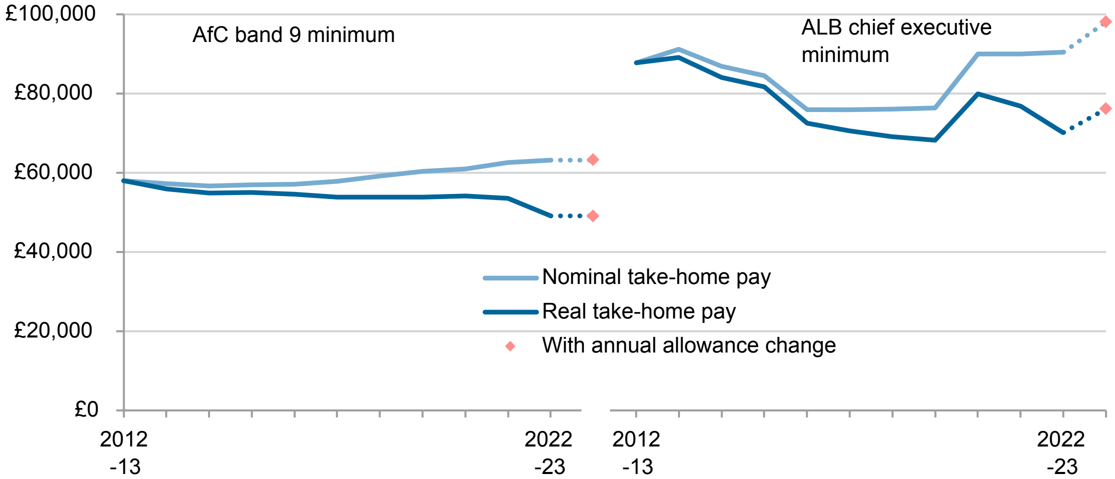
6.149 Nominal take-home pay grew by 1.0 per cent over the year at the band 9 maximum salary, with a small annual pay award, and by 0.5 per cent at the chief executive maximum, which did not see a pay uplift, but did see a reduction in pension contributions. Total net remuneration grew by 1.1 per cent over the year at the band 9 maximum and 0.3 per cent at the chief executive minimum.

6.150 Inflation over the year was 10.1 per cent. This meant that both roles saw a large fall in take-home pay and total net remuneration in real terms. For the band 9 maximum, there was an 8.2 per cent fall in take-home pay and an 8.1 per cent fall in total net remuneration over the year in real terms. For the chief executive minimum, there was an

[72] https://nhsproviders.org/resources/submissions/nhs-providers-written-submission-to-dhsc-consultation-on-the-nhs-pension-scheme-proposed-amendments-to-scheme-regulations

8.7 per cent fall in take-home pay and an 8.9 per cent fall in total net remuneration over the year in real terms.

Figure 6.5: **Nominal and real take-home pay, 2012-13 to 2022-23**



Source: OME analysis.

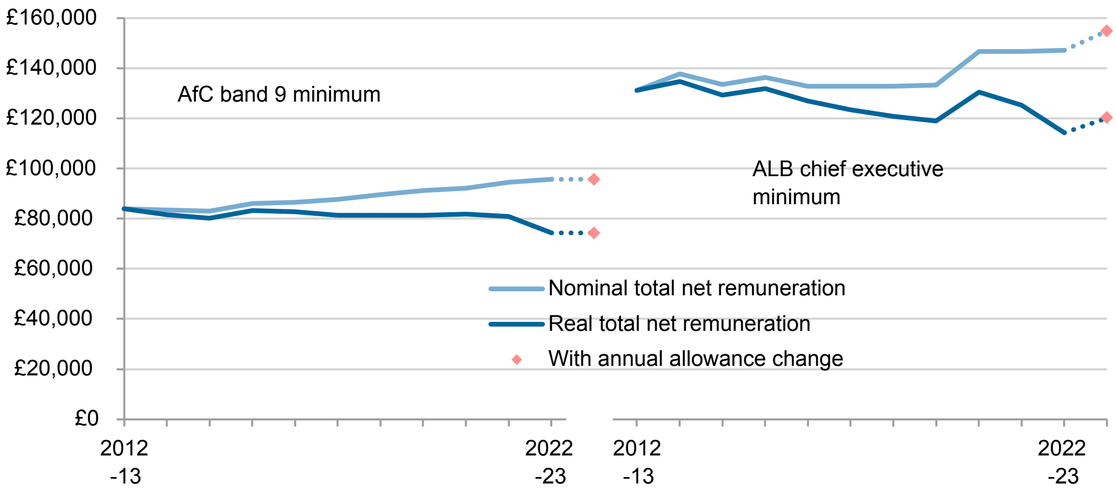
Notes: Real take-home pay based on the 2012-13 CPI. The annual allowance calculation uses 2022-23 salaries and tax allowances.

