



Review Body on  
Senior Salaries

# Forty-Fifth Annual Report on Senior Salaries 2023

REPORT No. 96

*Chair:* Pippa Lambert

Executive Summary



# 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,<sup>1</sup> 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.

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<sup>1</sup> 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<sup>2</sup>  
Sir Adrian Johns KCB CBE DL  
Julian Miller CB<sup>3</sup>  
Ian McCafferty CBE  
Sharon Witherspoon MBE

The Secretariat is provided by the OME.

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<sup>2</sup> Ex Officio: Chair, NHS Pay Review Body

<sup>3</sup> Ex Officio: Chair, Armed Forces' Pay Review Body

# 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.<sup>4</sup> 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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<sup>4</sup> 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.<sup>5</sup> 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.

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<sup>5</sup> 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.