6.151 Since 2012-13, the band 9 maximum has seen a nominal increase of 9.0 per cent in take-home pay and 13.9 per cent in total net remuneration. This is due to annual pay uplifts, an increased personal tax allowance and an improved accrual rate in the 2015 pension scheme. With a salary of £109,475, this role is subject to the tapered personal tax allowance for those earning between £100,000 and £125,140 but is not affected by the pensions annual allowance. In real terms, take-home pay at the band 9 maximum has fallen by 15.4 per cent while total net remuneration has fallen by 11.6 per cent since 2012-13. Total net remuneration since 2012-13 is shown in figure 6.6.

6.152 Since 2012-13, the chief executive minimum has seen a nominal increase of 3.0 per cent in take-home pay and 12.2 per cent in total net remuneration. With a salary at £191,901, this role will have been liable for an annual allowance charge of around £7,600 in 2022-23. In real terms, take-home pay at the chief executive minimum has fallen by 20.1 per cent while total net remuneration has fallen by 12.9 per cent since 2012-13.

6.153 The projected impact of the changes to the pensions annual allowance announced in the Budget are also shown in figures 6.5 and 6.6. This does not affect the band 9 maximum, as there is no annual allowance charge at that salary. For the chief executive minimum salary, the annual pension input is around £57,000 so the role should not face an annual allowance charge in future and will benefit by around £7,600 a year.

Figure 6.6: **Nominal and real total net remuneration, 2012-13 to 2022-23**



Source: OME analysis.

Notes: Assumes switch from the 2008 to the 2015 NHS 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. Real total net remuneration based on the 2012-13 CPI. The annual allowance calculation uses 2022-23 salaries and tax allowances.

Leadership and talent management

6.154 NHSE pointed to a number of actions being undertaken to improve leadership performance:

- Strengthening the 'fit and proper person test' so it is effective in preventing unsuitable leaders being deployed or redeployed.
- A national database to hold the 'fitness' attestations of board members.
- Developing a leadership competency framework for board level leaders for use in recruitment, appraisal and development.
- Introducing an appraisal process for ICB chief executives.

6.155 The 2022 SSRB Report noted the Messenger Review's recommendations to strengthen NHS leadership. All seven recommendations from the Review were accepted by NHSE. NHSE said that implementation was focusing initially on targeted interventions on collaborative leadership and organisational values and action to improve equality, diversity and inclusion.

6.156 NHS Providers noted that talent pipelines needed to begin two levels below executives to develop future leaders at the right time, with the possibility of embedding future leaders in a trust and locality and supporting them to progress there.

Chapter 7

Police and Crime Commissioners

Introduction

The remit group

7.1 There are currently 39 directly elected Police and Crime Commissioners (PCCs) in England and Wales. Of these 39, four also hold responsibility for fire services in their areas.

7.2 PCCs are elected for a four-year term. Elections were last held in May 2021. The Government postponed the elections due to take place in May 2020 by a year due to the COVID-19 pandemic.

Previous SSRB reviews

7.3 We were asked to review PCC salaries in 2022. This was our second substantive review of PCC pay since the pay structure was put in place in May 2012. Our 2018 Report set out the recommendations of our first review and our 2019 Report noted the disappointment we felt at the Government's response which did not accept most of them. The Government did not give its reasons, although it said that the PCC pay structure should be reviewed following the completion of the review of chief police officer (CPO) pay which began in 2017 and six years later is yet to be concluded.

7.4 In our 2022 Report, we noted that all the data sources indicated that the PCC role had grown in both size and strategic character. PCC pay had only received a single uplift of 2 per cent since 2012. Salary levels had fallen far behind their original comparators, even without compensating for the growth in the role.

7.5 We made six recommendations, including moving to three salary groups with pay of £108,800, £94,300 and £83,200, aligning the PCCs with the proposed senior police officer grading structure. The pay uplift would help to attract high-quality people and, importantly, support candidate diversity. We estimated that our pay recommendations would only cost an additional £424,000. The risk of knock-on effects on other pay settlements was low because PCCs have no junior ranks.

7.6 In her response, the then Home Secretary said that the Government had chosen not to accept the recommendations as these issues should be considered when the future structure of CPO pay was settled. Instead, the Government increased PCC pay bands by £1,900, in line with the award for all police officers. We regret that the Government has, for the second time, decided that the long-running review of CPO pay prevents it from acting on the recommendations it had requested from us. We feel strongly that PCCs would benefit from consistent and strategic thought about their reward.

Loss of office and costs of home security

7.7 Two of our recommendations in our 2022 Report were not about the level of PCC pay. Firstly, we recommended a loss-of-office payment for PCCs in line with that available to Members of Parliament who are not re-elected at a general election, which is capped at twice the statutory redundancy entitlement. Secondly, securing PCCs' personal safety should be paramount. We therefore recommended that home security should be treated as a business expense and not a personal benefit in line with other public office-holders. PCCs should not be out of pocket after installing security measures they have been advised to have as a consequence of the public role they undertake.

7.8 We do not understand the reticence to engage on these two issues. In terms of the loss-of-office payments modelled on what MPs receive, there is no impact on the CPO pay review. In terms of the security recommendation, allowances are within the scope of that review, but there has been no suggestion that it will amend the treatment of the costs of CPOs' home security measures as a business expense. Nonetheless, the Government has taken no action on these recommendations. We would like the Government to give its view on introducing loss-of-office payments and covering the costs of security measures.

Looking forward

7.9 In our 2022 Report, we said that we do not think it is necessary or proportionate to conduct a full review of the remuneration of this remit group every year, instead recommending that PCC pay increase in future years in line with the uplift for CPOs. However, we stressed the importance of the Home Office considering how best it can use the SSRB's expertise in relation to PCCs and clarifying what it expects of us before commissioning the next formal review of their pay. We would value dialogue with the Home Office to understand their thinking about reward planning for the PCC role now and in future. We would like any further review to be accompanied by an assurance that the Government would either accept or reject our recommendations rather than simply set them aside.

Appendix A

List of those who gave evidence and information to the SSRB

General

HM Treasury

The senior civil service

The Minister for the Cabinet Office

The Chief Operating Officer for the Civil Service and Permanent Secretary for the Cabinet Office

The Government Chief People Officer

Cabinet Office

The First Civil Service Commissioner

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, Veterans and Service Families

The Vice Chief of the Defence Staff

The Chief of Defence People

Ministry of Defence

Senior military discussion groups

Feeder group discussions

The judiciary

The Lord Chancellor and Secretary of State for Justice

Ministry of Justice

The Lord Chief Justice of England and Wales

The Senior President of Tribunals

The Master of the Rolls

Judicial Office

The Chair of the Judicial Appointments Commission

Judicial Appointments Commission

The Lord President of the Court of Session

Judicial Office for Scotland

Scottish Courts and Tribunals Service

Judicial Appointments Board for Scotland

The Lady Chief Justice of Northern Ireland

Northern Ireland Judicial Office

Northern Ireland Courts and Tribunal Service

Northern Ireland Judicial Appointments Commission

Association of High Court Masters and Insolvency and County Court Judges

Council of Appeal Tribunal Judges

High Court Judges Association

Council of Circuit Judges

National Council of His Majesty's District Judges (Magistrates' Courts)

Council of Upper Tribunal Judges

Association of His Majesty's District Judges

Council of Employment Judges

Mental Health Tribunal Members' Association

Sheriffs Principal

Sheriffs' and Summary Sheriffs' Association

HM Council of County Court Judges in Northern Ireland

District Judges of Northern Ireland

Society of Masters Northern Ireland

Council of District Judges (Magistrates' Court) Northern Ireland

The President of the Appeal Tribunal Northern Ireland

Senior leaders in the NHS

The Minister of State for Health

Department of Health and Social Care

NHS England

NHS Providers

Managers in Partnership

British Medical Association

Executive and Senior Managers discussion group

Integrated Care Boards Very Senior Managers discussion group

Integrated Care Boards Chairs discussion group

Integrated Care Boards, NHS Foundation Trusts and NHS Trusts Remuneration Committee Chairs discussion group

Very Senior Managers discussion group

Appendix B

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 Pay Review Bodies by HM Treasury:

https://www.gov.uk/government/publications/economic-evidence-to-the-pay-review-bodies-january-2023

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 Department of Health and Social Care:

https://www.gov.uk/government/publications/dhsc-evidence-for-the-ssrb-pay-round-2023-to-2024

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-2023

Appendix C

Remit letter from the Minister of State for the Cabinet Office and Paymaster General to the SSRB Chair: 16 November 2022

Rt Hon Jeremy Quin MP
Minister for the Cabinet Office and Paymaster General
Cabinet Office 70 Whitehall London SW1A 2AS

Pippa Lambert
Senior Salaries Review Body
3rd Floor, Windsor House
50 Victoria Street
London SW1H 0TL

By email: SSRB@BEIS.gov.uk

16 November 2022

Dear Pippa

I am writing to confirm the SSRB's remit in relation to the Senior Civil Service (SCS) during the upcoming pay round for 2023/24 and ask that the SSRB conducts its usual annual review process and makes recommendations to the Government on the pay of the SCS remit group from April 2023.

Thank you for your work on the 2022/23 pay round. The Government values the SSRB's important role in providing independent and evidence-based recommendations. I am grateful to you and your colleagues for this invaluable work.

This year the Government evidence, which will be submitted in due course, will set out our strategic priorities for the SCS, including in relation to pay.

Times remain challenging. Pay awards must strike a careful balance – recognising the vital importance of public sector workers, whilst delivering value for the taxpayer, considering private sector pay levels, not increasing the country's debt further, and being careful not to drive prices even higher in the future. In the current economic context, it is particularly important that you also have regard to the Government's inflation target when forming recommendations.

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 very much value the independent advice of the SSRB and look forward to receiving your recommendations for the SCS by May 2023. In the meantime, my officials will be working closely with the SSRB and officials within the Office for Manpower Economics to inform your discussions.

Yours sincerely,

RT HON JEREMY QUIN MP
MINISTER FOR THE CABINET OFFICE
HM PAYMASTER GENERAL

Appendix D

Remit letter from the Deputy Prime Minister, Lord Chancellor and Secretary of State for Justice to the SSRB Chair: November 2022

Ministry of Justice

The Right Honourable
Dominic Raab MP
Deputy Prime Minister
Lord Chancellor & Secretary of State for Justice

Ms Pippa Lambert
Interim Chair, Senior Salaries Review Body
3rd Floor, Windsor House
50 Victoria Street
London
SW1H 0TL

MoJ ref: 100645

November 2022

Dear Pippa,

JUDICIAL PAY REVIEW 2023/24

I am pleased to write to you to formally commission the SSRB to undertake the 2023/24 review of pay for all salaried judicial office holders. This letter sets out the details of that commission.

Context for 2023/24

I am committed to continuing to recruit the finest legal professionals 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 judiciary. Pay awards must strike a careful balance – recognising the vital importance of the judiciary to our justice system, whilst delivering value for the taxpayer, not increasing the country's debt further, and being careful not to drive prices even higher in the future.

We are due to have a Major Review of the Judicial Salary Structure, which usually takes place every 5 years. I understand your concerns about starting a Major Review before a new judicial lead and permanent chair of the SSRB are appointed and so have taken the decision not to commission such a review this year. However, I am mindful that such a review should be undertaken at the earliest opportunity. Since the last Major Review in 2018 where you identified significant challenges at High Court, Circuit and District Bench level, we have delivered on our major pension reforms with the successful introduction of the new judicial pension scheme this year. As a result, recruitment has been much stronger over the last few years, but the demands on the courts mean that we continue to face some shortfalls in the Circuit Bench and the District Bench, and the level of fee paid judges applying for salaried office continues to be an issue. These areas would be a likely focus of a future Major Review.

Detailed remit

I would like the SSRB to make recommendations to the Government on the 2023/24 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. In the current economic context, it is particularly important that you have regards for Government inflation target when forming recommendations.

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 the end of May 2023.

Yours sincerely

RT HON DOMINIC RAAB MP

Appendix E

Remit letter from the Secretary of State for Health and Social Care to the SSRB Chair: 16 November 2022

Department of Health & Social Care

From the Rt Hon Steve Barclay MP Secretary of State for Health and Social Care

39 Victoria Street
London SW1H 0EU

020 7210 4850

Pippa Lambert
Chair, Senior Salaries Review Body
Office of Manpower Economics
Level 3, Windsor House
50 Victoria Street
London SW1H 0TL

16 November 2022

Dear Ms Lambert,

I would firstly like to offer my thanks for the Senior Salaries Review Body's (SSRB) valuable work over the past year on the 2022 report. The Government appreciates the independent, expert advice and valuable contribution that the SSRB makes.

I write to you now to formally commence the 2023-2024 pay round and ask that the SSRB conducts its annual review process of the Very Senior Manager and Executive Senior Manager remit group and make recommendations to the Government on any uplift and how it should be applied from April 2023.

Pay awards must strike a careful balance – recognising the vital importance of public sector workers, whilst delivering value for the taxpayer, considering private sector pay levels, not increasing the country's debt further, and being careful not to drive prices even higher in the future.

In the current economic context, it is particularly important that you also have regard to the Government's inflation target when forming recommendations.

The evidence that my department, HM Treasury and NHS England will provide in the coming months, will support you in your consideration of these factors.

It is important that we make progress towards bringing the timetable of the pay review body round back to normal. We are hoping to expediate the process as much as possible this year and would welcome your report in May 2023, subject to ongoing conversations with the Office of Manpower Economics.

I would like to thank you again for yours' and the Review Body's invaluable contribution to the pay round and look forward to receiving your 2023 report in due course.

Yours ever,

RT HON STEVE BARCLAY MP

Appendix F

Letter from the SSRB Chair to the Minister for Crime, Policing and Fire on Police and Crime Commissioners: 6 October 2022

Review Body on
Senior Salaries

Senior Salaries Review Body
Windsor House
50 VictoriaStreet
London
SW1H 0TL

Jeremy Quin MP
Minister for Crime, Policing and Fire
Home Office
2 Marsham Street
London SW1P 4DF

6 October 2022

Dear Minister,

SENIOR SALARIES REVIEW BODY AND POLICE AND CRIME COMMISSIONERS

In our most recent report published in July, the Senior Salaries Review Body (SSRB) made six recommendations on the remuneration of Police and Crime Commissioners (PCCs). We did so in response to a request in December last year from the then Home Secretary to conduct a review of PCC remuneration.

The Government decided it would not accept the recommendations but would increase PCC pay by £1,900 in line with the increase for Chief Police Officers (CPOs). It said that significant or structural changes should be considered when the future structure of CPO pay is settled. The Government had also chosen not to accept most of the recommendations we made in 2018, in our previous review of PCC pay, which was the first one since the roles were established in 2012.

The SSRB fully recognises the Government may decline recommendations we make. I would, though, welcome a discussion with you on the future handling of PCC pay. We are concerned that a structural problem exists which I would like to outline to you, and it would be valuable to us to hear how you see the future of PCC remuneration. I hope that a meeting can be arranged.

Yours sincerely,

P. Lambert

Pippa Lambert
Chair, Senior Salaries Review Body

Appendix G

Existing salaries for the SSRB remit groups

Senior civil servants, 1 April 2022

Pay band	**Pay range**
1	£73,000 – £117,800
1A[1]	£73,000 – £128,900
2	£95,000 – £162,500
3	£125,000 – £208,100
Permanent Secretary	£150,000 – £200,000

[1] Closed grade.

Source: Cabinet Office.

Senior officers in the Armed Forces, 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.

Source: Ministry of Defence.

Salaried courts judiciary in England and Wales, 1 April 2022

Office	Salary group	Salary
Lord Chief Justice	1	£275,534
Master of the Rolls	1.1	£246,034
President of the King's Bench Division, President of the Family Division, Chancellor of the High Court, Senior President of Tribunals	2	£237,639
Court of Appeal Judge	3	£225,978
High Court Judge	4	£198,459
Judge Advocate General (Senior Circuit Judge), Specialist Circuit Judge, Senior Circuit Judge, Circuit Judge (Central Criminal Court), Common Serjeant, Recorder of London, Senior District Judge (Chief Magistrate)	5	£159,163
Chief Master, Senior Master, Chief Insolvency and Companies Court Judge, Senior Cost Judge	5.1	£153,285
Registrar, Master, Insolvency and Companies Court Judge, Costs Judge, Circuit Judge, Senior Judge of The Court of Protection, Deputy Senior District Judge (Chief Magistrate)	5.2	£147,388
Assistant Judge Advocate General, District Judge, District Judge (Magistrates' Court)	7	£118,237
Salaried (Regional) Medical Members, Social Entitlement Chamber	8	£93,954

Source: Ministry of Justice.

Salaried tribunals judiciary in England and Wales, 1 April 2022

Office	Salary group	Salary
President (Employment Appeal Tribunal, Employment Tribunal – England and Wales, Employment Tribunal – Scotland, First-tier Health Education and Social Care Chamber, First-tier Immigration and Asylum Chamber, First-tier Property Chamber, First-tier Social Entitlement Chamber, First-tier Tax Chamber, Upper Tribunal Immigration and Asylum Chamber, Upper Tribunal Lands Chamber)	5	£159,163
Judge (Employment Appeal Tribunal, Upper Tribunal Administrative Appeals Chamber, Upper Tribunal Immigration and Asylum Chamber, Upper Tribunal Lands Chamber, Upper Tribunal Tax and Chancery Chamber) Regional Judge (First-tier Health Education and Social Care Chamber)	5.1	£153,285
Regional Judge (Employment Tribunal – England and Wales, Employment Tribunal – Scotland, First-tier Immigration and Asylum Chamber, First-tier Property Chamber First-tier Social Entitlement Chamber)	5.2	£147,388
Regional Judge (First-tier Property Chamber)	6	£138,759
Judge (Employment Tribunal – England and Wales, Employment Tribunal – Scotland, First-tier General Regulatory Chamber, First-tier Health Education and Social Care Chamber, First-tier Property Chamber, First-tier Social Entitlement Chamber, First-tier Tax Chamber, First-tier War Pensions and Armed Forces Compensation Chamber)	7	£118,237

Source: Ministry of Justice.

Salaried judiciary in Scotland, 1 April 2022

Office	Salary group	Salary
Lord President	1.1	£246,034
Lord Justice Clerk	2	£237,639
President of the Scottish Tribunals (Inner House Senator), Inner House	3	£225,978
Outer House	4	£198,459
Chairman of the Land Court, Sheriff Principal	5	£159,163
Sheriff Deputy Chairman of the Scottish Land Court, Legal Member of the Lands Tribunal for Scotland	5.2	£147,388
Member of the Lands Tribunal for Scotland	6	£138,759
Summary Sheriff	7	£118,237
Member of the Scottish Land Court	8	£93,954

Source: Judicial Office for Scotland.

Salaried judiciary in Northern Ireland, 1 April 2022

Office	Salary group	Salary
Lady Chief Justice	1.1	£246,034
Lord/Lady Justice of Appeal	3	£225,978
Puisne Judge of the High Court	4	£198,459
Recorder of Belfast*	5	£171,896
Chief Social Security Commissioner and Child Support Commissioner	5	£159,163
Social Security and Child Support Commissioner, Member (Lands Tribunal)	5.1	£153,285
County Court Judge	5.2	£159,163
President Appeals Tribunal, President (Industrial Tribunals and Fair Employment Tribunal), President (Lands Tribunal), Master of the Court of Judicature, Presiding Master of the Court of Judicature	5.2	£147,388
Vice-President (Industrial Tribunals and Fair Employment Tribunal) Presiding District Judge (Magistrates' Courts)	6	£138,759
Presiding District Judge, District Judge, District Judge (Magistrates' Courts), Presiding Coroner, Coroner, Legal Member of the Appeal Tribunals (Chair), Employment Judge	7	£118,237

*108 per cent of group 5.

Executive and Senior Managers, 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.

Very Senior Managers, 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
Medical director/chief medical officer	137,000	143,000	157,000
Chief executive	150,000	158,000	168,000
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	148,000	168,700	190,000
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

Job role	Lower quartile £pa	Median £pa	Upper quartile £pa
Director of estates and facilities	110,000	111,000	117,000
Director of workforce	117,000	123,500	130,000
Director of nursing/chief nursing officer	122,500	128,500	134,500
Chief operating officer	126,000	131,000	145,000
Director of finance/chief finance officer	138,000	144,000	147,500
Deputy chief executive	142,500	154,500	186,000
Medical director/chief medical officer	159,500	172,000	195,000
Chief executive	185,000	194,500	212,000
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
Director of estates and facilities	113,000	122,000	133,500
Director of strategy/planning	119,000	137,000	140,000
Director of workforce	128,500	130,000	150,000
Director of nursing/chief nursing officer	135,000	142,000	146,000
Chief operating officer	140,000	147,000	152,500
Director of finance/chief finance officer	146,500	158,000	180,000
Deputy chief executive	155,500	164,000	191,000
Medical director/chief medical officer	161,000	181,000	198,000
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
Medical director/chief medical officer	174,000	192,500	209,000
Deputy chief executive	185,500	188,000	195,500
Chief executive	236,000	250,000	265,000
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

Job role	Lower quartile £pa	Median £pa	Upper quartile £pa
Deputy chief executive	129,000	130,000	131,000
Medical director/chief medical officer	137,000	143,000	157,000
Chief executive	150,000	156,500	173,500
Medium 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
Medical director/chief medical officer	140,000	150,000	160,500
Deputy chief executive	141,000	143,000	144,000
Chief executive	167,000	180,500	188,500
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
Medical director/chief medical officer	114,000	128,000	135,000
Director of finance/chief finance officer	120,000	124,000	132,000
Chief executive	151,000	164,000	188,000
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: Department of Health and Social Care.

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

ICB chief executives

Grade (weighted population)	Minimum £pa	Operational max/ midpoint £pa	Exception zone £pa
A (<1 million)	175,000	197,500	220,000
B (1-1.5 million)	190,000	212,500	235,000
C (1.5-2 million)	220,000	240,000	260,000
D (> 2 million)	250,000	270,000	290,000

Source: Department of Health and Social Care.

ICB executives

	Groups A and B (24 organisations)		Groups C and D (18 organisations)	
Job role	Minimum value £pa	Operational maximum £pa	Minimum value £pa	Operational maximum £pa
Other board executive	114,500	138,750	121,000	158,000
Chief nursing officer	123,500	149,375	143,000	170,000
Chief medical officer	123,500	149,375	143,000	170,000
Chief finance officer	133,000	160,000	154,000	182,000

Source: Department of Health and Social Care.

Police and Crime Commissioners, 1 April 2022

Force	PCC £pa	PFCC £pa
West Midlands	101,900	104,900
Avon & Somerset, Devon & Cornwall, Essex, Hampshire, Kent, Lancashire, Merseyside, Northumbria, South Wales, South Yorkshire, Sussex, Thames Valley	88,600	91,600
Cheshire, Derbyshire, Hertfordshire, Humberside, Leicestershire, Nottinghamshire, Staffordshire, West Mercia	78,400	81,400
Bedfordshire, Cambridgeshire, Cleveland, Dorset, Durham, Gwent, Norfolk, Northamptonshire, North Wales, North Yorkshire, Suffolk, Surrey, Wiltshire	73,300	76,300
Cumbria, Dyfed-Powys, Gloucestershire, Lincolnshire, Warwickshire	68,200	71,200

Note: Police, Crime and Fire Commissioners (PFCCs) taking on responsibility for the governance of fire and rescue services receive an additional consolidated award of £3,000.

Source: Home Office.

Appendix H

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 are in our remit group.

Source: Ministry of Defence.

Appendix I

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, benefits, etc.
CPI	Consumer Prices Index
EU	European Union
FTE	Full-time equivalent
GDP	Gross Domestic Product
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
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.
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.
Total net remuneration	Take-home pay plus the value of pension accrued in the year. It does not take into account taxes paid on retirement, such as lifetime allowance charge or income tax on pension.

Senior civil service

Alpha	Civil Service Pension Scheme 2015
DDaT	Digital, data and technology
FDA	The union for managers and professionals in public service.
GCO	Government Commercial Organisation
HMRC	His Majesty's Revenue and Customs
IET	Inspector of education and training
KIM	Knowledge and information management
LGBO	Lesbian, gay, bisexual and other
PCSPS	Principal Civil Service Pension Scheme

PRA	Pivotal role allowance
SCS	Senior civil service/servants

Senior officers in the Armed Forces

AFCAS	Armed Forces Continuous Attitude Survey
AFPRB	Armed Forces' Pay Review Body
AFPS05	Armed Forces Pension Scheme 2005
AFPS15	Armed Forces Pension Scheme 2015
CDP	Chief of Defence People
CDS	Chief of the Defence Staff
FAMCAS	Families Continuous Attitude Survey
JPA	Joint Personnel Administration
MoD	Ministry of Defence
MODOs	Medical Officers and Dental Officers
NATO	North Atlantic Treaty Organization
OF	Officer
SAC	Senior Appointments Committee
SDRP	Specially Determined Rate of Pay
SOCR	Senior Officer Compulsory Retirement
VCDS	Vice Chief of the Defence Staff
X-Factor	An addition to military pay that recognises the special conditions of service experienced by members of the Armed Forces compared with civilian employment.

Judiciary

HMCTS	HM Courts and Tribunals Service
JABS	Judicial Appointments Board for Scotland
JAC	Judicial Appointments Commission
JPS22	Judicial Pension Scheme 2022
JUPRA	Judicial Pension Scheme 1993
KC	King's Counsel
MoJ	Ministry of Justice
NJPS	New Judicial Pension Scheme 2015
PCS	Public and Commercial Services Union
SI	Statutory Instrument
UCL	University College London

Senior leaders in the NHS

AfC	Agenda for Change
ALB	Arm's Length Body
BMA	British Medical Association

CQC	Care Quality Commission
DHSC	Department of Health and Social Care
ESM	Executive and Senior Manager
ESR	Electronic Staff Record
ICB	Integrated Care Board
ICS	Integrated Care System
MiP	Managers in Partnership
NHS	National Health Service
NHSP	NHS Providers
NHSE	NHS England
VSM	Very Senior Manager

Police and Crime Commissioners

CPO	Chief Police Officer
PCC	Police and Crime Commissioner

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